

# A Focus for the Future

## Aisha Steel

Half Yearly Report  
December 2016

A Group Company of



Arif Habib





Moving ahead  
with passion

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# Vision

To be a world class manufacturer of  
Cold Rolled Steel

# Mission

To become an efficient producer  
of Cold Rolled Steel while serving  
interests of all stakeholders



## Company Information

### Board of Directors

Mr. Arif Habib	Chairman
Dr. Munir Ahmed	C.E.O
Mr. Hasib Rehman	
Mr. Nasim Beg	
Mr. Javed Iqbal	
Mr. Bilal Asghar	
Mr. Ahsan Ashraf	
Mr. Kashif A. Habib	
Mr. Muhammad Ejaz	

### Audit Committee

Mr. Kashif A. Habib	Chairman
Mr. Hasib Rehman	Member
Mr. Nasim Beg	Member
Mr. Bilal Asghar	Member

### Human Resource & Remuneration Committee

Mr. Arif Habib	Chairman
Mr. Hasib Rehman	Member
Mr. Muhammad Ejaz	Member
Mr. Javed Iqbal	Member

### CFO & Company Secretary

Mr. Tahir Iqbal

### Registered Office

Arif Habib Centre, 23 - M.T. Khan Road,  
Karachi – Pakistan.

### Plant Address

DSU - 45, Pakistan Steel Down Stream Industrial  
Estate, Bin Qasim, Karachi - Pakistan.

### Auditors

A.F. Ferguson & Co., Chartered Accountants, State  
Life Building No.1-C, I.I Chundrigar Road, Karachi.

### Share Registrar Department

Central Depository Company of Pakistan, CDC  
House, 99-B, SMCHS, Shahrah-e-Faisal, Karachi.  
Phone: 92-21-111-111-500

### Legal Advisor

- Mr. Ajmal Awan (Sattar & Sattar Advocates)
- Bawaney & Partners.

### Bankers / Lenders

Allied Bank Ltd.  
Askari Bank Ltd.  
Bank Alfalah Ltd.  
Bank Al Habib Limited.  
Bank Islami Pakistan Ltd.  
Faysal Bank Ltd.  
JS Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan.  
NIB Bank Ltd.  
Pak China Investment Company Ltd.  
Saudi Pak Ind. & Agr. Inv. Co. Ltd.  
Silk Bank Ltd.  
Summit Bank Ltd.  
Sindh Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
The Bank of Khyber.  
The Bank of Punjab.

### Website

[www.aishasteel.com](http://www.aishasteel.com)

# Directors' Review Report

The Directors of Aisha Steel Mills Limited (ASML) present herewith Directors' Review Report together with condensed interim financial statements (unaudited) of the Company for the half year ended December 31, 2016.

## Steel Market Review

The steel market exhibited rising trend in the October-December quarter of the current financial year, 2016-17. HRC prices increased from US\$ 400 to about US\$ 550 FOB China. The prices rose sharply on the back of higher coking coal and iron ore prices. The coal prices, subsequently, have receded and HRC prices as well. The current HRC price level is around US\$ 500 FOB China.

The tariff protection imposed by NTC in the form of anti-dumping duty on Chinese and Ukrainian manufacturers was under hearing at the NTC. The same was also challenged in the Lahore High Court by the local dealers. The honorable court vacated the stay order and allowed NTC to issue notification in this regards. On January 19, 2017, NTC imposed anti-dumping duty for a period of five years, at a rate of 13.17% to 19.14% on various manufacturers of China and Ukraine. The imposition of anti-dumping duty will benefit the local producers and increase capacity utilization with improved margins.

NTC has been approached to impose anti-dumping duty on the Russian suppliers as well. There is a possibility that imports from Russia may increase in the short term before the anti-dumping duty is in place.

## Operational Review

The sales quantity achieved, in the October-December quarter, was 61,973 tons compared to 53,765 tons for the corresponding period last year, an increase of 15%. The total production for the period was 61,553 tons compared to 44,765 tons for the corresponding period last year, showing an increase of 37%. The capacity utilization was 112% as compared to 81% in the corresponding period. The revenue generated during the second quarter was Rs.3,847 million, compared to Rs.2,763 million achieved in 2015-16, showing an increase of 39%.

