



Shaping Tomorrow



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Unaudited Financial Statements
Third Quarter Ended

March 31 | **2015**

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

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Company Information

Board of Directors

Chairman	Mr. Kemal Shoaib	Independent Chairman
Managing Director & CEO	Mr. Towfiq H. Chinoy	Chief Executive Officer
Directors	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 Financial Officer & Company Secretary External Auditors Chief Internal Auditor Bankers

Mr. Alee Arsalan
KPMG Taseer Hadi & Co.
Mr. Usman Ahmed
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.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.
Samba Bank
Barclays Bank PLC

Legal Advisors Registered Office

Mrs. Sana Shaikh Fikree
101, Beaumont Plaza, 10 Beaumont Road, Karachi – 75530
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Directors' Report

The directors of your company are pleased to present financial statements for the period ended March 31, 2015.

The period under review remained very challenging as a result of a levy of 5% import duty on HRC, our raw material, effective July 1, 2014. A regulatory duty of 5% was imposed during January 2015 on imports of finished goods that we produce that restored status of the duty structure to prior June 2014.

The global steel prices continued to decline as there was excess steel manufacturing capacity, particularly in China, that produces over 50% of world's steel output. 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.

However, there is still only a 5% differential despite a clear understanding from government to maintain a 10% difference in import duty between raw material and finished products.

Sales were lower than same period last year by 15%. Gross profit remained under pressure owing to higher input cost and continuous decline in steel prices.

The exchange rate fluctuation during the nine months also had an adverse impact and resulted in a net exchange loss. Resultantly, loss after tax for the period was Rs 1 million compared to the profit after tax of Rs 546 million in same period last year.

Your Company made a contribution of Rs 2,824 million to National Exchequer during the period compared to Rs 2,907 million during same period last year.

The expansion projects announced and launched last year are on track and, the company expects to have increased capacity to cold roll 500,000 tons and galvanize 400,000 tons, which will be available by the close of the current financial year. A color coating line was successfully commissioned during the quarter, becoming the first in the country producing color coated steel sheets, providing significant import substitution. The increased capacity after expansion will be sufficient to meet a great deal of the country's demand for flat steel products.

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

Karachi
Dated: 23 April 2015

For & behalf of
International Steels Limited



Kemal Shoaib
Chairman

Condensed Interim Balance Sheet

As at 31 March 2015

	Note	31 March 2015 (Unaudited)	30 June 2014 (Audited)
----- (Rupees in '000) -----			
ASSETS			
Non Current Assets			
Property, plant and equipment	4	12,024,421	9,771,509
Intangible assets		688	3,821
Long term deposit with Central Depository Company Pakistan Limited		100	100
Total Non Current Assets		12,025,209	9,775,430
Current Assets			
Stores and spares		379,055	319,322
Stock-in-trade	5	7,872,368	3,667,240
Receivable from K-Electric Limited (KE) - unsecured, considered good		44,823	49,717
Trade debts - secured, unsecured and considered good	6	904,885	1,185,880
Advances - considered good	7	83,320	266,127
Trade deposits, short term prepayments and other receivables	8	22,640	11,717
Sales tax receivable		119,043	434,380
Taxation - net		1,390,871	1,132,133
Cash and bank balances		35,214	36,560
Total Current Assets		10,852,219	7,103,076
Total Assets		22,877,428	16,878,506
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital 500,000,000 (2014: 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		429,018	856,325
Total Shareholders' Equity		4,779,018	5,206,325
Surplus on revaluation of property, plant and equipment		554,726	563,415
LIABILITIES			
Non Current Liabilities			
Long term finances - secured	9	4,818,983	3,000,990
Staff retirement benefits		14,698	14,698
Deferred taxation - net		325,943	365,480
Total Non Current Liabilities		5,159,624	3,381,168
Current Liabilities			
Trade and other payables	10	4,864,729	1,955,866
Short term borrowings - secured	11	6,518,570	4,876,307
Current portion of long term finances	9	837,377	749,877
Accrued mark-up		163,384	145,548
Total Current Liabilities		12,384,060	7,727,598
Contingency and Commitments	12		
Total Equity and Liabilities		22,877,428	16,878,506

