



# On a Roll



Shaping Tomorrow

**Unaudited Condensed Interim Financial Statements**  
For the nine months period ended 31 March 2019

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

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## International Steels Limited Company Information

### **Chairman (Non-Executive)**

Mr. Kemal Shoaib

### **Independent Directors**

Mr. Tariq Iqbal Khan  
Mr. Kamran Y. Mirza  
Syed Salim Raza

### **Non-Executive Directors**

Mr. Kamal A. Chinoy  
Mr. Mustapha A. Chinoy  
Mr. Riyaz T. Chinoy  
Mr. Kazuteru Mihara

### **Executive Directors**

Mr. Tawfiq H.Chinoy - Advisor  
Mr. Samir M. Chinoy

### **Chief Executive Officer**

Mr. Yousuf H. Mirza

### **Chief Financial Officer**

Mr. Mujtaba Hussain

### **Company Secretary**

Mr. Salman K. Ghauri

### **Group Chief Internal Auditor**

Ms. Asema Tapal

### **External Auditors**

M/s KPMG Taseer Hadi & Co.

### **Bankers**

Allied Bank Limited  
Bank Al Habib Limited  
Bank Alfalah Limited  
Dubai Islamic Bank Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Industrial and Commercial Bank of China Limited  
MCB Bank Limited  
MCB Islamic Bank Limited  
Meezan Bank Limited  
Samba Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

### **Legal Advisor(s)**

Ms. Sana Shaikh Fikree

### **Registered Office**

101, Beaumont Plaza, 10 Beaumont Road,  
Karachi – 75530  
Phone: +9221-35680045-54, UAN: 021-111-019-019  
Fax: +9221-35680373,  
E-mail: salman.ghauri@isl.com.pk

### **Lahore Office**

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Phone:+9242-37229752-55, UAN:+9242-111-019-019  
Fax: +9242-37249755  
E-mail: lahore@isl.com.pk

### **Islamabad Office**

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

### **Multan Office**

Office No. 708-A, “The United Mall”,  
Plot No. 74, Abdali Road, Multan

### **Factory**

399 - 404, Rehri Road, Landhi, Karachi.  
Phone: +9221-35013104-5  
Fax: +9221-35013108  
E-mail: info@isl.com.pk

### **Website**

www.isl.com.pk

### **Investor Relations Contact**

#### **Shares Registrar**

THK Associates (Pvt.) Ltd  
40-C, Block-6, P.E.C.H.S,  
Off Shahrah-e-Faisal, Karachi  
Phone: +9221-111-000-322  
Fax: +9221-34168271  
E-mail: secretariat@thk.com.pk

#### **Assistant Company Secretary**

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

## International Steels Limited Directors' Report

As at 31 March 2019

The Directors of your company are pleased to present the condensed interim financial statements for the nine month period ended 31st March 2019.

Economic growth is set to decelerate this fiscal year as the country grapples with a large current account deficit, fragile government finances and limited international reserves. Austerity measures to alleviate these problems, coupled with waning investor confidence, are likely to restrain growth. Tightening of Monetary Policy, exchange rate adjustments, reduction in PSDP spending and regulatory measures have impacted domestic economic activity. Macroeconomic challenges in the form of rising inflationary pressures, elevated levels of twin deficits and low foreign exchange reserves have resulted in an increase of policy rate by 50 bps in March 2019 taking the policy rate to 10.75%. In spite of these challenges, your company managed to increase its market share.

Steel prices have shown increased volatility on supply concerns about iron ore. This has resulted in an increase in prices in the short run. However imports from China and Russia continued to increase at significantly lower prices putting pressure on domestic prices. The anti-dumping duties on Company's products could not be enforced due to legal challenges in various High Courts.

In spite of the domestic economic challenges, steel prices decline and import at lower prices, your Company's sales during the nine month period ended 31 March 2019 recorded a growth of 16% at Rs. 40.5 billion as compared to Rs.34.8 billion for the same period last year. The gross margin remained under pressure due to fluctuations in exchange rate and volatility in international steel prices. The finance cost for the quarter increased mainly due to hike in interest rates. These challenges had an impact on margins and profitability of the Company and profit after tax for the nine months period and earnings per share stood at Rs. 2,360 million and Rs. 5.42 per share compared to Rs. 3,234 million and Rs. 7.43 per share for the same period last year.

The Company expanded cold rolled capacity has continued to operate satisfactorily, enabling the Company to meet the demand in both local and international markets as well help the economy in terms of import substitution. The finishing capacity for cold rolled products will be further enhanced with the commissioning of additional annealing furnaces in Q4 2018-19.

