Balance Sheet

As at 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Non Current Assets			
Property, plant and equipment	4	12,332,043	9,771,509
Intangible assets	5	551	3,821
Long term deposit with Central Depository Company Pakistan Limited		100	100
Total Non Current Assets		12,332,694	9,775,430
Current Assets			
Stores and spares	6	349,577	319,322
Stock-in-trade	7	4,437,944	3,667,240
Receivable from K-Electric Limited (KE) - unsecured, considered good		56,895	49,717
Trade debts - secured, unsecured and considered good	8	362,464	1,185,880
Advances - considered good	9	47,918	266,127
Trade deposits and prepayments	10	15,135	11,717
Sales tax receivable		38,295	434,380
Taxation - net	11	1,396,122	1,132,133
Cash and bank balances	12	37,731	36,560
Total Current Assets		6,742,081	7,103,076
Total assets		19,074,775	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	13	4,350,000	4,350,000
Unappropriated profit		628,114	856,325
Total shareholders' equity		4,978,114	5,206,325
Surplus on revaluation of property, plant and equipment - net of tax	14	551,828	563,415
LIABILITIES			
Non Current Liabilities			
Long term finances - secured	15	5,740,767	3,000,990
Staff retirement benefits	30	20,686	14,698
Deferred taxation-net	16	371,243	365,480
Total Non Current Liabilities		6,132,696	3,381,168
Current Liabilities			
Trade and other payables	17	2,280,259	1,955,866
Short term borrowings - secured	18	4,069,462	4,876,307
Current portion of long term finances	15	849,878	749,877
Accrued mark-up		212,538	145,548
Total Current Liabilities		7,412,137	7,727,598
Contingencies and Commitments	19		
Total Equity and Liabilities		19,074,775	16,878,506

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan	**Alee Arsalan**	**Towfiq H. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Managing Director & Chief Executive Officer

Profit and Loss Account

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
Net sales	20	17,938,077	21,291,115
Cost of sales	21	(16,452,775)	(19,043,439)
Gross profit		1,485,302	2,247,676
Administrative expenses	22	(168,022)	(135,116)
Selling and distribution expenses	23	(167,707)	(142,512)
		(335,729)	(277,628)
Financial charges	24	(1,028,277)	(981,530)
Other operating charges	25	(22,119)	(186,177)
		(1,050,396)	(1,167,707)
Other income	26	136,368	71,825
Profit before taxation		235,545	874,166
Taxation - net	27	(33,765)	(184,431)
Profit for the year		201,780	689,735
		(Rupees)	
Earnings per share - basic and diluted	28	0.46	1.59

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive
Officer

Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
Profit for the year		201,780	689,735
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability		(9,674)	(4,851)
Recognition of tax		3,096	1,601
Total other comprehensive income - net of tax		(6,578)	(3,250)
Total comprehensive income for the year		195,202	686,485

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive
Officer

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		235,545	874,166
Adjustments for:			
Depreciation		539,205	507,402
Amortisation		3,270	5,896
Gain on sale of property, plant and equipment		(4,284)	(2,669)
Plant and machinery writtenoff		-	8,995
Provision for staff gratuity		8,715	8,720
Provision for compensated absences		12,660	1,791
Financial charges		1,028,277	981,530
		1,823,388	2,385,831
Movement in working capital	29	939,009	(999,942)
Net cash from operations		2,762,397	1,385,889
Payment of compensated absences		(1,512)	(1,763)
Financial charges paid		(961,287)	(993,207)
Gratuity paid		(12,401)	(8,720)
Taxes paid - net		(288,895)	(375,332)
Net cash from operating activities		1,498,302	6,867
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(3,121,573)	(344,078)
Proceeds from sale of property, plant and equipment		26,118	9,426
Net cash used in investing activities		(3,095,455)	(334,652)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / (Repayment) of long term financing - net		2,839,778	(404,278)
Dividend paid		(434,609)	-
Net cash generated from / (used in) financing activities		2,405,169	(404,278)
Net increase / (decrease) in cash and cash equivalents		808,016	(732,063)
Cash and cash equivalents at beginning of the year		(4,839,747)	(4,107,684)
Cash and cash equivalents at end of the year		(4,031,731)	(4,839,747)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	12	37,731	36,560
Short term Borrowings	18	(4,069,462)	(4,876,307)
		(4,031,731)	(4,839,747)

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
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Officer

Statement of Changes in Equity

For the year ended 30 June 2015

	Issued, subscribed & paid up capital	Accumulated profit	Total
	(Rupees in '000)		
Balance as at 01 July 2013	4,350,000	158,093	4,508,093
Profit for the year	-	689,735	689,735
Total other comprehensive income for the year	-	(3,250)	(3,250)
Total comprehensive income for the year	-	686,485	686,485
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	11,747	11,747
Balance as at 30 June 2014	4,350,000	856,325	5,206,325
Balance as at 01 July 2014	4,350,000	856,325	5,206,325
Profit for the year	-	201,780	201,780
Total other comprehensive income for the year	-	(6,578)	(6,578)
Total comprehensive income for the year	-	195,202	195,202
Transaction with owners, recorded directly in equity - Distributions			
Dividend:			
- Final dividend @ 10% (Re. 1 per share) for the year ended 30 June 2014	-	(435,000)	(435,000)
Total transactions with owners of the Company	-	(435,000)	(435,000)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	11,587	11,587
Balance as at 30 June 2015	4,350,000	628,114	4,978,114

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive
Officer

Notes to the Financial Statements

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have 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 and land and buildings that are stated at fair values determined by an independent valuer.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is also the Company's functional currency. All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are described in the following:

- Property, plant and equipment and Intangible assets (notes 3.1 and 3.2).
- Trade debts, advances and other receivables (note 3.3.1.1)
- Inventories (note 3.4)
- Taxation (note 3.5)
- Staff retirement benefits (note 3.6)
- Impairment (note 3.9)

2.5 Standards, amendments and interpretations which became effective during the year

During the year, certain amendments to standards became effective. However, they did not have material effect on these financial statements.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortisation for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 ‘Separate Financial Statements’ (effective for annual periods beginning on or after 01 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company’s financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company’s financial statements.