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Aleee Arsalan
Chief Financial Officer
& Company Secretary



Towfiq H. Chinoy
Managing Director &
Chief Executive Officer

Condensed Interim Profit and Loss Account (Unaudited)

For the nine and three months period ended 31 March 2015

	Note	Nine months period ended		Three months period ended	
		31 March 2015	31 March 2014	31 March 2015	31 March 2014
----- (Rupees in '000) -----					
Net sales	13	12,833,971	15,169,465	4,342,300	5,176,819
Cost of sales	14	11,884,824	13,526,847	4,105,936	4,643,539
Gross profit		949,147	1,642,618	236,364	533,280
Administrative expenses	15	113,469	101,836	40,719	31,864
Selling and distribution expenses	16	135,322	104,101	36,226	43,312
		(248,791)	(205,937)	(76,945)	(75,176)
Financial charges	17	830,739	736,675	255,226	191,909
Other operating charges	18	1,818	92,559	(2,340)	73,663
		(832,557)	(829,234)	(252,886)	(265,572)
Other income	19	113,807	47,285	38,129	17,380
(Loss) / Profit before taxation		(18,394)	654,732	(55,338)	209,912
Taxation		17,398	(108,714)	12,133	(38,427)
(Loss) / Profit for the period		(996)	546,018	(43,205)	171,485
----- (Rupees) -----					
Earnings per share - basic and diluted		(0.00)	1.26	(0.10)	0.39

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.



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Director & Chairman
Board Audit Committee



Alee Arsalan
Chief Financial Officer
& Company Secretary



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Managing Director &
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the nine and three months period ended 31 March 2015

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	------(Rupees in '000)-----			
(Loss) / Profit for the period	(996)	546,018	(43,205)	171,485
Other comprehensive income				
Total comprehensive (loss) / income for the period	<u>(996)</u>	<u>546,018</u>	<u>(43,205)</u>	<u>171,485</u>

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.



Tariq Iqbal Khan
Director & Chairman
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& Company Secretary



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Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended 31 March 2015

	Note	Nine months period ended	
		31 March 2015	31 March 2014
------(Rupees in '000)-----			
CASH FLOWS FOR OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(18,394)	654,732
Adjustments for:			
Depreciation		398,608	377,448
Amortisation		3,133	4,422
Gain on disposal of property, plant and equipment		(4,269)	(2,637)
Provision for staff gratuity		9,301	6,540
Provision for compensated absences		2,270	1,375
Financial charges		830,739	736,675
		1,239,782	1,123,823
Movement in working capital	20	(585,220)	(1,910,052)
Net cash generated / (used in) from operations		636,168	(131,497)
Financial charges paid		(812,903)	(738,734)
Gratuity paid		(9,301)	(6,540)
Compensated absences paid		(345)	(1,761)
Taxes paid		(280,877)	(355,052)
		(1,103,426)	(1,102,087)
Net cash used in operating activities		(467,258)	(1,233,584)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(2,672,675)	(156,037)
Proceeds from sale of property, plant and equipment		25,424	8,775
Net cash used in investing activities		(2,647,251)	(147,262)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of long term financing - Net cash used in financing activities		1,905,493	(391,013)
Dividend Paid		(434,593)	-
Net cash generated / (used in) in financing activities		1,470,900	(391,013)
Net decrease in cash and cash equivalents		(1,643,609)	(1,771,859)
Cash and cash equivalents at beginning of the period		(4,839,747)	(4,107,684)
Cash and cash equivalents at end of the period		(6,483,356)	(5,879,543)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances		35,214	37,511
Short-term borrowings		(6,518,570)	(5,917,054)
		(6,483,356)	(5,879,543)

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.