### Future Outlook

The domestic manufacturers face tough competition from imported products, particularly from China, Russia and Ukraine. Local manufacturing needs government protection in the form of antidumping duties on imports. ISL has a strong market share and can compete in markets where quality steel is needed. CPEC is a huge demand driver not just in construction industry but in the automotive and other manufacturing industries. Meanwhile, as industries grow and expand, the demand for flat products will grow as well. Having achieved expanded capacity of 1 million tons, the Company is continuously striving to increase its market share by further improving its operational efficiencies, optimizing utilization of its available resources and servicing potential market opportunities. Keeping in view the foregoing, the Company is positive about future prospects and expects to perform well in the ensuing years.

On behalf of Directors, we would like to extend our gratitude to all our stakeholders for their continued support. We also thank management and staff for their commitment, hard work and pray to Almighty Allah for the continued success of your Company.

Dated: 16 April 2019  
Karachi.

For & behalf of  
International Steels Limited




Kemal Shoaib  
Chairman

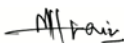
**International Steels Limited**  
**Condensed Interim Statement of Financial Position**

As at 31 March 2019

	Note	31 March 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2018 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	18,991,346	18,262,610
Intangible assets		1,561	2,565
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		<b>18,993,007</b>	<b>18,265,275</b>
<b>Current assets</b>			
Stores and spares		538,551	438,997
Stock-in-trade	6	14,240,363	14,132,742
Trade debts - considered good	7	496,672	644,790
Receivable from K-Electric Limited (KE) - unsecured, considered good		20,994	32,663
Advances, trade deposits and short-term prepayments	8	62,595	65,761
Sales tax receivable		1,990,426	1,485,402
Taxation		181,939	427,137
Cash and bank balances		576,179	99,822
		<b>18,107,719</b>	<b>17,327,314</b>
<b>Total Assets</b>		<b>37,100,726</b>	<b>35,592,589</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 500,000,000 (2018: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Share capital			
Issued, subscribed and paid-up capital		4,350,000	4,350,000
Revenue reserve			
Unappropriated profit		6,950,274	6,532,704
Capital Reserve			
Revaluation surplus on property, plant and equipment		926,985	942,304
<b>Total Shareholders' equity</b>		<b>12,227,259</b>	<b>11,825,008</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing - secured	9	6,503,990	6,768,281
Deferred taxation		1,550,700	1,708,232
		<b>8,054,690</b>	<b>8,476,513</b>
<b>Current liabilities</b>			
Trade and other payables	10	6,078,877	4,503,754
Contract liabilities	11	1,237,229	954,379
Short term borrowings - secured	12	7,598,914	8,462,310
Unpaid dividend		652,500	9,540
Unclaimed dividend		9,234	2,917
Current portion of long term financing - secured	9	1,032,166	1,201,679
Accrued markup		209,857	156,489
		<b>16,818,777</b>	<b>15,291,068</b>
<b>Total liabilities</b>		<b>24,873,467</b>	<b>23,767,581</b>
<b>Contingencies and Commitments</b>	13		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,100,726</b>	<b>35,592,589</b>

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

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer


  
Yousuf H. Mirza  
Chief Executive Officer


**International Steels Limited**  
**Condensed Interim Profit and Loss Account (Un-audited)**


For the nine and three months period ended 31 March 2019

	Note	Nine months period ended		Three months period ended	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (Rupees in '000) -----					
Net sales	14	40,522,480	34,817,652	15,741,585	12,627,981
Cost of sales	15	(35,902,841)	(29,003,643)	(14,188,770)	(10,612,794)
<b>Gross profit</b>		<b>4,619,639</b>	<b>5,814,009</b>	<b>1,552,815</b>	<b>2,015,187</b>
Selling and distribution expenses	16	(470,411)	(316,866)	(227,528)	(110,659)
Administrative expenses	17	(197,824)	(167,811)	(62,639)	(50,932)
		(668,235)	(484,677)	(290,167)	(161,591)
Finance cost	18	(1,009,812)	(357,931)	(417,969)	(125,615)
Other operating expenses	19	(248,234)	(515,448)	(83,801)	(280,175)
		(1,258,046)	(873,379)	(501,770)	(405,790)
Other income	20	124,783	63,172	41,397	31,201
<b>Profit before taxation</b>		<b>2,818,141</b>	<b>4,519,125</b>	<b>802,275</b>	<b>1,479,007</b>
Taxation	21	(458,390)	(1,284,904)	(190,986)	(426,329)
<b>Profit after taxation for the period</b>		<b>2,359,751</b>	<b>3,234,221</b>	<b>611,289</b>	<b>1,052,678</b>
----- (Rupees) -----					
<b>Earnings per share - basic and diluted</b>		<b>5.42</b>	<b>7.43</b>	<b>1.41</b>	<b>2.42</b>

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

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer

  
Yousuf H. Mirza  
Chief Executive Officer

**International Steels Limited**


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

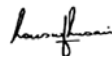
*For the nine and three months period ended 31 March 2019*