Annual Improvements 2012-2014 cycles (amendments effective for annual period beginning on or after 01 July 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 ‘Financial Instruments- Disclosures’. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by ‘Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)’ are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 ‘Employee Benefits’. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 ‘Interim Financial Reporting’. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

- IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Operating assets and depreciation

Initial Recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land are stated at revalued amounts and buildings on freehold land are stated at revalued amounts less accumulated depreciation. The costs of Property, plant and equipment include:

(a) its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates;

(b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

(c) Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure (including normal repairs and maintenance)

Expenditure incurred to replace a significant component of an item of plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the profit and loss account as an expense when it is incurred.

Depreciation

Depreciation on all items except for freehold land is charged on straight line method. The rates of depreciation are indicated in note 4.1.

Depreciation on additions to buildings, plant and machinery, furniture, fixture, computer and office equipment and vehicles is charged from the month the asset is available for use up to the month prior to disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Surplus on revaluation

Revaluation of freehold land and buildings on freehold land is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Surplus on revaluation of free hold land and buildings on free hold land is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings.

Gains and losses on disposal

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings.

3.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any and consists of expenditure incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

3.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset.

Infinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

a) These are stated at cost less accumulated amortisation and impairment, if any.

b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 5).

c) Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed-off.

3.3 Financial Instruments

3.3.1 Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when it ceases to be a party to such contractual provisions of the instruments.

3.3.1.1 Trade debts, advances and other receivables

Trade debts, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Other receivables considered irrecoverable are written-off.

3.3.1.2 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and balances with banks. Short term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.3.2 Financial Liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.3.2.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value which is usually the cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the profit and loss account over the period of the borrowings.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

3.3.2.2 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

3.3.3 Derivative financial instruments - other than hedging

Derivatives that do not qualify for hedge accounting are recognised in the balance sheet at estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.3.4 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in profit or loss. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset. The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

3.3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

3.4 Inventories

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of the business less net estimated cost of completion and selling expenses. Scrap is valued at estimated realisable value.

3.5 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability, as applicable, after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.6 Staff retirement benefits

3.6.1 Defined benefit plan

The Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year (except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at one month's basic salary (eligible salary) for each completed year of service. For executives and officers having total service of less than twenty years, the benefit is available at half month's basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at one month's gross salary less conditional allowances (eligible salary) for each completed year of service. The Company's obligation is determined through actuarial valuations carried out under the 'Projected Unit Credit Method'. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognised in profit and loss account. The latest Actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

3.6.2 Defined contribution plan

The Company provides provident fund benefits to all its officers. Equal contributions are made, both by the Company and the employees, at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the profit and loss account.

3.6.3 Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences.

3.7 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the profit and loss account currently.

3.8 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides either with date of shipping bill or upon delivery to customer or its representative, based on terms of arrangement.

- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited (formerly Karachi Electric Supply Company Limited (KESC)).

- Mark-up on bank deposits accounts is recognised on time proportion basis taking into account effective yield.

- Toll manufacturing income is recognised when services are rendered.

3.9 Impairment

3.9.1 Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3.9.2 Non-Financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

3.10 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.11 Segment reporting

Segment results that are reported to the Company's Chief Executive Officer ('CEO') - the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, comprise mainly corporate assets , head office expenses, and tax assets and liabilities. Management has determined that the Company has a single reportable segment and therefore it has only presented entity wide disclosures (refer note 36).

3.12 Dividend and appropriations

Dividend distribution to the Company's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Operating assets	4.1	10,722,479	9,419,768
Capital work-in-progress	4.2	1,609,564	351,741
		12,332,043	9,771,509

4.1 Operating assets

2015

	Cost / Revalued Amount						Depreciation							
	As at 01 July 2014	Additions/ transfers *	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2015	As at 01 July 2014	For the year	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2015	Net book value as at 30 June 2015	Rate %
	(Rupees in '000)													
Freehold land	1,216,875	-	-	-	-	1,216,875	-	-	-	-	-	-	1,216,875	-
Buildings on freehold land *	1,169,752	32,151	-	-	-	1,201,903	61,992	62,081	-	-	-	124,073	1,077,830	3% - 5%
Plant and machinery*	8,383,229	1,788,984	(2,990)	-	-	10,169,223	1,344,423	453,615	-	-	-	1,798,038	8,371,185	3% - 33%
Furniture, fixture, computer and office equipment	35,869	3,747	-	-	(99)	39,517	19,839	6,713	-	-	(99)	26,453	13,064	10% - 33%
Vehicles	71,595	41,908	(50)	-	(30,966)	82,487	31,298	16,796	-	-	(9,132)	38,962	43,525	20%
	10,877,320	1,866,790	(3,040)	-	(31,065)	12,710,005	1,457,552	539,205	-	-	(9,231)	1,987,526	10,722,479	
		1,821,135*												

2014

	Cost / Revalued Amount						Depreciation							
	As at 01 July 2013	Additions/ transfers *	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2014	As at 01 July 2013	For the year	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2014	Net book value as at 30 June 2014	Rate %
	(Rupees in '000)													
Free hold land	1,216,875	-	-	-	-	1,216,875	-	-	-	-	-	-	1,216,875	-
Buildings on freehold land	1,169,752	-	-	-	-	1,169,752	-	61,992	-	-	-	61,992	1,107,760	3% - 5%
Plant and machinery *	8,058,952	333,272	-	(8,995)	-	8,383,229	918,647	425,776	-	-	-	1,344,423	7,038,806	3%-33%
Furniture, fixture, computer and office equipment	29,453	6,452	-	19	(55)	35,869	13,295	6,555	-	-	(11)	19,839	16,030	10% - 33%
Vehicles	55,704	26,844	-	125	(11,078)	71,595	22,585	13,079	-	-	(4,366)	31,298	40,297	20%
	10,530,736	366,568	-	(8,851)	(11,133)	10,877,320	954,527	507,402	-	-	(4,377)	1,457,552	9,419,768	
		333,272*												

* This represents transfers from captial work in progress.

* Includes capital spares having cost of Rs. 135 million (2014: 122 million) and net book value of Rs. 116 million (2014: Rs 111 million) capitalised.