The rising trend in international market helped in increasing local selling prices thereby improving the bottom line. The company posted an after tax profit of Rs. 465 million in the second quarter of the current financial year compared to an after tax loss of Rs. 208 million in the corresponding period of last year.

A brief summary of the financial results for the second quarter ended December 31, 2016 are as follows:

Description	Quarter ended	
	Rs. in million	
	Dec 2016	Dec 2015
Net Sales	3,847	2,763
Gross Profit/(Loss)	421	(15)
Profit/(Loss) before tax	110	(352)
Taxation	355	144
Profit/(Loss) after tax	465	(208)

## Future Outlook:

The anti-dumping duty enforced is expected to increase demand of locally produced cold rolled coils (CRC) and cold rolled galvanized coils (GI). It is imperative that local producers meet the current as well as rising future demand of both CRC and GI. The Board of Directors of the Company has approved the revised proposal for expansion. The total production capacity, after expansion, will be 650,000 MT per annum consisting of 400,000 MT CRC and 250,000 MT Galvanization (GI). Planned completion time for CRC expansion and GI expansion is twelve and eighteen months, respectively. The management has been authorized to conclude the terms with machinery suppliers and lenders for entering into binding agreements at the earliest.

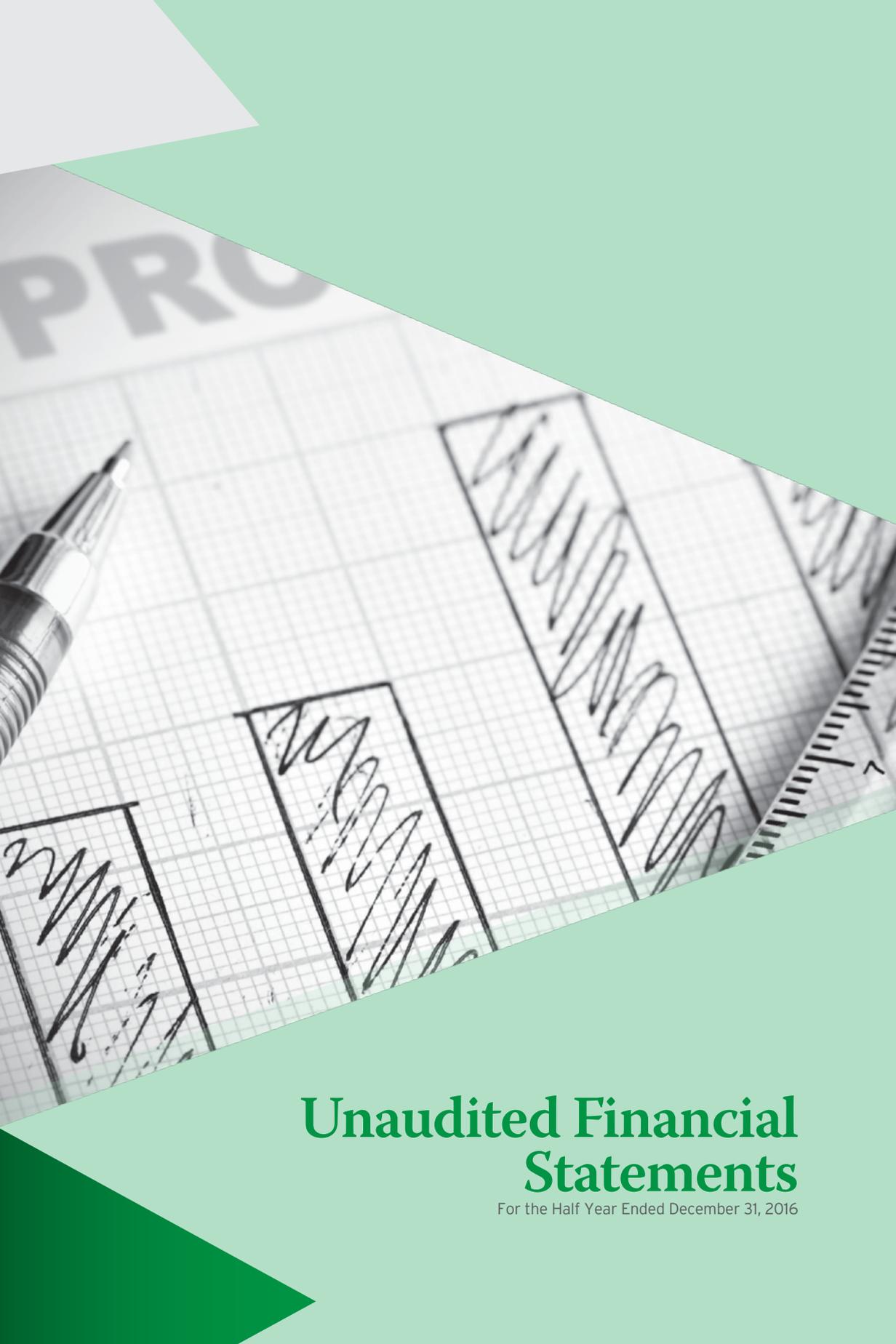
## Acknowledgement:

We would like to record our appreciation to the Bankers, National Tariff Commission (NTC) and Regulators for their patronage and look forward to their continued support. We acknowledge and appreciate the extra efforts put in by the company employees to reach higher capacity utilization.

For and on behalf of the Board

  
Dr. Munir Ahmed  
Chief Executive

Karachi : February 23, 2017



# Unaudited Financial Statements

For the Half Year Ended December 31, 2016

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Aisha Steel Mills Limited as at 31 December 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 31 December 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2016.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended 31 December 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: February 22, 2017  
Engagement Partner: Farrukh Rehman

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*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: +92 (42) 35715864-71; Fax: +92 (42) 35715872  
Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924  
Kabul: Apartment No. 3, 3rd Floor, Dost Tower, Haji Yaqub Square, Sher-e-Nau, Kabul, Afghanistan; Tel: +93 (799) 315320, +93 (799) 315320

# CONDENSED INTERIM BALANCE SHEET

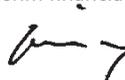
AS AT DECEMBER 31, 2016

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
----- Rupees '000 -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	5	9,703,323	9,688,793
Intangibles - Computer software		10,058	11,246
Long-term loans and advances		3,646	2,983
Long-term deposits and prepayments		45,892	46,294
Deferred taxation	6	1,558,796	1,134,496
		<b>11,321,715</b>	<b>10,883,812</b>
<b>Current assets</b>			
Stores and spares		93,424	180,743
Stock-in-trade		3,569,359	2,813,517
Trade debts - considered good		92,404	76,998
Advances, deposits and prepayments		423,043	386,731
Other receivables		200,991	142,265
Tax refunds due from Government - Sales tax		416,874	350,588
Taxation - payments less provision		341,578	472,905
Cash and bank balances		56,054	44,716
		<b>5,193,727</b>	<b>4,468,463</b>
<b>Total assets</b>		<b>16,515,442</b>	<b>15,352,275</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Share capital</b>			
Ordinary shares	7	4,097,827	2,717,357
Cumulative preference shares		1,834,923	2,439,944
Difference on conversion of cumulative preference shares into ordinary shares		(775,449)	-
		<b>5,157,301</b>	<b>5,157,301</b>
<b>Accumulated loss</b>		<b>(2,329,181)</b>	<b>(2,883,779)</b>
		<b>2,828,120</b>	<b>2,273,522</b>
<b>Surplus on revaluation of fixed assets</b>		<b>378,309</b>	<b>381,821</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term finance		5,161,031	5,320,004
Liabilities against assets subject to finance leases		5,198	4,435
Staff retirement benefit		33,215	30,965
		<b>5,199,444</b>	<b>5,355,404</b>
<b>Current liabilities</b>			
Trade and other payables		2,479,295	2,772,572
Accrued mark-up		188,919	196,033
Short-term borrowings	8	4,939,393	3,869,538
Current maturity of long-term finance		500,000	500,000
Current maturity of liabilities against assets subject to finance leases		1,962	3,385
		<b>8,109,569</b>	<b>7,341,528</b>
<b>Total liabilities</b>		<b>13,309,013</b>	<b>12,696,932</b>
<b>Contingencies and commitments</b>	9		
<b>Total equity and liabilities</b>		<b>16,515,442</b>	<b>15,352,275</b>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Chief Executive