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>----- (Rupees in '000) -----</u>			
<b>Profit for the period</b>	<b>2,359,751</b>	3,234,221	<b>611,289</b>	1,052,678
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u><b>2,359,751</b></u>	<u>3,234,221</u>	<u><b>611,289</b></u>	<u>1,052,678</u>

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

  
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Yousuf H. Mirza  
Chief Executive Officer

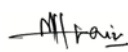
**International Steels Limited**  
**Condensed Interim Cash Flow Statement (Un-audited)**

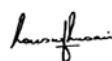
For the nine months period ended 31 March 2019

	Note	Nine months period ended	
		31 March 2019	31 March 2018
----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		2,818,141	4,519,125
<b>Adjustments for:</b>			
Depreciation	5	773,251	629,794
Amortization		1,004	1,004
Gain on disposal of property, plant and equipment	20	(3,104)	(7,164)
Provision for obsolescence against spares		11,811	-
Provision for staff gratuity		14,337	15,723
Provision for compensated absences		5,365	11,120
Income on bank deposits	20	(631)	-
Finance cost	18	1,009,812	357,931
		1,811,845	1,008,408
Changes in working capital	22	1,298,107	(5,708,596)
<b>Cash generated from / (used in) operations</b>		<b>5,928,093</b>	<b>(181,063)</b>
Finance cost paid		(956,444)	(335,836)
Income on bank deposits received		631	-
Payment for staff gratuity		(14,337)	(39,301)
Compensated absences paid		(6,556)	(6,620)
Income tax paid		(370,724)	(431,240)
		(1,347,430)	(812,997)
<b>Net cash generated from / (used in) operating activities</b>		<b>4,580,663</b>	<b>(994,060)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(1,507,564)	(4,196,308)
Proceeds from disposal of property, plant and equipment		8,681	18,202
<b>Net cash used in investing activities</b>		<b>(1,498,883)</b>	<b>(4,178,106)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term financing		500,000	4,100,000
Repayment of long term financing		(933,804)	(1,407,401)
(Repayments of) / proceeds from short term borrowings - net		(402,563)	3,672
Dividend paid		(1,308,223)	(707,834)
<b>Net cash (used in) / generated from financing activities</b>		<b>(2,144,590)</b>	<b>1,988,437</b>
Net increase / (decrease) in cash and cash equivalents		937,190	(3,183,729)
Cash and cash equivalents at beginning of the period		(5,075,660)	(2,378,005)
Cash and cash equivalents at end of the period		<b>(4,138,470)</b>	<b>(5,561,734)</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE OF:</b>			
Cash and bank balances		576,179	11,989
Short term borrowings - running finance (secured)	12	(4,714,649)	(5,573,723)
		<b>(4,138,470)</b>	<b>(5,561,734)</b>

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

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer

  
Yousuf H. Mirza  
Chief Executive Officer




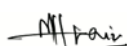
**International Steels Limited**  
**Condensed Interim Statement of Changes in Equity (Un-audited)**

For the nine months period ended 31 March 2019

Note	Issued, subscribed & paid-up capital	Revenue Reserve - Unappropriated profit	Capital Reserve - Revaluation surplus on property, plant and equipment	Total Equity
----- (Rupees in '000) -----				
<b>Balance as at 01 July 2017</b>	4,350,000	3,246,005	958,242	8,554,247
Profit for the period	-	3,234,221	-	3,234,221
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	3,234,221	-	3,234,221
<b>Transactions with owners recorded directly in equity - distributions</b>				
Dividend:				
- Final dividend @ 10.00% (Rs. 1.00 per share) for the year ended 30 June 2017	-	(435,000)	-	(435,000)
- Interim dividend @ 15.00% (Rs. 1.50 per share) for the period ended 31 December 2017	-	(652,500)	-	(652,500)
<b>Total transactions with owners of the Company - distributions</b>	-	(1,087,500)	-	(1,087,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	15,320	(15,320)	-
<b>Balance as at 31 March 2018</b>	<u>4,350,000</u>	<u>5,408,046</u>	<u>942,922</u>	<u>10,700,968</u>
<b>Balance as at 01 July 2018</b>	<b>4,350,000</b>	<b>6,532,704</b>	<b>942,304</b>	<b>11,825,008</b>
Profit for the period	-	2,359,751	-	2,359,751
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,359,751	-	2,359,751
<b>Transactions with owners recorded directly in equity - distributions</b>				
Dividend:				
- Final dividend @ 30.00% (Rs. 3.00 per share) for the year ended 30 June 2018	-	(1,305,000)	-	(1,305,000)
- Interim dividend @ 15.00% (Rs. 1.50 per share) for the period ended 31 December 2018	-	(652,500)	-	(652,500)
<b>Total transactions with owners of the Company - distributions</b>	-	(1,957,500)	-	(1,957,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	15,319	(15,319)	-
<b>Balance as at 31 March 2019</b>	<u>4,350,000</u>	<u>6,950,274</u>	<u>926,985</u>	<u>12,227,259</u>