4.2 Capital work-in-progress

	2015				2014			
	Cost As at 01 July 2014	Additions	(Transfers)	As at 30 June 2015	Cost As at 01 July 2013	Additions	(Transfers)	As at 30 June 2014
Building	-	32,151	(32,151)	-	-	-	-	-
Plant and machinery	351,741	3,046,114	(1,788,984)	1,608,871	376,025	308,988	(333,272)	351,741
Furniture, fixture, computer and office equipment	-	693	-	693	-	-	-	-
	351,741	3,078,958	(1,821,135)	1,609,564	376,025	308,988	(333,272)	351,741

4.2.1 Additions to plant and machinery include interest and other charges on loan obtained for expansion project amounting to Rs. 127 million (2014: Nil). Rate of mark-up capitalisation ranges from 5.5% to 11.25% per anum (2014: Nil).

4.3 The depreciation charge for the year has been allocated as follows:

	Note	2015	2014
		(Rupees in '000)	
Cost of sales	21	461,957	432,698
Administrative expenses	22	6,853	5,443
Selling and distribution expenses	23	2,767	2,253
Income from power generation	26.1	67,628	67,008
		539,205	507,402

4.4 The Company had carried out valuation of freehold land and buildings on free hold land as at 30 June 2013. The resulting revaluation surplus was credited to revaluation surplus account net of related tax effect and disclosed in note 14 to the financial statements. The valuation was conducted by an independent valuer who is located in Karachi. Land was valued on the basis of inquiries made about the cost of land of similar nature, size and location. Buildings on freehold land was valued based on the current cost of construction and building finishes, keeping in view the condition of buildings. The resultant surplus on revaluation of land and buildings is not distributable to the shareholders as per requirements of the Companies Ordinance, 1984.

Had these assets been carried at historical cost, at 30 June 2015 the carrying amount would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	836,599	-	836,599
Buildings on freehold land	1,040,735	213,255	827,480
As at 30 June 2015	1,877,334	213,255	1,664,079
As at 30 June 2014	1,845,183	168,214	1,676,969

4.5 Details of property, plant and equipment disposed-off during the year are:

	Original cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
	(Rupees)					
Computers						
Laptop	99,175	99,174	1	43,000	Insurance Claim	Jubilee General Insurance
	99,175	99,174	1	43,000		
Vehicles						
Suzuki Mehran	667,139	111,190	555,949	617,000	Negotiation	Mr. S.Riaz Ahmed
Suzuki Cultus	990,000	313,500	676,500	925,000	Negotiation	Mr. S.Riaz Ahmed
Suzuki Cultus	868,000	694,399	173,601	800,000	Negotiation	Al- Ghani Motors
Toyota Corolla	1,888,163	1,888,162	1	1,265,000	Negotiation	Mr. S.Riaz Ahmed
Honda City	1,198,163	1,198,162	1	925,000	As per Company Policy	Mr. Muhammad Ateequllah
Suzuki Cultus	824,163	824,162	1	459,000	As per Company Policy	Major (Retired) Imtiaz Haider
Suzuki Mehran	494,000	354,033	139,967	375,000	Negotiation	Mrs. Safiha Javed
Toyota Corolla	1,414,000	1,249,032	164,968	1,215,000	Negotiation	Mr. S.Riaz Ahmed
Toyota Land Cruiser	21,603,422	2,160,342	19,443,080	18,799,845	Negotiation	Toyota Defence Motors
Suzuki Cultus	1,019,000	339,666	679,334	693,750	Insurance Claim	Jubilee General Insurance
	30,966,050	9,132,648	21,833,402	26,074,595		
Grand total	31,065,225	9,231,822	21,833,403	26,117,595		

5 INTANGIBLE ASSETS

	2015							
	Cost			Amortisation			Net book value as at 30 June 2015	Rate % / Life
	As at 01 July 2014	Additions	As at 30 June 2015	As at 01 July 2014	For the Year	As at 30 June 2015		
	(Rupees in '000)							
Computer software	17,691	-	17,691	13,870	3,270	17,140	551	33% / 3 years
Computer software as at 30 June 2014	16,041	1,650	17,691	7,974	5,896	13,870	3,821	33% / 3 years

5.1 Total amount of amortisation has been charged to cost of sales in these financial statements.

6 STORES AND SPARES

	Note	2015	2014
		(Rupees in '000)	
Stores		114,215	117,636
Spares		231,115	198,825
Loose tools		4,247	2,861
		349,577	319,322

7 STOCK-IN-TRADE

Raw material - in hand		2,211,014	1,254,244
Raw material - in transit		294,169	-
Work-in-process		365,261	1,134,423
Finished goods		1,552,343	1,277,652
Scrap Material		15,157	921
		4,437,944	3,667,240

8 TRADE DEBTS - secured, unsecured and considered good

- Secured	8.1	337,940	1,169,822
- Unsecured		24,524	16,058
		362,464	1,185,880

8.1 This represents trade debts arising on account of export sales of Rs. 297.05 million (2014: Rs. 1,145.74 million) which are secured by way of Export Letters of Credit and Documents of Acceptance and Rs. 40.89 million (2014: Rs. 24.08 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit.

9 ADVANCES - Considered good

	Note	2015	2014
		(Rupees in '000)	
Advances:			
- to suppliers		47,918	265,627
- to employees		-	500
		47,918	266,127

10 TRADE DEPOSITS AND PREPAYMENTS

Trade deposits		11,067	5,535
Short term prepayments		4,068	6,182
		15,135	11,717

11 TAXATION - NET

	Note	2015	2014
		(Rupees in '000)	
Tax receivable as at 01 July		1,132,133	787,216
Tax payments / adjustments during the year - net of refund		288,895	375,332
		1,421,028	1,162,548
Less: Provision for tax - current year	27	(24,906)	(30,415)
		1,396,122	1,132,133

12 CASH AND BANK BALANCES

	Note	2015	2014
Cash in hand		52	-
Cash at bank - current accounts in local currency	12.1	30,312	34,292
- deposit accounts in foreign currency	12.2	7,367	2,268
		37,731	36,560

12.1 Deposits in current account include Rs. 0.29 million maintained with a Bank (related party).

12.2 Mark-up rate on deposit account ranges from 6% to 9% per anum (2014: 7% to 9% per anum).

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
(Rupees in '000)			(Rupees in '000)	
30,000	30,000	Fully paid ordinary shares of Rs. 10 each issued for cash	300	300
417,716,700	417,716,700	Fully paid ordinary shares of Rs. 10 each issued against transfer of net assets	4,177,167	4,177,167
17,253,300	17,253,300	Fully paid ordinary shares of Rs. 10 each issued as right shares	172,533	172,533
435,000,000	435,000,000		4,350,000	4,350,000

13.1 As at 30 June 2015, the Holding Company and other associates held 245,055,543 (2014: 245,055,543) and 79,936,457 (2014: 79,936,457) ordinary shares respectively of Rs. 10 each.