Director

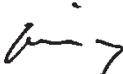
# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

	Note	Quarter ended		Half year ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		----- Rupees '000 -----		----- Rupees '000 -----	
Revenue	10	<b>3,846,856</b>	2,763,284	<b>6,393,922</b>	4,638,161
Cost of sales		<b>(3,425,809)</b>	(2,778,553)	<b>(5,650,886)</b>	(4,625,106)
Gross profit / (loss)		<b>421,047</b>	(15,269)	<b>743,036</b>	13,055
Selling and distribution cost		<b>(1,944)</b>	(3,145)	<b>(8,666)</b>	(11,445)
Administrative expenses		<b>(49,692)</b>	(34,863)	<b>(85,033)</b>	(69,159)
Other expenses		<b>(6,184)</b>	-	<b>(12,368)</b>	-
Other income		<b>8,755</b>	822	<b>17,180</b>	1,490
Profit / (loss) from operations		<b>371,982</b>	(52,455)	<b>654,149</b>	(66,059)
Finance costs		<b>(262,267)</b>	(299,754)	<b>(488,774)</b>	(650,874)
Profit / (loss) before taxation		<b>109,715</b>	(352,209)	<b>165,375</b>	(716,933)
Taxation	11	<b>355,148</b>	144,243	<b>384,806</b>	162,863
Profit / (loss) for the period		<b>464,863</b>	(207,966)	<b>550,181</b>	(554,070)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss)		<b>464,863</b>	(207,966)	<b>550,181</b>	(554,070)
Basic earnings / (loss) per share - Rupees	12	<b>1.06</b>	(0.77)	<b>1.34</b>	(2.51)
Diluted earnings per share - Rupees	12	<b>0.63</b>	-	<b>0.74</b>	-

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
Chief Executive

  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

Note	December 31, 2016	December 31, 2015
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----- Rupees '000 -----

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash (used in) / generated from operations	13	(412,477)	128,709
Income tax refunded - net		92,740	74,417
Mark-up on loans paid		(332,468)	(448,060)
Return received on deposits		1,745	1,052
Staff retirement benefits paid		(4,343)	(4,724)
Increase in long term employee loans		(663)	(303)
Decrease / (increase) in long-term deposits and prepayments		402	(128)
Net cash outflows from operating activities		<u>(655,064)</u>	<u>(249,037)</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets		<u>(102,538)</u>	<u>(68,025)</u>
Net cash outflows from investing activities		<u>(102,538)</u>	<u>(68,025)</u>

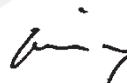
## CASH FLOWS FROM FINANCING ACTIVITIES

(Decrease) / increase in borrowings		<u>(838,417)</u>	848,870
Repayment of sponsor's loan		-	(4,574)
Decrease in liabilities against assets subject to finance leases		<u>(915)</u>	(299)
Net cash (outflows) / inflows from financing activities		<u>(839,332)</u>	843,997
Net (decrease) / increase in cash and cash equivalents		<u>(1,596,934)</u>	526,935
Cash and cash equivalents at beginning of the half year		<u>(2,536,405)</u>	(3,475,551)
Cash and cash equivalents at end of the half year		<u>(4,133,339)</u>	<u>(2,948,616)</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.



Chief Executive



Director

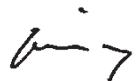
# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

	Share Capital	Accumulated loss	Total
	----- Rupees '000 -----		
<b>Balance as at July 1, 2015</b>	5,157,301	(2,737,365)	2,419,936
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	5,267	5,267
<b>Total comprehensive loss for the half year ended December 31, 2015</b>			
- Loss for the half year ended December 31, 2015	-	(554,070)	(554,070)
- Other comprehensive income for the half year ended December 31, 2015	-	-	-
	-	(554,070)	(554,070)
<b>Balance as at December 31, 2015</b>	<u>5,157,301</u>	<u>(3,286,168)</u>	<u>1,871,133</u>
<b>Balance as at July 1, 2016</b>	5,157,301	(2,883,779)	2,273,522
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	4,417	4,417
<b>Total comprehensive income for the half year ended December 31, 2016</b>			
- Profit for the half year ended December 31, 2016	-	550,181	550,181
- Other comprehensive income for the half year ended December 31, 2016	-	-	-
	-	550,181	550,181
<b>Balance as at December 31, 2016</b>	<u>5,157,301</u>	<u>(2,329,181)</u>	<u>2,828,120</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