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Director & Chairman
Board Audit Committee



Alee Arsalan
Chief Financial Officer
& Company Secretary



Towfiq H. Chinoy
Managing Director &
Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended 31 March 2015

	Issued, subscribed & paid up capital	Unappropriated profit	Total
----- (Rupees in '000) -----			
Balance as at 01 July 2013	4,350,000	158,093	4,508,093
Profit for the period	-	546,018	546,018
Total other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	546,018	546,018
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	8,690	8,690
Balance as at 31 March 2014	<u>4,350,000</u>	<u>712,801</u>	<u>5,062,801</u>
Balance as at 01 July 2014	4,350,000	856,325	5,206,325
Profit for the period	-	(996)	(996)
Total other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(996)	(996)
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	-	8,689	8,689
Balance as at 31 March 2015	<u>4,350,000</u>	<u>429,018</u>	<u>4,779,018</u>

The annexed notes from 1 to 23 form an integral part of this condensed interim financial information.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Alee Arsalan
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Towfiq H. Chinoy
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Notes to the Condensed Interim Financial Information (Unaudited)

For the nine and three months period ended 31 March 2015

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 the 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 and Galvanized Steel Coils and Sheets. The Company commenced commercial operation 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 2015 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provision 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 2014.

2.1.4 This condensed interim financial information is unaudited and is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange vide section 245 of the Companies Ordinance, 1984.

2.2 Estimates and judgments

In preparing this condensed interim financial information, management make judgments, 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 judgments 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 annual financial statements as at and for the year ended 30 June 2014.

Notes to the Condensed Interim Financial Information (Unaudited)

2.3 Financial risk management

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2014.

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 separate financial statements of the Company as at and for the year ended 30 June 2014. 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. PROPERTY, PLANT AND EQUIPMENT

	Operating Assets	Capital work in progress	Total
	----- (Rupees in '000) -----		
Cost			
Opening balance	10,877,320	351,741	11,229,061
Addition / (disposal) - net	4.1 & 4.2 <u>272,042</u>	<u>2,370,588</u>	<u>2,642,630</u>
	11,149,362	2,722,329	13,871,691
Accumulated depreciation			
Opening balance	1,457,552	-	1,457,552
For the period - net of disposal	<u>389,718</u>	-	<u>389,718</u>
	1,847,270	-	1,847,270
Written down value as at 31 March 2015 (Unaudited)	<u>9,302,092</u>	<u>2,722,329</u>	<u>12,024,421</u>
Written down value as at 30 June 2014 (Audited)	<u>9,419,768</u>	<u>351,741</u>	<u>9,771,509</u>

4.1 Total additions in operating assets amounted to Rs. 302.1 million (30 June 2014: 357.7 million) and disposals amounted to Rs. 30.0 million (30 June 2014: 11.3 million).

4.2 Total additions in capital work in progress amounted to Rs. 2,634.6 million (30 June 2014: 308.9 million) and transfers amounted to Rs. 263.9 million (30 June 2014: 333.3 million).

Notes to the Condensed Interim Financial Information (Unaudited)

		31 March 2015 (Unaudited)	30 June 2014 (Audited)
------(Rupees in '000)-----			
5. STOCK-IN-TRADE			
Raw material	5.1	4,781,398	1,254,244
Work-in-process		1,026,879	1,134,423
Finished goods		2,043,933	1,277,652
Scrap material		20,158	921
		<u>7,872,368</u>	<u>3,667,240</u>
5.1	This includes raw material-in-transit amounted to Rs. 3,089.7 million (30 June 2014: Rs. Nil).		
6. TRADE DEBTS - Secured, unsecured and considered good			
Secured	6.1	895,409	1,169,822
Unsecured		9,476	16,058
		<u>904,885</u>	<u>1,185,880</u>
6.1	This represents trade debts amounting to Rs. 866.7 million (30 June 2014: Rs. 1,145.74 million) on account of export sales, which are secured by way of Export Letters of Credit and Documents of Acceptance. Furthermore, Rs. 28.7 million (30 June 2014: Rs. 24.08 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit and Post Dated Cheques.		
7. ADVANCES - Considered good			
Advances to:			
Considered good			
- to suppliers		82,724	265,627
- to employees		596	500
		<u>83,320</u>	<u>266,127</u>
8. TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits		18,819	5,535
Short term prepayments		3,821	6,182
		<u>22,640</u>	<u>11,717</u>
9. LONG TERM FINANCES - secured			
Long Term Finance Facility (LTFF)	9.1 & 9.2	4,162,936	2,842,684
Long term finance	9.3, 9.4 & 9.5	1,493,424	908,183
		<u>5,656,360</u>	<u>3,750,867</u>
Current maturity of long term finances		<u>(837,377)</u>	<u>(749,877)</u>
		<u>4,818,983</u>	<u>3,000,990</u>