14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	(Rupees in '000)	
Freehold land		
Balance as at 01 July	380,276	380,276
	380,276	380,276
Buildings on freehold land		
Balance as at 01 July	267,390	284,505
Transferred to retained earnings in respect of incremental depreciation charged during the year	(17,040)	(17,115)
Related deferred tax liability	(78,798)	(84,251)
	171,552	183,139
	551,828	563,415

15 LONG TERM FINANCES - secured

	Note	2015	2014
		(Rupees in '000)	
Long-term finances utilised under mark-up arrangements	15.1	6,590,645	3,750,867
Current portion of long term finances shown under current liabilities		(849,878)	(749,877)
		5,740,767	3,000,990

15.1 Long term finances utilised under mark-up arrangements

		Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2015	2014
		(Rupees in '000)					(Rupees in '000)	
i)	**Syndicated Term Financing under LTFF Scheme** - Local currency Assistance for plant and machinery of Cold Rolled and Galvanized Sheet Project (note 15.1.1)	4,000,000	9,376,178	16 half yearly instalments 19-Mar-11	11-Jun-21	1.50% over SBP Refinance rate	2,341,715	2,842,684
ii)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.2)	1,790,721	4,675,000	32 quarterly instalments 16-Jul-14	22-Dec-24	1.00% over SBP Refinance rate	1,790,747	-
iii)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.3)	900,000	1,263,602	8 half yearly 27-Dec-12	2-Oct-17	1.25% over 6 months KIBOR	383,183	608,183
iv)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.4)	300,000	406,886	8 half yearly instalments 2-Jun-15	18-Apr-19	1.25% over 6 months KIBOR	275,000	300,000
v)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.5)	800,000	1,580,037	20 quarterly instalments 30-Nov-15	1-Aug-20	1.00% over 6 months KIBOR	800,000	-
vi)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.6)	1,000,000	1,743,300	08 half yearly instalments 26-Dec-16	26-Jun-20	0.20% over 6 months KIBOR	1,000,000	-
							6,590,645	3,750,867

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

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

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

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

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

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

16 DEFERRED TAXATION - net

Deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:

	2015				
	Opening	Charge / (reversal)	Recognised in other comprehensive income	Adjustment in surplus on revaluation	Closing
	(Rupees in '000)				
Taxable temporary difference					
Accelerated tax depreciation	1,712,419	(75,170)	-	-	1,637,249
Deductible temporary differences					
Provision for unavailed leaves	(508)	(855)	-	-	(1,363)
Staff retirement benefits	(4,949)	-	(3,096)	-	(8,045)
Unrealised exchange losses	(4,716)	4,692	-	-	(24)
Pre-commencement expenditure	(5,234)	5,234	-	-	-
Tax loss	(1,331,532)	74,958	-	-	(1,256,574)
	365,480	8,859	(3,096)	-	371,243

	2014				
	Opening	Charge / (reversal)	Recognised in other comprehensive income	Adjustment in surplus on revaluation	Closing
	(Rupees in '000)				
Taxable temporary difference					
Accelerated tax depreciation	1,751,167	(36,472)	-	(2,276)	1,712,419
Deductible temporary differences					
Provision for unavailed leaves	(487)	(21)	-	-	(508)
Staff retirement benefits	(3,348)	-	(1,601)	-	(4,949)
Unrealised exchange losses	(2,371)	(2,345)	-	-	(4,716)
Pre-commencement expenditure	(10,650)	5,416	-	-	(5,234)
Tax loss	(1,518,970)	187,438	-	-	(1,331,532)
	215,341	154,016	(1,601)	(2,276)	365,480

17 TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in '000)	
Trade creditors	17.1	1,610,845	1,354,184
Payable to provident fund		1,916	1,550
Sales commission payable	17.2	20,396	24,316
Accrued expenses		163,388	116,606
Advances from customers		158,587	164,109
Provision for infrastructure Cess	17.3	287,508	211,800
Provision for government levies	17.4	568	742
Unclaimed Dividend		391	-
Short term compensated absences		12,759	1,611
Workers' Profit Participation Fund	17.5	12,664	46,998
Workers' Welfare Fund		5,752	28,321
Others		5,485	5,629
		2,280,259	1,955,866

17.1 Trade creditors includes Rs. 1,196.7 million (2014: Rs. 1,352.4 million) payable to an associated company.

17.2 Sales commission payable includes Rs.0.41 million (2014: Rs. 1.04 million) in respect of commission payable to an associated person.

17.3 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 19.1.1).

	Note	2015	2014
		(Rupees in '000)	
Opening balance		211,800	118,000
Provided during the year		75,708	93,800
Closing balance		287,508	211,800

17.4 Provision for government levies

Opening balance	742	947
Provided during the year	-	-
	742	947
Payment / adjustment during the year	(174)	(205)
Closing balance	568	742

17.5 Movement of Workers' Profit Participation Fund

Opening balance		46,998	23,806
Allocation for the year	25	12,664	46,998
Payment during the year		(46,998)	(23,806)
Closing balance		12,664	46,998

18 SHORT TERM BORROWINGS - secured

Running finance under mark-up arrangement	18.1	50,505	979,538
Running finance under FE-25 Import Scheme	18.2	1,590,724	2,093,869
Running finance under Export Refinance Scheme	18.3	1,225,000	612,000
Short term finance under Istisna	18.4	399,110	397,194
Short term finance under Musharakah	18.5	798,102	793,706
Short term finance under Running Musharakah	18.6	6,021	-
		4,069,462	4,876,307

18.1 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 + 0.2% to KIBOR + 1.75% (2014: KIBOR+0.3% to KIBOR+ 1.75%) per annum. These facilities mature within twelve months and are renewable.