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

  
**Tariq Iqbal Khan**  
 Director & Chairman  
 Board Audit Committee

  
**Mujtaba Hussain**  
 Chief Financial Officer

  
**Yousuf H. Mirza**  
 Chief Executive Officer

**International Steels Limited**  
**Notes to the Condensed Interim Financial Statements (Un-audited)**

*For the nine months period ended 31 March 2019*

**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 repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011. The Company is subsidiary of International Industries Limited (Holding Company) which holds 245,055,543 (30 June 2018: 245,055,543 shares) shares of the Company as at 31 March 2019 representing 56.3% (30 June 2018: 56.3%) of the shareholding of the Company.

The net assets of the Steel Project Undertaking of International Industries Limited (the Holding Company), amounting to Rs. 4,177.167 million determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on 24 August 2010. In consideration of transferring to and vesting the Steel Project Undertaking in the Company, 417,716,700 fully paid-up ordinary shares were issued at par value to the Holding Company.

The primary activity of the Company is 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 registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.

The manufacturing facility of the Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

**2.2 Basis of measurement**

These condensed interim financial statements has been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligation less fair value of plan assets, freehold land & buildings thereon that are stated at fair values determined by an independent valuer and derivative financial instruments which are stated at fair value.

**2.3 Functional and presentation currency**

These condensed interim financial statements are 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**

**3.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended 30 June 2018 except for the adoption of new standards effective as of 1 July 2018 as referred to in note 3.4 to these condensed interim financial statements.

**3.2 New standards, interpretations and amendments adopted by the Company**

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

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

There are certain new standards, interpretations and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 July 2019. However, currently management considers that these new standards, interpretations and amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

**International Steels Limited**  
**Notes to the Condensed Interim Financial Statement (Un-audited)**

*For the nine months period ended 31 March 2019*

**3.4 Changes in accounting policies**

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

**3.4.1 IFRS 15 'Revenue from Contracts with Customers'**

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

The Company manufactures and contracts with customers for the sale of cold rolled, galvanized and colour coated steel coils and sheets which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised on delivery of products. Delivery occurs when the products have been shipped to / or and delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product either as per the sales contract or lapse of acceptance provision or the Company has objective evidence that all criteria for acceptance have been satisfied. Revenue is measured based on the consideration specified in a contract with a customer, net of estimated sales commission and excludes amounts collected on behalf of third parties.

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

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

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

**3.4.2 IFRS 9 Financial Instruments**

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

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

**Classification and measurement of financial assets and financial liabilities**

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

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

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

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

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

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

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

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

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

**Impairment**

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

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

**4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

- 4.1 The preparation of condensed interim financial statements 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.
- 4.2 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 2018.
- 4.3 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 2018.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Operating assets	Capital work in progress	Total
	(Rupees in '000)		
<b>Cost / revalued amount</b>			
Opening balance	18,784,955	3,551,329	22,336,284
Additions	1,722,009	1,444,977	3,166,986
Disposal / transfer	(11,405)	(1,659,422)	(1,670,827)
	20,495,559	3,336,884	23,832,443
<b>Accumulated depreciation</b>			
Opening balance	(4,073,674)	-	(4,073,674)
Charge for the period	(773,251)	-	(773,251)
Disposal / transfer	5,828	-	5,828
	(4,841,097)	-	(4,841,097)
<b>Written down value as at 31 March 2019 (Un-audited)</b>	<b>15,654,462</b>	<b>3,336,884</b>	<b>18,991,346</b>
Written down value as at 30 June 2018 (Audited)	14,711,281	3,551,329	18,262,610