## 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the Companies Ordinance, 1984. The Company's shares are listed on the Pakistan Stock Exchange (PSX) since August 2012. The registered office of the Company is situated at Arif Habib Centre, 23 - M.T. Khan Road, Karachi.

The Company has set up a cold rolling mill complex in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled steel in coils and sheets. The Company started trial production from July 2012 and declared October 1, 2012 as its Commercial Operations Date.

## 2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2016.

### 2.1 Changes in accounting standards, interpretations and pronouncements

#### a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

#### b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2016 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual periods beginning on or after January 1, 2017. However, these amendments do not have any significant impact on financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2016.

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

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2016.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2016.

**5. FIXED ASSETS**

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	----- Rupees '000 -----	
Operating assets	9,240,844	9,366,833
Capital work in progress - at cost	13,787	12,241
Major spare parts and stand-by equipment	448,692	309,719
	<u>9,703,323</u>	<u>9,688,793</u>

**5.1 Additions to operating assets during the period are as follows:**

	(Unaudited) December 31, 2016	(Unaudited) December 31, 2015
	----- Rupees '000 -----	
<b>Owned</b>		
Plant and machinery	59,734	7,352
Building and other civil work on leasehold land	8,227	4,167
Office equipments	2,324	1,246
Furniture and fixtures	64	64
<b>Assets held under finance leases</b>		
Motor vehicles	<u>1,708</u>	<u>1,693</u>
	<u>72,057</u>	<u>14,522</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

5.2 There were no disposals during the period.

## 6. DEFERRED TAXATION

The Company has an aggregate amount of Rs 9.82 billion (June 30, 2016: Rs 9.70 billion) in respect of tax losses and Rs 363.44 million in respect of minimum tax as at December 31, 2016. Management has recognised deferred tax debit balance amounting to Rs 2.95 billion (June 30, 2016: Rs 2.90 billion) on losses including an amount of Rs 2.08 billion (June 30, 2016: Rs 2 billion) on unabsorbed tax depreciation and initial allowance of Rs 6.92 billion (June 30, 2016: Rs 6.66 billion) and Rs 363.44 million (June 30, 2016: Nil) on minimum tax.

The management carries periodic assessment to assess the benefit of these losses and minimum tax as the Company would be able to set off the profit earned in future years against these carry forward losses and minimum tax. The amount of this benefit has been determined based on the projected financial statements of the Company for future years. The determination of future taxable profit is most sensitive to certain key assumptions such as capacity utilisation, gross margin percentage, inflation and KIBOR rates. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

## 7. SHARE CAPITAL

### 7.1 Issued, subscribed and paid-up capital

(Unaudited) December 31, 2016	(Audited) June 30, 2016		(Unaudited) December 31, 2016	(Audited) June 30, 2016
(Number of shares)			----- Rupees '000 -----	
409,782,661	271,735,676	Ordinary Shares of Rs. 10 each	4,097,827	2,717,357
		Cumulative Preference Shares of Rs. 10 each		
71,928,620	72,084,382	- PSX Symbol - ASLPS	719,286	720,844
111,563,759	171,910,029	- PSX Symbol - ASLCPS	1,115,637	1,719,100
		Difference on conversion of Cumulative Preference Shares (PSX Symbol - ASLCPS)	1,834,923	2,439,944
<u>593,275,040</u>	<u>515,730,087</u>		<u>(775,449)</u>	<u>-</u>
			<u>5,157,301</u>	<u>5,157,301</u>

7.2 During the period, the Company has allotted 155,762 Ordinary Shares (PSX Symbol - ASL) against conversion of 155,762 Cumulative Preference Shares (PSX Symbol - ASLPS) of the Company in the ratio of 1:1.