18.2 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 facilities availed is for an amount of USD 15.61 million equivalent to Rs.1,590.7 million (2014: USD 21.2 million equivalent to Rs. 2,094.9 million) The rates of mark-up on these finances range from 2.50% to 4.0% (2014: 2.75% to 3.82%) per annum. These facilities mature within six months and are renewable.

18.2.1 This includes FE-25 borrowing of Rs. 354.3 million (2014: Nil) from a Bank (related party).

18.3 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 facility availed is for an amount of Rs. 1,225 million (2014: Rs. 612 million). The rate of mark-up on this facility is 5.53% (2014: 8.96%) per annum. This facility matures within six months and is renewable.

18.4 The Company has obtained facilities for short term finance under Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.2% (2014: KIBOR + 0.3%) per annum. This facility matures within twelve months and is renewable.

18.5 This represents Islamic Term Musharakah under FE Import financing for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs.798 million. It carries mark-up at the rate of 2.75% inclusive of 6 months LIBOR (2014: 2.75%) per annum.

18.6 The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is KIBOR + 0.2% (2014: Nil) per annum. This facility matures within twelve months and is renewable.

18.7 As at 30 June 2015, the unavailed facilities from the above borrowings amounted to Rs. 5,205.54 million (2014: 5,123.69 million).

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

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The Sindh Finance Act, 1994 prescribed in the position of an infrastructure fee on C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court on petition filed, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amount to Rs. 298.5 million (2014: Rs. 216.50 million), have been provided to the Department. However, a provision to the extent of amount utilised from the limit of guarantee has also been provided for by the Company on prudent basis (Note 17.3).

19.1.2 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on International Steels Limited. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on International Steels Limited was increased to Rs. 100 per MMBTU. On 1 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Company at Rs. 13 per MMBTU which has been recorded.

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

During the period, Government passed a new law “Gas Infrastructure Development Cess Act 2015 ‘The Act’, by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs 100/MMBTU on industrial and Rs 200/MMBTU on captive power consumption, effective July 1, 2011. The Company has obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs.380.8 million (from July 1, 2011 till May 22, 2015) in these financial statements.

19.1.3 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 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company based on legal councils’ advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.51 million was determined for the tax years 2012 and 2013. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65B of the Income Tax Ordinance, 2001, accumulated minimum tax liability amounting to Rs. 568.06 million has not been recorded on the same basis in the financial statements for the year ended 30 June 2015.

19.1.4 Guarantee issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 222.7 million (2014:Rs. 177.2 million) as a security for supply of gas.

19.1.5 Guarantees issued in favour of Pakistan State Oil issued by bank on behalf of the Company amounted to Rs. 2.5 million (2014: Nil).

19.2 Commitments

19.2.1 Capital expenditures commitments outstanding as at 30 June 2015 amounted to Rs. 407.68 million (2014: Rs.2,020.32 million).

19.2.2 Commitments under letters of credit for raw materials and spares as at 30 June 2015 amounted to Rs. 2,552.60 million (2014: Rs. 2,976.72 million).

19.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 8,500 million (2014: Rs. 6,503 million) and Rs. 293 million (2014: Rs. 362.30 million) respectively.

20 NET SALES

	Note	2015	2014
		(Rupees in '000)	
Local		18,395,543	21,689,681
Export		2,490,002	3,026,245
		20,885,545	24,715,926
Toll manufacturing		135,960	10,960
		21,021,505	24,726,886
Sales tax		(2,715,402)	(3,154,426)
Trade discounts		(168,170)	(53,071)
Sales commission		(199,856)	(228,274)
		(3,083,428)	(3,435,771)
		17,938,077	21,291,115

21 COST OF SALES

	Note	2015	2014
Opening stock of raw material and work-in-process		2,388,667	1,218,957
Purchases		15,817,795	19,374,666
Salaries, wages and benefits	21.1	273,922	231,689
Electricity, gas and water		454,764	445,348
Insurance		20,887	19,752
Security and janitorial		18,544	15,467
Depreciation	4.3	461,957	432,698
Amortisation	5	3,270	5,896
Stores and spares consumed		46,210	80,201
Repairs and maintenance		74,057	76,112
Postage, telephone and stationery		5,192	3,906
Vehicle, travel and conveyance		15,981	12,542
Internal material handling		6,254	5,458
Environment controlling expense		1,063	1,065
Computer stationery and software support fees		4,020	3,377
Sundries		7,478	5,612
Recovery from sale of scrap		(296,320)	(64,805)
		19,303,741	21,867,941
Closing stock of raw material and work-in-process		(2,576,275)	(2,388,666)
Cost of goods manufactured		16,727,466	19,479,275
Finished goods:			
Opening stock		1,277,652	841,816
Closing stock	7	(1,552,343)	(1,277,652)
		(274,691)	(435,836)
		16,452,775	19,043,439

21.1 Salaries, wages and benefits include Rs. 14.486 million (2014: Rs. 11.001 million) in respect of staff retirement benefits.

22 ADMINISTRATIVE EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	22.1	119,962	96,307
Rent, rates and taxes		6,329	6,866
Electricity, gas and water		1,451	1,327
Insurance		721	752
Depreciation	4.3	6,853	5,443
Security and janitorial services		248	139
Printing and stationery		1,199	856
Computer stationery and office supplies		80	51
Postage and communication		588	593
Vehicle, travel and conveyance		5,526	5,588
Legal and professional charges		16,891	11,041
Certification and registration charges		315	248
Directors' fee		3,120	2,280
Others		4,739	3,625
		168,022	135,116

22.1 Salaries, wages and benefits include Rs. 1.88 million (2014: Rs. 1.935 million) in respect of staff retirement benefits.