Notes to the Condensed Interim Financial Information (Unaudited)

- 9.1** The syndicated LTFF amounting to Rs. 2,438.6 million (30 June 2014 Rs. 2,842.7 million) 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. It is repayable in sixteen half yearly installments which commenced from March 2011. The rate of mark-up on these finance is 1.5% over SBP rate (30 June 2014: 1.5% over SBP rate).
- 9.2** During the period two tranches of a new bilateral LTFF amounting to Rs. 1,724 million for expansion project are obtained from participating banks 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. It is repayable in sixteen half yearly installments which will commence from December 2016. The rate of mark-up on these finances is 1.0% over SBP rate the remaining portion of LTFF will be drawn at the time of payment against plant and machinery.
- 9.3** Long term Finance amounting to Rs. 393.4 million (30 June 2014: Rs. 608.2 million) are secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and other fixed assets of the Company against ranking charge. It is repayable in eight half yearly installments which commenced from December 2012. The rate of mark-up is 1.25 % 6 months KIBOR (30 June 2014: 1.25% over 6 months KIBOR).
- 9.4** Long term Finance is obtained amounting to Rs. 300 million (30 June 2014: Rs. 300 million) from various banks for plant and machinery and is secured by way of first pari passu charge over the fixed assets of the Company. It is repayable in eight half yearly installments which will commence from June 2015. The rate of mark-up is 1.25% over 6 months KIBOR (30 June 2014: 1.25% over 6 months KIBOR).
- 9.5** During the period additional long term finance facility of Rs. 800 million for expansion project is obtained from a bank for plant and machinery and is secured by way of first pari passu charge over the fixed assets of the Company. It is repayable in ten half yearly installments which will commence from March 2016. The rate of mark-up is 1.0% over 6 months KIBOR.

	31 March 2015 (Unaudited)	30 June 2014 (Audited)
	----- (Rupees in '000) -----	
10. TRADE AND OTHER PAYABLES		
Trade creditors	4,341,171	1,354,184
Payable to provident fund	1,895	1,550
Sales commission payable	18,173	24,316
Accrued expenses	150,542	116,606
Advance from customers	71,930	164,109
Unclaimed dividend	407	-
Provision for infrastructure cess	10.1 269,577	211,800
Provision for government levies	742	742
Short term compensated absences	3,536	1,611
Workers' Profit Participation Fund	-	46,998
Workers' Welfare Fund	687	28,321
Others	6,069	5,629
	<u>4,864,729</u>	<u>1,955,866</u>

- 10.1** This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer.

Notes to the Condensed Interim Financial Information (Unaudited)

		31 March 2015 (Unaudited)	30 June 2014 (Audited)
----- (Rupees in '000) -----			
11. SHORT TERM BORROWINGS - Secured			
Running finance under mark-up arrangement	11.1	3,390,776	979,538
Running finance under FE-25 Import Scheme	11.2	1,321,060	2,093,869
Running finance under Export Refinance Scheme	11.3	1,225,000	612,000
Short term finance under Murabaha and Istisna	11.4	398,009	397,194
Short term finance under running Musharakah	11.5	183,725	793,706
		<u>6,518,570</u>	<u>4,876,307</u>
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 + 0.20% to KIBOR + 1.75% (30 June 2014: KIBOR+0.30% to KIBOR+ 1.75%) per annum. These facilities mature within twelve months and are renewable.		
11.2	The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 available from various commercial banks are for the purpose of meeting import requirements. The rates of mark-up on these finances ranges from 3.00% to 3.85% (30 June 2014: 2.75% to 3.82%) per annum. These facilities mature within six months and are renewable. The facilities availed are for an amount of USD 12.9 million equivalent to Rs. 1,321.1 million (30 June 2014: USD 21.2 million equivalent to Rs. 2,093.9 million).		
11.3	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 SBP Rate + 0.5% to 0.6% per annum (30 June 2014: SBP Rate + 0.5% to 0.6% per annum). This facility matures within six months and is renewable.		
11.4	The Company has obtained facilities for short term finance under Murabaha and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.25% (30 June 2014: KIBOR + 0.30%). This facility matures within six months and is renewable.		
11.5	This represents Islamic Running Musharakah available from a commercial bank for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs. 183.7 million (30 June 2014: Rs. 794 million). It carries mark-up at the rate of 3 months KIBOR + 0.20% (30 June 2014: 3 months KIBOR + 0.45%). This facility matures within one year and is renewable.		
11.6	As at 31 March 2015, the unavailed facilities from the above borrowings amounted to Rs. 3,870 million (30 June 2014: Rs. 5,123.69 million).		
11.7	The above facilities are secured by way of joint and first pari passu charges over current assets of the Company.		