7.3 During the period, the Company has allotted 137,891,223 Ordinary Shares (PSX symbol - ASL) against conversion of 60,346,270 Cumulative Preference Shares (PSX Symbol - ASLCPS) in the ratio of 2.285 Ordinary Shares for each Cumulative Preference Share.

7.4 As the Company currently has accumulated losses, cumulative dividend on Preference Shares (PSX Symbol - ASLPS) and Preference Shares (PSX Symbol - ASLCPS) amounting to Rs 545.4 million (June 30, 2016: Rs. 512.33 million) and Rs. 283.8 million (June 30, 2016: Rs. 161.35 million) respectively is not accounted for in these condensed interim financial statements.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

## 8. SHORT-TERM BORROWINGS

The lender wise balance of short-term loan and running finance facilities obtained by the Company are as follows:

	<b>(Unaudited) December 31, 2016</b>	(Audited) June 30, 2016
	----- Rupees '000 -----	
National Bank of Pakistan	<b>1,111,286</b>	599,232
International Complex Projects Limited	<b>750,000</b>	750,000
Habib Metropolitan Bank Limited	<b>634,372</b>	-
Bank Islami Pakistan Limited	<b>575,000</b>	562,815
Bank Alfalah Limited	<b>428,581</b>	-
Sindh Bank Limited	<b>406,855</b>	-
The Bank of Punjab	<b>348,250</b>	101,244
Allied Bank Limited	<b>250,062</b>	649,925
Askari Bank Limited	<b>246,521</b>	250,000
Summit Bank Limited	<b>188,466</b>	417,905
Arif Habib Corporation Limited	-	538,417
	<b><u>4,939,393</u></b>	<b><u>3,869,538</u></b>

## 9. CONTINGENCIES AND COMMITMENT

### 9.1 Contingencies

**9.1.1** There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2016 except for as disclosed in note 9.1.2.

**9.1.2** In case of another company the Division Bench of the Sindh High Court in its decision dated May 7, 2013 on carry forward of minimum tax in the cases of taxable loss for the year has held by interpreting Section 113(2)(c) of the Income tax Ordinance 2001 that the benefit of carry forward of minimum tax paid by a Company is only available if there is tax paid in a particular year which is less than minimum tax payable. Accordingly, if no tax is paid / payable by the Company due to taxable loss the right to carry forward the minimum tax does not arise. However, the management based on the advice of its tax advisor is of the view that said order will not be maintained by the Supreme Court. The Company has booked Rs. 363.44 million relating to minimum tax for the tax years 2013 to 2016 and half year ended December 31, 2016 in these condensed interim financial information.

### 9.2 Commitments

**9.2.1** Commitments for capital expenditure outstanding as at December 31, 2016 amounted to Rs 28.63 million (June 30, 2016: Rs 24.4 million).

**9.2.2** Commitments for rentals under ijarah arrangements amounted to Rs 10.90 million (June 30, 2016: Rs 8.6 million) payable as follows:

	<b>(Unaudited) December 31, 2016</b>	(Audited) June 30, 2016
	----- Rupees '000 -----	
Not later than 1 year	<b>3,483</b>	3,168
Later than 1 year but not later than 5 years	<b>7,413</b>	5,432
	<b><u>10,896</u></b>	<b><u>8,600</u></b>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