23 SELLING AND DISTRIBUTION EXPENSES

	Note	2015	2014
Salaries, wages and benefits	23.1	43,611	49,308
Rent, rates and taxes		6,641	4,888
Electricity, gas and water		631	651
Insurance		721	1,816
Depreciation	4.3	2,767	2,253
Postage, telephone and stationery		1,308	1,017
Vehicle, travel and conveyance		3,932	3,798
Freight and forwarding charges		95,433	70,232
Sales promotion		7,481	6,507
Others		5,182	2,042
		167,707	142,512

23.1 Salaries, wages and benefits include Rs. 3.1 million (2014: Rs. 2.345 million) in respect of staff retirement benefits.

24 FINANCIAL CHARGES

	Note	2015	2014
		(Rupees in '000)	
Mark-up on:			
- long term finances		321,572	350,209
- short term borrowings	24.1	538,696	582,632
Bank charges		2,649	10,614
Exchange loss on FE financing		165,360	38,075
		1,028,277	981,530

24.1 Mark-up expense of Rs. 1.37 million (including Rs. 0.82 million accrued mark-up) pertains to FE borrowing from an associated company.

25 OTHER OPERATING CHARGES

	Note	2015	2014
		(Rupees in '000)	
Plant and machinery charged off		-	8,995
Auditors' remuneration	25.1	1,847	1,689
Donations	25.2	2,543	5,540
Workers' Profit Participation Fund		12,664	46,998
Workers' Welfare Fund		5,065	18,799
Loss on derivative financial instruments		-	71,648
Exchange loss - net		-	32,508
		22,119	186,177

25.1 Auditors' remuneration

	2015	2014
Audit fee	1,254	1,140
Half yearly review	358	325
Other services including certifications	110	100
Out of pocket expenses	125	124
	1,847	1,689

25.2 Donations include an amount of Nil (2014: Rs. 0.3 million) paid to a Donee in which a director is interested.

26 OTHER INCOME

	Note	2015	2014
Income from non financial assets			
Income from power generation	26.1	43,015	36,700
Income on supply of utilities		23,444	21,237
Gain on sale of property, plant and equipment		4,284	2,669
Rent income		1,716	1,716
Exchange gain - net		40,809	-
Others		23,039	7,979
		136,307	70,301
Income / return on financial assets			
- Interest on bank deposit		61	1,524
		136,368	71,825

26.1 Income from power generation

	Note	2015	2014
Net sales		479,986	479,660
Cost of electricity produced:			
Salaries, wages and benefits	26.1.1	16,008	14,810
Electricity, gas and water		616,828	625,599
Depreciation	4.3	67,628	67,008
Stores and spares consumed		17,997	18,704
Repairs and maintenance		41,024	46,689
Sundries		1,566	1,359
		761,051	774,169
Less: Self consumption		(324,080)	(331,209)
		436,971	442,960
Income from power generation		43,015	36,700

26.1.1 Salaries, wages and benefits include Rs. 0.73 million (2014: Rs. 0.570 million) in respect of staff retirement benefits.

26.1.2 The Company has electricity power generation facility at its premises. The Company has generated electricity in excess of its requirements which is supplied to K-Electric Limited under an agreement. The agreement is valid for period up to 20 years w.e.f. 31 August 2007.

27 TAXATION - net

	Note	2015	2014
		(Rupees in '000)	
Current			
- for the year		24,906	30,415
- for prior years		-	-
		24,906	30,415
Deferred	16	8,859	154,016
		33,765	184,431

27.1 Relationship between income tax expense and accounting profit

	2015	2014
Profit before taxation	235,545	874,166
Tax at the enacted tax rate of 33% (2014: 34%)	77,730	297,216
Effect on income under final tax regime	(19,293)	(20,798)
Effect of adjustments on account of change in rates and proportionate etc.	(31,327)	(91,481)
Others	6,655	(506)
Tax effective rate / tax charge	33,765	184,431

28 EARNINGS PER SHARE - BASIC AND DILUTED

	2015	2014
Profit after taxation for the year	201,780	689,735
	(Number)	
Weighted average number of ordinary shares in issue during the year	435,000,000	435,000,000
	(Rupees)	
Earnings per share	0.46	1.59

29 MOVEMENT IN WORKING CAPITAL

	Note	2015	2014
		(Rupees in '000)	
(Increase) / decrease in current assets:			
Stores and spares		(30,255)	1,369
Stock-in-trade		(476,535)	(1,051,200)
Trade debts		823,416	(635,000)
Receivable from K-Electric Limited (KE)		(7,178)	(13,974)
Advances		218,209	31,774
Trade deposits, short term prepayments and other receivables		(3,418)	1,272
Sales tax receivable		396,085	(268,702)
		920,324	(1,934,461)
Increase in current liabilities:			
Trade and other payables		18,685	934,519
		993,009	(999,942)

30 STAFF RETIREMENT BENEFITS

30.1 Provident fund

Salaries, wages and benefits include Rs. 9.113 million (2014: Rs. 7.131 million) in respect of provident fund contribution.

The following information is based on un-audited financial statements of the Fund:

	Note	2015	2014
		(Rupees in '000)	
Size of the fund - Total assets		74,950	51,962
Cost of investments made		57,739	46,944
Percentage of investments made		93%	92%
Fair value of investments		69,800	47,873

The break-up of fair value of investments is:

	2015		2014	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Bank balances	8,063	11.55	2,322	4.85
Government securities	47,749	68.41	9,433	19.70
Debt securities	1,132	1.62	10,041	20.97
Mutual funds	-	0.00	26,077	54.48
Equity shares	12,856	18.42	-	0.00
	69,800	100	47,873	100

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

30.2 Gratuity fund

The status of the Gratuity Fund and principal latest assumptions used in the latest actuarial valuation by Nauman Associates as of 30 June 2015 carried out under 'Projected Unit Credit Method' were as follows:

Significant actuarial assumptions

	2015	2014
Financial assumptions		
Discount rate	10.50%	13.50%
Salary increase rate	9.50%	12.50%
Demographic assumptions		
Mortality rates (for death in service)	SLIC 2001-2005	SLIC 2001-2005
Rates of employee turnover	Moderate	Moderate
Retirement Assumption	Age 60 years	Age 60 years