Notes to the Condensed Interim Financial Information (Unaudited)

12. CONTINGENCY AND COMMITMENTS

12.1 Contingency

- 12.1.1** 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 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. 276.50 million (30 June 2014: Rs. 216.50 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 ('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 International Steels Limited. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GIDC applicable on International Steels Limited 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 Honourable 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 and paid.

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. The judgement was referred in the Supreme Court and Supreme Court of Pakistan vide its order dated 22 August 2014 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.

In order to circumvent the decision of the Supreme Court, the Federal Government during the first quarter promulgated GIDC Ordinance No. VI of 2014, imposing GIDC at Rs. 200 per MMBTU for captive power plants and at Rs. 150 per MMBTU for industrial units. The Company, once again filed a Suit against the Ordinance on the plea that the Hon'ble Supreme Court has already held that GIDC or any Fee on Gas is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and thus the Federal Government has no powers to impose GIDC. The Ordinance included the application of GIDC as defined in the Act. In view of Supreme Court's order declaring GIDC as unconstitutional and ultra vires, the Company has not recorded GIDC amounting to Rs. 286.71 million in these condensed interim financial information.

Notes to the Condensed Interim Financial Information (Unaudited)

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. 408.8 million was determined for the tax years 2012, 2013 and 2014.

However, minimum tax liability amounting to Rs. 520.01 million has not been recorded 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.

12.1.4 Guarantee issued by the Company to Sui Southern Gas Company Limited of Rs. 201.65 million (30 June 2014: Rs. 177.2 million) as a security for supply of gas.

12.2 Commitments

12.2.1 Capital expenditure commitments outstanding as at 31 March 2015 amounted to Rs. 266.64 million (30 June 2014: Rs. 2,020.32 million).

12.2.2 Commitments under Letter of Credit and Guarantees for raw materials and spares as at 31 March 2015 amounted to Rs. 4,311.50 million (30 June 2014: Rs. 2,976.72 million).

12.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 March 2015 amounted to Rs. 6,638.50 million (30 June 2014: Rs. 6,503 million) and Rs. 273 million (30 June 2014: Rs. 362.30 million).

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
13. NET SALES	----- (Rupees in 000) -----			
Local	12,675,034	15,543,723	4,598,167	5,033,162
Export	2,149,911	2,136,807	488,826	970,557
	14,824,945	17,680,530	5,086,993	6,003,719
Toll manufacturing	121,453	-	23,757	-
	14,946,398	17,680,530	5,110,750	6,003,719
Sales tax	1,856,935	2,314,842	669,044	745,073
Trade discount	148,093	35,132	85,384	25,755
Sales commission	107,399	161,091	14,022	56,072
	2,112,427	2,511,065	768,450	826,900
	12,833,971	15,169,465	4,342,300	5,176,819

Notes to the Condensed Interim Financial Information (Unaudited)