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		31 March 2019 (Un-audited)	30 June 2018 (Audited)
------(Rupees in '000)-----			
<b>6. STOCK-IN-TRADE</b>			
Raw material - in hand		3,195,300	5,930,245
- in transit		3,050,988	4,453,970
Work-in-process		2,442,623	1,187,243
Finished goods		5,417,335	2,504,609
By Products		7,817	7,292
Scrap material		126,300	49,383
		<u>14,240,363</u>	<u>14,132,742</u>
<b>7. TRADE DEBTS - considered good</b>			
- Secured	7.1	115,446	183,933
- Unsecured		381,226	460,857
		<u>496,672</u>	<u>644,790</u>
<b>7.1</b>	Related party from whom debt is due is as under:		
	-Sumitomo Corporation	-	43,320
<b>8. ADVANCES, TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Advances to suppliers- considered good		20,893	29,629
Trade deposits		19,421	10,904
Margin against shipping guarantee		-	13,949
Short term prepayments		22,281	11,279
		<u>62,595</u>	<u>65,761</u>
<b>9. LONG TERM FINANCES - secured</b>			
<i>Conventional</i>			
Long Term Finance Facility (LTFF)	9.1	1,495,878	1,708,848
Long term finance	9.2 & 9.3	311,111	544,445
<i>Islamic</i>			
Long term finance	9.4, 9.5, 9.6 & 9.7	5,729,167	5,716,667
		7,536,156	7,969,960
Current portion of long term finances shown under current liabilities			
<i>Conventional</i>			
Long Term Finance Facility (LTFF)		(237,721)	(240,568)
Long term finance		(177,778)	(277,778)
<i>Islamic</i>			
Long term finance		(616,667)	(683,333)
		<u>(1,032,166)</u>	<u>(1,201,679)</u>
		<u>6,503,990</u>	<u>6,768,281</u>
<b>9.1</b>	This finance has been obtained from commercial banks and is secured by way of pari passu charge over fixed assets of the Company.		
<b>9.2</b>	Long term finance amounting to Rs. 311.11 million (30 June 2018: Rs. 444 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.		
<b>9.3</b>	Long term finance amounting to Rs. nil (30 June 2018: Rs.100 million) was obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.		
<b>9.4</b>	Long term finance amounting to Rs. 312.5 million (30 June 2018: Rs.500 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.		

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- 9.5** Long term finance amounting to Rs. 166.67 million (30 June 2018: 416.67 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.6** Long term finance amounting to Rs. 450 million (30 June 2018: 500 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.
- 9.7** Long term finance amounting to Rs. 4,800 million (30 June 2018: 4,300 million) has been obtained from Islamic window of a commercial bank and is secured by way of ranking charge over fixed assets of the Company.

		<b>31 March 2019 (Un-audited)</b>	30 June 2018 (Audited)
----- (Rupees in '000) -----			
<b>10. TRADE AND OTHER PAYABLES</b>			
Trade creditors	10.1	<b>2,832,525</b>	2,029,925
Payable to provident fund		<b>641</b>	3,164
Accrued expenses		<b>1,741,130</b>	1,360,709
Provision for infrastructure cess	10.2	<b>981,893</b>	774,813
Provision for government levies		<b>328</b>	230
Short term compensated absences		<b>10,737</b>	11,928
Workers' Profit Participation Fund		<b>151,571</b>	24,171
Workers' Welfare Fund		<b>325,970</b>	265,342
Others		<b>34,082</b>	33,472
		<b><u>6,078,877</u></b>	<u>4,503,754</u>
<b>10.1</b> Related party to whom payment is due is as under:			
-Sumitomo Corporation		<b><u>744,337</u></b>	<u>1,072,790</u>
<b>10.2 Movement of infrastructure cess</b>			
Opening balance		<b>774,813</b>	519,204
Provided during the period		<b><u>207,080</u></b>	<u>255,609</u>
Closing balance		<b><u>981,893</u></b>	<u>774,813</u>
<b>11 CONTRACT LIABILITIES</b>			
Sales commission payable		<b>70,826</b>	60,868
Advances from customers	11.1	<b><u>1,166,403</u></b>	<u>893,511</u>
		<b><u>1,237,229</u></b>	<u>954,379</u>
<b>11.1</b> Advance from customers are unsecured and includes Rs. 1.25 million (30 June 2018: Rs. 0.18 million) received from a related party for supply of finished goods.			
<b>12. SHORT TERM BORROWINGS - secured</b>			
<i>Conventional</i>			
Running finance under mark-up arrangement	12.1	<b>3,935,649</b>	3,919,725
Running finance under Export Refinance Scheme	12.2	<b>1,984,265</b>	1,861,675
<i>Islamic</i>			
Short term finance under Running Musharakah	12.3	<b>779,000</b>	1,255,757
Short term finance under Term Musharakah	12.4	<b><u>900,000</u></b>	<u>1,425,153</u>
		<b><u>7,598,914</u></b>	<u>8,462,310</u>

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- 12.1** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rate of mark-up on these finances ranges from 10.71% to 12.05% (30 June 2018: 6.62% to 8.42%) per annum.
- 12.2** The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility ranges from 2.50% to 3% (30 June 2018: 2.1% to 2.15%) per annum.
- 12.3** The Company has obtained facilities for short term finance under Running Musharakah. The rate of mark-up ranges from 10.71% to 10.86% (30 June 2018: 6.34% to 6.63%) per annum. This facility matures within twelve months and is renewable.
- 12.4** The Company has obtained facilities for short term finance under Term Musharakah. The rate of mark-up ranges from 8.37% to 11.05% (30 June 2018: 6.09% to 6.47%) per annum. This facility matures within twelve months and is renewable.
- 12.5** As at 31 March 2019, the unavailed facilities from the above borrowings amounted to Rs. 14,260 million (30 June 2018: Rs. 4,594 million).
- 12.6** The above facilities are secured by way of joint pari passu charge and ranking charge over current and future moveable assets of the Company.