Defined benefit cost recognised in other comprehensive income

	Note	2015	2014
		(Rupees in '000)	
Loss on obligation		5,425	2,788
Loss on plan assets		4,249	226
Net loss		9,674	3,014

30.2.1 Measurements during the year

Actuarial loss on obligation

Loss due to change in experience adjustments	5,425	2,788
Total actuarial loss on obligation	5,425	2,788

Actuarial loss on plan assets

Loss on plan assets	4,249	226
Total re-measurements losses during the year	9,674	3,014

30.2.2 Components of defined benefit cost for the next year

Current service cost	12,564	29,625
Interest expense on defined benefit obligation	5,882	3,031
Interest on plan assets	(4,475)	(2,340)
Net interest cost	1,407	691
Cost for the next year to be recognised in profit and loss	13,971	30,316

30.2.3 Sensitivity analysis on significant actuarial assumptions: Actuarial Liability

Discount rate + 100 basis points	52,575	37,520
Discount rate - 100 basis points	65,972	46,469
Salary increases + 100 basis points	66,093	46,551
Salary increases - 100 basis points	52,365	37,379
	(Number of years)	
Weighted average duration of the PBO	11	11

30.2.4 Composition of fair value of plan assets

	2015		2014	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Government securities	23,499	62	6,791	25
TFCs	-	-	3,405	13
Units of mutual fund	-	-	13,596	50
Shares - Listed	10,510	28	-	-
Bank deposits	3,981	10	3,118	12
Fair value of plan assets	37,990	100	26,910	100

Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

	Note	2015	2014
		(Rupees in '000)	
Government securities		23,499	6,791
Units of mutual fund			
- money market fund		-	2,178
- income fund		-	1,222
- asset allocation fund		-	10,125
- stock fund		-	71
		-	13,596
Debt instruments			
- AA		-	1,174
- AA-		-	1,900
- A		-	331
		-	3,405
Shares - Listed		10,510	-
Bank deposits		3,981	3,118
		37,990	26,910

30.2.5 Company's liability

	Note	2015	2014
Opening balance		14,698	9,847
Charge for the year	30.2.9	10,896	8,377
Other comprehensive income		9,674	3,014
Contributions paid during the year		(14,582)	(6,540)
Closing balance		20,686	14,698

30.2.6 Reconciliation of payable to gratuity fund

	Note	2015	2014
Fair value of plan assets	30.2.8	(37,990)	(26,910)
Present value of defined benefit obligation	30.2.7	58,676	41,608
Recognised liability		20,686	14,698

30.2.7 Changes in present value of defined benefit obligation

		2015	2014
At beginning of the year		41,608	29,625
Expense for the year		15,268	10,716
Benefits paid		(3,625)	(1,521)
Actuarial losses - Remeasurment component		5,425	2,788
Present value of defined benefit obligation at the end of the year		58,676	41,608

30.2.8 Changes in fair value of plan assets

		2015	2014
At beginning of the year		26,910	19,777
Expected return on plan assets		4,372	2,340
Actuarial losses		(4,249)	(226)
Benefits paid		(3,625)	(1,521)
Contribution to fund		14,582	6,540
Fair value of plan asset at the end of the year		37,990	26,910

30.2.9 Amounts recognised in the profit and loss account

	Note	2015	2014
		(Rupees in '000)	
Current service cost		9,896	7,686
Interest cost		5,372	3,031
Expected return on plan assets		(4,372)	(2,340)
Total cost		10,896	8,377
Expected contributions to funds		13,970	12,401

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Managerial remuneration	28,519	-	98,494	127,013	28,519	-	82,525	111,044
Bonus	8,912	-	32,831	41,743	-	-	27,509	27,509
Retirement benefits	-	-	10,008	10,008	-	-	9,066	9,066
Rent, utilities, leave encashment etc.	14,259	-	49,247	63,506	14,259	-	44,284	58,543
	51,690	-	190,580	242,270	42,778	-	163,384	206,162
Number of persons	1	8	91	100	1	8	48	57

31.1 In addition to the above, Chief executive, Director and certain Executives are provided with free use of Company maintained vehicles in accordance with the Company's policy .

31.2 Fee paid to non-executive directors is Rs. 3.12 million (2014: Rs. 2.28 million).

32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

32.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Concentration of credit risk arises from financial instruments that have similar characteristics and are Credit risk arises significantly on account of trade debts and receivable from K-Electric Limited (KE) that belong to corporate sector customers.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arises principally from the receivable from K-Electric Limited (KE), trade debts, trade deposit and bank balances. The maximum exposure to credit risk at the reporting date is as follows:

Loans and receivables

	Note	2015	2014
		(Rupees in '000)	
Trade debts - secured		337,940	1,169,822
Trade debts - unsecured		24,524	16,058
Receivable from K-Electric Limited (KE)		56,895	49,717
Trade deposits		11,067	5,535
Bank balances		37,679	36,560
		468,105	1,277,692

The Company's principal credit risk arises from receivable from trade debts, K-Electric Limited (KE) and bank balances. Bank balances are held and trade debts are secured with reputable banks with high quality credit ratings. Receivable from K-Electric Limited (KE) is monitored on an on going basis in accordance with settlement agreement with K-Electric Limited (KE). Age Analysis is disclosed in note 32.1.2 to these financial statements.

32.1.1 Trade debts amounting to Rs. 122.31 million (2014: Rs. 89.86) million and receivable from K-Electric Limited (KE) at the balance sheet date belong only to domestic region whereas as trade debts amounting to Rs. 297.05 million (2014: Rs. 1,129.68 million) belong to foreign customers.

32.1.2 Impairment losses

The aging of trade debtors and receivable from K-Electric Limited (KE) at the balance sheet date is:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	419,359	-	1,234,959	-
Past due 1-60 days	-	-	-	-
Past due 61 days -1 year	-	-	638	-
Total	419,359	-	1,235,597	-

32.1.3 Based on the past experience, consideration of financial position, past track records and recoveries of trade debts including subsequent recoveries and receivable from K-Electric Limited (KE) in accordance with the settlement agreement, the Company believes that receivables that are past due do not require any impairment.