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
----- (Rupees in 000) -----				
14. COST OF SALES				
Opening stock of raw material and work-in-process	2,388,667	1,218,957	1,897,410	2,772,316
Purchases	12,197,146	15,490,495	5,118,319	5,119,089
Salaries, wages and benefits	205,494	174,959	75,294	60,577
Electricity, gas and water	336,188	332,990	114,031	119,154
Insurance	14,206	15,216	4,981	4,801
Security and janitorial	14,032	12,160	5,128	3,415
Depreciation	340,245	321,588	115,000	108,233
Amortisation	3,071	4,422	122	1,474
Stores and spares consumed	33,533	58,059	13,995	49,560
Repairs and maintenance	52,266	50,817	18,396	25,423
Postage, telephone and stationery	3,192	2,855	914	968
Vehicle, travel and conveyance	12,651	11,769	3,732	4,556
Internal material handling	4,891	3,171	1,739	1,269
Environment controlling expense	795	818	267	248
Computer stationery and software support fees	3,229	2,618	891	972
Others	4,951	6,348	2,143	1,586
Recovery from sale of scrap	(244,922)	(46,320)	(168,437)	(19,359)
	<u>15,369,635</u>	<u>17,660,922</u>	<u>7,203,925</u>	<u>8,254,282</u>
Closing stock of raw material and work-in-process	(2,718,530)	(2,802,270)	(2,718,530)	(2,802,270)
Cost of goods manufactured	<u>12,651,105</u>	<u>14,858,652</u>	<u>4,485,395</u>	<u>5,452,012</u>
Finished goods:				
Opening stock	1,277,652	841,816	1,664,474	1,365,148
Closing stock	(2,043,933)	(2,173,621)	(2,043,933)	(2,173,621)
	<u>(766,281)</u>	<u>(1,331,805)</u>	<u>(379,459)</u>	<u>(808,473)</u>
	<u>11,884,824</u>	<u>13,526,847</u>	<u>4,105,936</u>	<u>4,643,539</u>
15. ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	79,512	72,017	26,571	24,115
Rent, rates and taxes	3,915	3,446	1,453	1,227
Electricity, gas and water	1,078	976	238	226
Insurance	586	586	166	165
Security and janitorial	195	91	60	16
Depreciation	5,694	4,089	3,321	1,352
Printing and stationery	1,095	742	156	135
Postage and communication	459	478	141	158
Vehicle, travel and conveyance	4,226	3,982	1,296	1,966
Legal and professional charges	11,199	10,671	5,326	1,277
Certification and registration charges	418	422	238	216
Directors' fee	1,800	1,640	360	400
Others	3,292	2,696	1,393	611
	<u>113,469</u>	<u>101,836</u>	<u>40,719</u>	<u>31,864</u>

Notes to the Condensed Interim Financial Information (Unaudited)

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
16. SELLING AND DISTRIBUTION EXPENSES	----- (Rupees in 000) -----			
Salaries, wages and benefits	33,889	37,589	9,595	12,122
Rent, rates and taxes	4,207	3,658	1,485	1,229
Electricity, gas and water	460	476	115	120
Insurance	565	1,252	144	633
Depreciation	2,006	1,698	755	572
Postage, telephone and stationery	969	762	429	288
Vehicle, travel and conveyance	3,149	2,965	813	750
Freight and forwarding charges	81,615	51,972	18,595	26,354
Advertising and sales promotion	4,827	2,377	2,592	1,146
Others	3,635	1,352	1,703	98
	<u>135,322</u>	<u>104,101</u>	<u>36,226</u>	<u>43,312</u>
17. FINANCIAL CHARGES				
Mark-up on:				
- Long term finances	266,669	266,637	91,567	86,724
- Short term borrowings	387,913	447,374	127,535	109,740
	<u>654,582</u>	<u>714,011</u>	<u>219,102</u>	<u>196,464</u>
Exchange loss / (gain) on FE financing	170,115	19,720	34,462	(5,657)
Bank charges	6,042	2,944	1,662	1,102
	<u>830,739</u>	<u>736,675</u>	<u>255,226</u>	<u>191,909</u>
18. OTHER OPERATING CHARGES				
Auditors' remuneration	1,493	1,909	390	841
Donations	325	2,240	50	1,640
Workers' Profit Participation Fund	-	35,201	(1,986)	11,286
Workers' Welfare Fund	-	14,080	(794)	4,514
Exchange loss - net	-	32,711	-	48,964
Loss on Derivative Financial Instruments	-	6,418	-	6,418
	<u>1,818</u>	<u>92,559</u>	<u>(2,340)</u>	<u>73,663</u>
19. OTHER INCOME				
Income from non-financial assets				
Income from power generation	19.1 34,881	22,408	14,809	9,122
Recovery of shared cost	16,240	15,610	6,360	5,160
Gain on sale of property, plant and equipment	4,269	2,637	449	41
Rent income	1,287	1,287	429	429
Exchange gain - net	41,867	-	14,907	-
Others	15,263	5,343	1,175	2,628
	<u>113,807</u>	<u>47,285</u>	<u>38,129</u>	<u>17,380</u>