**13. CONTINGENCIES AND COMMITMENTS**

**13.1 Contingencies**

**13.1.1** The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Sindh High Court on petition filed by the petitioner, 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 / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs. 1,011.5 million (30 June 2018: Rs. 791.5 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 10.2). Subsequently through Sindh Finance Act 2015 and 2016, the legislation has doubled the rate of Sindh infrastructure cess. The Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.

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

During 2015, the 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 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in these condensed interim financial statements. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the Sindh High Court held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of Sindh High Court was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. Such decision has been challenged on appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending. In light of aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 912.34 million (30 June 2018: Rs. 850 million) pertaining to period from 01 July 2011 to 31 March 2019 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

**13.1.3** Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs. 600 Per MMBTU vide its notification dated 30 December 2016, increasing the rate by Rs. 112 per MMBTU disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay, subject to submission of security for the differential amount with the Nazir of the court. The Company has issued cheques amounting to Rs. 424.8 million (2018: Rs. 348.3 million) in favour of the Nazir of the Court upto September 2018. The Company, on prudent basis, has also accrued this amount in these condensed interim financial statements. OGRA has further revised the gas tariff to Rs. 780 per MMBTU vide its notification dated 04 October 2018, further increasing the rate by Rs. 180 per MMBTU. The Company has filed a

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petition before the court challenging such further revision and the matter is partially heard. Pending the decision on the matter, the Company is settling the bills at the revised rate.

- 13.1.4** Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement. A similar view is likely to be taken in this case as well where the liability will have to be discharged in the respective province.
- 13.1.5** The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% sales tax. A Constitutional Petition in the Sindh High Court (SHC) has been filed on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 were implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The Court granted a stay order by allowing Company's exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (30 June 2018: Rs. 2.65 million) (i.e. value of disputed sales tax amount) before the Nazir of the Court. On 30 October 2015 the tax authority issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan do not attract the levy of sales tax. The same has already been filed before the Court and disposal of the case along with return of the said bank guarantees is awaited.
- 13.1.6** Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 404.67 million (30 June 2018: Rs. 269.74 million) as a security for supply of gas.
- 13.1.7** Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 53 million (30 June 2018: Rs. 12 million).
- 13.1.8** Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (30 June 2018: Rs. 8.67 million).
- 13.1.9** Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. 79.30 million (30 June 2018: Rs. 21.80 million).
- 13.1.10** Guarantees issued in favour of Nazir High Court issued by bank on behalf of the Company amounted to Rs. 2.65 million (30 June 2018: Rs. 2.65 million).
- 13.1.11** Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs. 4.39 million (30 June 2018: Rs. 4.61 million).
- 13.2 Commitments**
- 13.2.1** Capital expenditure commitments outstanding as at 31 March 2019 amounted to Rs. 443.05 million (30 June 2018: Rs. 581.3 million).
- 13.2.2** Commitments under Letters of Credit for raw materials and spares as at 31 March 2019 amounted to Rs. 8,653.6 million (30 June 2018: Rs. 9,538 million).
- 13.2.3** The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 March 2019 amounted to Rs. 14,853 million (30 June 2018: Rs. 10,199.52 million) and Rs. 1,236 million (30 June 2018: Rs. 59.31 million) respectively.

14. NET SALES	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
Local	45,280,014	37,531,783	17,290,070	13,683,467
Export	2,582,376	3,345,768	1,251,536	1,139,035
	<b>47,862,390</b>	<b>40,877,551</b>	<b>18,541,606</b>	<b>14,822,502</b>
Sales tax	(6,802,791)	(5,625,974)	(2,595,224)	(2,045,365)
Trade discounts	(28,063)	(26,115)	(6,413)	(9,032)
Sales commission	(509,056)	(407,810)	(198,384)	(140,124)
	<b>(7,339,910)</b>	<b>(6,059,899)</b>	<b>(2,800,021)</b>	<b>(2,194,521)</b>
	<b>40,522,480</b>	<b>34,817,652</b>	<b>15,741,585</b>	<b>12,627,981</b>



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**14.1 DISAGGREGATION OF REVENUE**

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

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

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (Un-audited) -----				
----- (Rupees in '000) -----				
<b>Primary geographical markets:</b>				
Local	37,940,104	31,471,884	14,490,049	11,488,946
United States	1,022,532	1,347,247	351,957	1,347,247
Africa	222,002	600,571	106,031	600,571
Afghanistan	279,138	611,359	150,468	611,359
Middle East	515,111	508,884	327,426	508,884
Others	543,593	277,707	315,654	(1,929,026)
	<b>40,522,480</b>	<b>34,817,652</b>	<b>15,741,585</b>	<b>12,627,981</b>
<b>Major Product Lines:</b>				
Cold Rolled	14,268,653	11,837,922	6,558,630	4,367,037
Galvanized Product	25,977,654	22,488,693	9,083,023	7,908,202
Bi-product	276,173	491,037	99,932	352,742
	<b>40,522,480</b>	<b>34,817,652</b>	<b>15,741,585</b>	<b>12,627,981</b>