	(Unaudited) December 31, 2016	(Unaudited) December 31, 2015
	----- Rupees '000 -----	
<b>10. REVENUE</b>		
Gross revenue	7,559,451	5,539,544
Less: Sales tax	(1,091,111)	(804,499)
Rebates and discounts	(3,296)	(36,221)
Dealer commission	(71,122)	(60,663)
	<u>6,393,922</u>	<u>4,638,161</u>
<b>11. TAXATION</b>		
During the period, based on management's periodic assessment, the Company has recorded deferred tax income of Rs. 363.44 million relating to minimum tax that the Company would be able to set off with the profits earned in future years.		
	(Unaudited) December 31, 2016	(Unaudited) December 31, 2015
	----- Rupees '000 -----	
<b>12. EARNINGS PER SHARE</b>		
<b>12.1 BASIC EARNINGS PER SHARE</b>		
Profit / (loss) after taxation attributable to ordinary shareholders	550,181	(554,070)
Adjustment for cumulative preference share dividend	(100,169)	(127,463)
Profit / (loss) after taxation for calculation of basic earnings per share	<u>450,012</u>	<u>(681,533)</u>
Weighted average number of ordinary shares outstanding at the end of period (in thousand)	<u>335,515</u>	<u>271,175</u>
Basic earnings / (loss) per share - Rupees	<u>1.34</u>	<u>(2.51)</u>
	(Unaudited) December 31, 2016	
	Rupees '000	
<b>12.2 DILUTED EARNINGS PER SHARE</b>		
Profit / (loss) after taxation attributable to ordinary shareholders	550,181	
Weighted average number of ordinary shares outstanding at the end of period (in thousand)	335,515	
Adjustment for conversion of convertible preference shares	403,513	
Weighted average number of ordinary shares at the end of period for diluted earnings per share (in thousand)	739,028	
Diluted earnings per share - Rupees	<u>0.74</u>	

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

12.2.1 A diluted earnings per share has not been presented for period ended December 31, 2015 as it has anti-dilutive effect on the earnings per share.

(Unaudited)  
December  
31, 2016

(Unaudited)  
December  
31, 2015

----- Rupees '000 -----

## 13. CASH (USED IN) / GENERATED FROM OPERATIONS

Profit / (loss) before taxation	<b>165,375</b>	(716,933)
Add / (less): Adjustment for non-cash charges and other items		
Depreciation and amortisation	<b>199,234</b>	176,861
Finance lease charges	<b>255</b>	431
Provision for staff retirement benefit	<b>6,593</b>	5,434
Return on deposits	<b>(1,745)</b>	(1,052)
Mark-up charges	<b>325,354</b>	411,223
Unwinding of long term finance	<b>141,027</b>	154,796
	<b>670,718</b>	747,693
Profit before working capital changes	<b>836,093</b>	30,760

### Effect on cash flows due to working capital changes

(Increase) / decrease in current assets		
Stores and spares	<b>(18,769)</b>	(7,513)
Stock-in-trade	<b>(755,844)</b>	98,890
Trade debts	<b>(15,406)</b>	(90,501)
Advances, deposits and prepayments	<b>(36,312)</b>	(22,342)
Other receivables	<b>(58,726)</b>	68,867
Tax refunds due from Government - Sales tax	<b>(66,286)</b>	21,968
	<b>(951,343)</b>	69,369
 (Decrease) / increase in current liabilities		
Trade and other payables	<b>(297,227)</b>	28,580
 Cash (used in) / generated from operations	<b>(412,477)</b>	128,709

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED DECEMBER 31, 2016 - (UNAUDITED)

## 14. TRANSACTIONS WITH RELATED PARTIES

Disclosure of transactions with related parties during the period are as follows:

Relationship	Nature of transaction	(Unaudited)	(Unaudited)
		December 31, 2016	December 31, 2015
		----- Rupees '000 -----	
Associated companies:	- Purchase of raw material	1,696,257	1,157,671
	- Payment made for construction materials	917	-
	- Finance facilities utilised	936,000	2,027,170
	- Repayment of finance facilities utilised	1,473,455	1,173,490
	- Mark-up on finance facilities paid	37,427	29,428
	- Sponsor's loan repaid	-	4,575
	- Cancellation of Cumulative Preference Shares (PSX symbols - ASLPS and ASLCPS)	564,855	-
	- Issuance of Ordinary Shares against cancellation of Cumulative Preference Shares (PSX symbols - ASLPS and ASLCPS)	1,290,694	-
	Other related parties:	- Rent and maintenance expense	-
- Commission on sales		-	5,643
- Short-term borrowing obtained		431,000	-
- Repayment of short-term borrowing		431,000	-
Key management compensation	- Salaries and other short-term employee benefit	7,097	6,562
	- Post retirement benefit	154	135

## 15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 23, 2017.



Chief Executive



Director



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**AISHA STEEL MILLS LIMITED**

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