32.1.4 Cash is held only with reputable banks with high quality external credit enhancements. Following are the credit ratings of banks within which balances are held or credit lines available:

Bank	Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
	JCR-VIS	A-1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Meezan Bank Limited	JCR-VIS	A-1+	AA
Bank Al Falah Limited	PACRA	A1+	AA
Dubai Islamic Bank Limited	JCR-VIS	A-1	A+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Allied Bank Limited	PACRA	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Barclays Bank PLC	Standard & Poor's	A-1	A
	Moody's	P-1	A2
	Fitch	F1	A

32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements by having credit lines available as disclosed in note 18 to these financial statements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2015					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	6,590,645	(8,290,440)	(662,974)	(749,091)	(5,601,825)	(1,276,550)
Short-term borrowings	4,069,462	(4,069,462)	(4,069,462)	-	-	-
Accrued mark-up	212,538	(212,538)	(212,538)	-	-	-
Trade and other payables	1,973,767	(1,973,767)	(1,973,767)	-	-	-
	12,846,412	(14,546,207)	(6,918,741)	(749,091)	(5,601,825)	(1,276,550)

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	3,750,867	(4,722,387)	(533,851)	(532,092)	(3,288,234)	(368,210)
Short-term borrowings	4,876,307	(4,876,307)	(4,876,307)	-	-	-
Accrued mark-up	145,548	(145,548)	(145,548)	-	-	-
Trade and other payables	1,668,005	(1,668,005)	(1,668,005)	-	-	-
	10,440,727	(11,412,247)	(7,223,711)	(532,092)	(3,288,234)	(368,210)

32.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up have been disclosed in notes 15 and 18 to these financial statements.

32.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is exposed to currency risk and interest rate risk only.

32.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to currency risk

The Company is exposed to currency risk on trade debts, borrowings, accrued mark-up and trade creditors that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees	US Dollars	Rupees	US Dollars
	(Amount in '000)			
Trade debts and bank balance in foreign currency	304,417	2,993	1,148,008	11,629
Short term borrowings	(2,388,826)	(23,447)	(2,093,869)	(21,172)
Accrued mark-up	(28,469)	(279)	(10,373)	(105)
Trade creditors	(1,628,102)	(15,981)	(1,352,400)	(13,674)
Balance sheet exposure	(3,740,980)	(36,714)	(2,308,634)	(23,322)

The following significant exchange rates applied during the year:

	2015	2014	2015	2014
	Average Rates		Balance Sheet date rate	
	Rupees			
US Dollars to PKR	101.77	102.98	101.70/101.88	98.72 / 98.90

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	2015	2014
	Profit and loss (Rupees in '000)	
As at 30 June		
Effect in Profit and loss account	321,724	182,382
Effect in Equity	321,724	182,382

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

32.3.2 Interest rate risk

Interest rate risk is the risk that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from short and long term borrowings from bank.

a) Cash flow sensitivity analysis for variable rate instruments

The Company holds various variable rate financial instruments amounting to Rs 6,527 million (2014: 5,784 million) exposing the Company to fair value interest rate risk. A change of 100 basis points as at 30 June 2015 would have increased / (decreased) profit before tax and equity for the year by Rs. 56.13 million (2014: Rs. 45.69 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

b) Cash flow sensitivity analysis for Fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

32.3.3 Fair value of financial assets and liabilities

All the financial assets of the Company are categorised as loans and receivables and all the financial liabilities are categorised as financial liabilities measured at amortised cost. The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

33 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e., its shareholders' equity and plant and equipment , is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company intends to manage its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue bonus shares. As at 30 June 2015, the shareholders' equity amounted to Rs. 4,978.11 million (2014: Rs. 5,206.33 million).

34 TRANSACTIONS WITH RELATED PARTIES

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

Holding Company

	2015	2014
	(Rupees in '000)	
Transactions		
Sales	1,209,080	1,756,899
Purchases	21,196	2,261
Office rent	9,597	8,724
Income on supply of utilities	23,444	21,327
Reimbursement of expenses	2,650	320
Toll manufacturing (inclusive of sales tax)	133,507	12,823
Corporate and legal services	2,774	4,380
Purchase of fixed asset	-	490
Dividend paid	245,056	-
Associated Companies / undertaking		
Purchases	10,894,931	11,503,708
Insurance premium expense	46,541	62,969
Insurance claims received	53,325	436
Donations	-	300
Rent income	1,716	1,716
Utility expenses	2,078	-
Financial charges	1,373	-
Dividend paid	40,640	-
Associated Person		
Sales commission	5,720	8,060
Key Management Personnel		
Remuneration	129,769	136,452
Staff retirement benefits	5,418	5,325
Staff Retirement Fund		
Contribution paid - Provident Fund	9,113	7,131
Contribution paid - Gratuity Fund	12,401	8,720

35 ANNUAL PRODUCTION CAPACITY

	2015	2014
	(Metric Tonnes)	
The production capacity at the year end was as follows:		
Galvanising	150,000	150,000
Cold rolled steel strip	250,000	250,000
The actual production for the year was:		
Galvanising	169,167	158,949
Cold rolled steel strip	238,640	281,772

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix is different.

36 OPERATING SEGMENT

36.1 These financial statements have been prepared on the basis of a single reportable segment.

36.2 Revenue from sales of steel products represents 97% (2014: 98%) 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 Galvanising plant and Cold Rolling Plant and currently any excess electricity is sold to KE.

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

36.4 88% (2014: 88%) of sales of steel sheets are domestic sales whereas 12% (2014: 12%) of sales are export / foreign sales.

36.5 Geographic Information

	2015	2014
	(Rupees in '000)	
Domestic Sales	18,531,503	21,700,641
Export Sales	2,490,002	3,026,245
	21,021,505	24,726,886

37 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2015	2014
	Number of employees	
Average number of employees during the year	490	444
Number of employees as at 30 June	532	447

38 GENERAL

Corresponding Figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant rearrangements and reclassifications in these financial statements.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _______________ by the Board of Directors of the Company.

Tariq Iqbal Khan	**Alee Arsalan**	**Towfiq H. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Managing Director & Chief Executive Officer