**15. COST OF SALES**

Opening stock of raw material and work-in-process	7,117,488	4,219,066	6,463,401	3,186,413
Purchases	36,836,179	32,375,093	13,589,336	17,055,474
Salaries, wages and benefits	414,502	342,043	139,171	115,152
Electricity, gas and water	997,766	748,944	354,231	267,623
Insurance	20,246	14,792	3,501	4,039
Security and janitorial	21,709	16,103	7,733	4,869
Depreciation and amortisation	692,699	560,387	246,721	185,930
Stores and spares consumed	89,621	67,052	30,840	17,420
Provision for obsolescence against spares	11,811	-	2,933	-
Repairs and maintenance	78,616	61,494	30,592	17,832
Postage, telephone and stationery	5,841	4,918	1,631	1,833
Vehicle, travel and conveyance	25,593	10,138	6,541	4,439
Internal material handling	37,082	8,596	14,192	2,012
Environment controlling expense	1,764	1,347	461	393
Computer stationery and software support fees	4,591	3,801	1,546	1,275
Sundries	12,961	8,495	3,788	1,826
Recovery from sale of scrap	(1,837,537)	(1,138,039)	(835,021)	(402,683)
	<b>44,530,932</b>	<b>37,304,230</b>	<b>20,061,597</b>	<b>20,463,847</b>
Closing stock of raw material and work-in-process	(5,637,923)	(9,398,998)	(5,637,923)	(9,398,998)
Cost of goods manufactured	<b>38,893,009</b>	<b>27,905,232</b>	<b>14,423,674</b>	<b>11,064,849</b>
<i>Finished goods:</i>				
Opening stock	2,561,284	3,505,587	5,316,548	1,955,121
Closing stock	(5,551,452)	(2,407,176)	(5,551,452)	(2,407,176)
	<b>(2,990,168)</b>	<b>1,098,411</b>	<b>(234,904)</b>	<b>(452,055)</b>
	<b>35,902,841</b>	<b>29,003,643</b>	<b>14,188,770</b>	<b>10,612,794</b>

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	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	(Un-audited)			
	(Rupees in '000)			
<b>16. SELLING AND DISTRIBUTION EXPENSES</b>				
Salaries, wages and benefits	69,004	59,057	25,576	19,389
Rent, rates and taxes	22,140	8,540	11,472	2,905
Electricity, gas and water	2,005	1,861	493	436
Insurance	994	569	439	165
Depreciation	5,743	4,790	1,958	1,704
Postage, telephone and stationery	2,988	2,053	1,528	1,098
Vehicle, travel and conveyance	20,016	10,238	4,387	3,601
Freight and forwarding charges	256,471	186,988	145,204	59,913
Sales promotion	83,923	36,179	32,190	19,359
Others	7,127	6,591	4,278	2,089
	<u>470,411</u>	<u>316,866</u>	<u>227,528</u>	<u>110,659</u>
<b>17. ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and benefits	114,619	103,727	36,895	31,861
Rent, rates and taxes	3,602	3,696	1,135	1,209
Electricity, gas and water	1,693	1,592	416	330
Insurance	1,981	1,547	796	601
Security and janitorial services	484	395	197	114
Depreciation	4,454	4,439	1,543	1,445
Printing and stationery	4,503	4,393	293	576
Postage and communication	1,111	1,831	262	243
Vehicle, travel and conveyance	6,718	5,355	2,328	1,886
Legal and professional charges	45,630	27,320	15,128	8,385
Certification and registration charges	3,100	3,591	572	33
Directors' fee	3,525	2,850	1,350	750
Others	6,404	7,075	1,724	3,499
	<u>197,824</u>	<u>167,811</u>	<u>62,639</u>	<u>50,932</u>
<b>18. FINANCE COST</b>				
Conventional				
- Interest on long term finances	84,847	121,633	30,130	36,887
- Interest on short term borrowings	499,872	100,983	184,575	41,353
	584,719	222,616	214,705	78,240
Islamic				
- Mark-up on long term finances	284,317	82,747	136,361	26,846
- Mark-up on short term borrowings	131,889	47,427	65,862	17,723
	416,206	130,174	202,223	44,569
Interest on Workers' Profit Participation Fund	1,053	-	-	-
Bank charges	7,834	5,141	1,041	2,806
	<u>1,009,812</u>	<u>357,931</u>	<u>417,969</u>	<u>125,615</u>
<b>19. OTHER OPERATING EXPENSES</b>				
Auditors' remuneration	2,259	1,802	362	454
Donations	33,777	47,900	23,053	28,100
Workers' Welfare Fund	60,628	97,185	17,253	31,806
Workers' Profit Participation Fund	151,570	242,964	43,133	79,517
Loss on derivative financial instruments	-	2,054	-	-
Exchange loss	-	123,543	-	140,298
	<u>248,234</u>	<u>515,448</u>	<u>83,801</u>	<u>280,175</u>