Notes to the Condensed Interim Financial Information (Unaudited)

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
----- (Rupees in '000) -----				
19.1 INCOME FROM POWER GENERATION				
Net sales	357,256	356,856	113,126	122,220
Cost of electricity produced	(322,375)	(334,448)	(98,317)	(113,098)
Income from power generation	<u>34,881</u>	<u>22,408</u>	<u>14,809</u>	<u>9,122</u>
20. MOVEMENT IN WORKING CAPITAL			31 March 2015	31 March 2014
			----- (Rupees in 000) -----	
<i>(Increase) / decrease in current assets:</i>				
Stores and spares			(59,733)	(31,048)
Stock in trade			(1,115,381)	(2,359,132)
Receivable from KE			4,894	(12,692)
Trade debts			280,995	(340,700)
Advances			182,807	189,467
Trade deposits, short term prepayments and other receivables			(10,923)	(418)
Sales tax receivable / (payable)			315,337	(487,772)
			<u>(402,004)</u>	<u>(3,042,295)</u>
<i>(Decrease) / Increase in current liabilities:</i>				
Trade and other payables			(183,216)	1,132,243
			<u>(585,220)</u>	<u>(1,910,052)</u>
21. TRANSACTIONS WITH RELATED PARTIES				

The related parties comprise of 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. Details of transactions with related parties are as follows:

Notes to the Condensed Interim Financial Information (Unaudited)

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
----- (Rupees in 000) -----				
Transactions				
Holding Company				
Sales	489,603	1,251,954	10,227	366,613
Purchases	14,301	1,831	7,402	363
Toll Manufacturing	120,930	-	23,234	-
Office rent	7,197	6,543	2,399	2,181
Recovery of shared cost	16,240	15,610	6,360	5,160
Corporate affairs management expenses	2,439	3,326	335	1,422
IT services	-	253	-	253
Purchase of fixed assets	-	490	-	490
Purchase of store items	1,099	-	1,099	-
Associated Companies				
Purchases	9,691,616	8,814,553	3,514,965	3,067,517
Insurance premium expense	21,798	27,960	5,712	662
Insurance claim / adjustments	33,291	-	-	-
Rent income	1,287	1,287	429	429
Donations	-	300	-	-
Building Maintenance expenses	340	-	340	-
Associated Person				
Sales commission expense	3,725	5,590	1,763	3,048
Key Management Personnel				
Remuneration and benefits	97,799	103,485	32,845	32,968
Staff retirement benefits	4,205	4,037	1,453	1,320
Staff Retirement Fund				
Contribution paid - Provident Fund	6,648	5,476	2,326	1,816
Contribution paid - Gratuity Fund	9,301	6,540	3,100	2,180
Balances				
Holding Company				
Advances against sale of goods	-	23,845	-	23,845
Associated Companies				
Trade Creditors	2,328,120	1,361,978	2,328,120	1,361,978
Associated Person				
Sales Commission Payable	2,626	3,233	2,626	3,233

Notes to the Condensed Interim Financial Information (Unaudited)

22. OPERATING SEGMENT

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

22.1 Revenue from sales of steel products represents 97% (30 June 2014: 97%) of total revenue whereas remaining represent revenue from sale of surplus electricity to 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.

22.2 All non current assets of the Company as at 31 March 2015 are located in Pakistan.

22.3 17% of the sales are export sales that are made to customers outside Pakistan.

22.4 Geographical information

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

	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
----- (Rupees in 000) -----				
Domestic sales	12,675,034	15,543,723	4,598,167	5,033,162
Export sales	2,149,911	2,136,807	488,826	970,557
	14			
	<u>14,824,945</u>	<u>17,680,530</u>	<u>5,086,993</u>	<u>6,003,719</u>

22.4.1 The Company exports its products to numerous countries.

23. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors on **23 April 2015**.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Alee Arsalan
Chief Financial Officer
& Company Secretary



Towfiq H. Chinoy
Managing Director &
Chief Executive Officer