**International Steels Limited**  
**Notes to the Condensed Interim Financial Statement (Un-audited)**

For the nine months period ended 31 March 2019

Note	Nine months period ended		Three months period ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	(Un-audited)			
	(Rupees in '000)			
<b>20. OTHER INCOME</b>				
Income from power generation 20.1	18,227	23,945	8,206	4,705
Gain on sale of property, plant and equipment	3,104	7,164	1,521	4,740
Rental income	1,461	1,455	487	484
Exchange gain	65,911	-	10,024	-
Others	35,449	30,608	20,588	21,272
Income on bank deposit - conventional	631	-	571	-
	<u>124,783</u>	<u>63,172</u>	<u>41,397</u>	<u>31,201</u>
<b>20.1 Income from power generation</b>				
Net sales	291,477	319,239	87,864	100,872
Cost of electricity produced	(273,250)	(295,294)	(79,658)	(96,167)
	<u>18,227</u>	<u>23,945</u>	<u>8,206</u>	<u>4,705</u>

**21. TAXATION**

- Current	(615,922)	(1,084,744)	(242,990)	(373,765)
- Prior	-	(10,850)	-	(3,000)
- Deferred	157,532	(189,310)	52,004	(49,564)
	<u>(458,390)</u>	<u>(1,284,904)</u>	<u>(190,986)</u>	<u>(426,329)</u>

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

22. CHANGES IN WORKING CAPITAL	31 March	31 March
	2019	2018
	(Un-audited)	
	(Rupees in '000)	
<i>(Increase) / decrease in current assets:</i>		
Stores and spares	(111,365)	(92,887)
Stock-in-trade	(107,621)	(4,081,521)
Receivable from K-Electric Limited	11,669	4,250
Trade debts	148,118	(1,515)
Advances, trade deposits and short-term prepayments	3,166	(27,364)
Sales tax receivable	(505,024)	(681,859)
	<u>(561,057)</u>	<u>(4,880,896)</u>
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	1,859,164	(827,700)
	<u>1,298,107</u>	<u>(5,708,596)</u>

**23. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise the Holding Company, 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 are entered into at commercial terms, approved policy and at rates agreed under a contract / arrangement / agreement. 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 engagement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement. Rental income is recognized on straight line basis over the term of the respective lease agreement.

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

**International Steels Limited**  
**Notes to the Condensed Interim Financial Statement (Un-audited)**  
For the nine months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	(Un-audited)			
	(Rupees in '000)			
<b>TRANSACTIONS</b>				
<b>Holding company</b>				
Sales	6,495,527	6,535,433	2,533,510	3,010,713
Purchases	16,895	228,593	2,036	24,263
Rent	18,036	6,057	10,196	2,019
Shared resources cost	57,622	58,196	16,663	24,823
Reimbursement of expenses	5,737	4,205	2,280	879
Partial manufacturing - sales	54	23	0	-
Dividend paid	735,167	245,056	735,167	-
<b>Other related parties</b>				
Sales	431,947	938,331	45,677	216,182
Purchases	32,065,419	22,667,442	9,471,173	12,984,073
Dividend paid	118,433	39,478	-	-
Rental income	1,461	1,455	487	484
Reimbursement of expenses	1,376	-	659	-
Services*	54,944	45,281	6,855	19,742
Remuneration to Key Management Personnel	184,685	188,956	59,028	60,947
Payment to staff retirement funds	36,163	55,157	14,187	11,358


\* Services includes premium against insurance policies


**24. OPERATING SEGMENTS**

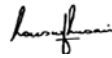
- 24.1** These condensed interim financial statements has been prepared on the basis of a single reportable segment.
- 24.2** Revenue from sales of steel products represents 99% (30 June 2018: 99%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (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 Cold Rolling, Galvanizing and Colour Coating Plants and currently any excess electricity is sold to KE.
- 24.3** 95% (30 June 2018: 92%) of sales of steel sheets are domestic sales whereas 5% (30 June 2018: 8%) of sales are export sales.

**25. GENERAL**

- 25.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. There have been no significant rearrangements and reclassifications in these condensed interim financial statements.
- 25.2** These condensed interim financial statements was authorised for issue by the Board of Directors on 16 April 2019.

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Mujtaba Hussain  
Chief Financial Officer

  
Yousuf H. Mirza  
Chief Executive Officer