

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

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## Company Information

### Chairman

Mr. Kemal Shoaib  
Independent Chairman

### Directors

Mr. Towfiq H. Chinoy  
Non-Executive Director

Mr. Tariq Iqbal Khan  
Independent Director

Mr. Kamran Y. Mirza  
Independent Director

Syed Salim Raza  
Independent Director

Syed Hyder Ali  
Non-Executive Director

Mr. Kamal A. Chinoy  
Non-Executive Director

Mr. Riyaz T. Chinoy  
Non-Executive Director

Mr. Kazuteru Mihara  
Non-Executive Director

Mr. Samir M. Chinoy  
Executive Director

### Chief Executive Officer

Mr. Yousuf H. Mirza  
Executive Director

### Chief Financial Officer

Mr. Tauqir Hasan

### Company Secretary

Mr. Yasir Ali Quraishi

### Internal Auditor

Mr. Usman Ahmed

### External Auditors

KPMG Taseer Hadi & Co.

### Bankers

Allied Bank Ltd.  
Bank Al Habib Ltd.  
Bank Alfalah Ltd.  
Dubai Islamic Bank (Pakistan) Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
MCB Bank Ltd  
Meezan Bank Ltd.  
NIB Bank Ltd.  
Samba Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
United Bank Ltd.

### Legal Advisor

Mrs. Sana Shaikh Fikree

### Registered Office

101, Beaumont Plaza, 10 Beaumont Road,  
Karachi – 75530  
Telephone Nos: +9221-35680045-54  
UAN: +9221-111-019-019  
Fax: +9221-35680373  
Email: yasir.quraishi@isl.com.pk

### Lahore Office

Chinoy House, 6 Bank Square,  
Lahore-54000  
Phone: +9242-37229752-55  
UAN: +9242-111-019-019  
Fax: +9242-37249755  
Email: lahore@isl.com.pk

### Islamabad Office

Office # 2, First Floor, Ahmed Centre,  
I-8 Markaz, Islamabad.  
Phone: +9251-2524650, 4864601-2

### Factory

399 - 404, Rehri Road, Landhi, Karachi.  
Telephone Nos: +9221-35013104 - 5  
Fax: +9221 35013108  
Email: info@isl.com.pk

### Website

[www.isl.com.pk](http://www.isl.com.pk)

### Investor Relations Contact

### Shares Registrar

THK Associates (Pvt.) Ltd.  
40-C, Block 6, PECHS, Karachi.  
Phone: +9221-111-000-322  
Email: info@thk.com.pk

### Corporate Affairs Department

Mr. Mohammad Irfan Bhatti  
Assistant Company Secretary  
101 Beaumont Plaza, 10 Beaumont Road,  
Karachi-75530.  
Telephone Nos: +9221-35680045-54  
UAN: +9221-111-019-019  
Fax: +9221-35680373  
Email: irfan.bhatti@isl.com.pk

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfer should be directed to the Shares Registrar.



## Director's Report for the six months ending 31st December 2016

Directors of your company are pleased to present the financial statements for the six months ending 31st December, 2016.

Your Company's sales and production grew by over 64% and 67% respectively over the same period last year, following completion of expansion project resulting in capacity enhancement to 500,000 tons of Cold Rolled and Galvanized sheets and coils. During this period the Company debottlenecked its pickling line which is now successfully operating at 600,000 tons annually. The incremental capacity will contribute in better utilization of existing Galvanizing capacity which is sufficient to meet the entire national requirement. This has already resulted in significant reduction of imports enabling the country to save on foreign exchange, besides providing better service, quality and product availability to our customers.

The global steel market reflected a level of stability following improvement in Iron ore and coking coal prices, key raw materials for steel production along with capacity reduction by mills in China for efficiency and environmental concerns. It is expected that these measures will reduce volatility in international steel prices.

However, the dumping of cold rolled and galvanized products in the country has continued. In November the National Tariff Commission ('NTC') announced the extent of injury to the local industry for Galvanized steel products up to 47%. NTC intends to announce the final duties within four months. Similarly the final duties on Cold Rolled products will be announced in the coming weeks.

Your Company registered net sales of Rs. 15.2 billion compared with 8.4 billion and a profit after tax of Rs. 1.2 billion compared to a loss after tax of Rs. 78 million in the same period last year. Similarly Earning per Share ('EPS') was Rs. 2.67 compared with loss of Re. 0.18. The tax charge increased on account of alternate corporate tax and deferred tax. Based on the recommendation of our tax consultant the company provided a further Rs. 136 million from changes in unrecognized charges relating to previous years. Your Company decided to review the further expansion plan on February 1, 2017 for which a separate Board meeting has been scheduled.

Your Company is also pleased to report that JCR – VIS Credit Rating Company has assigned us an initial entity rating of 'A+ / A-1' (Single A Plus / A-One).

In light of the improved market conditions, we expect to sustain our performance in the oncoming half year but this will depend largely on the anticipated regulatory support.

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

For & behalf of  
Internation Steels Limited

Kemal Shoaib  
Chairman

Dated: 24 January 2017  
Karachi



## Auditors' Report to the Members on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of International Steels Limited ("the Company") as at 31 December 2016, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review.

### 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 condensed 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.

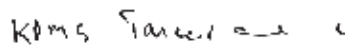
### Conclusion

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

### Other matter

The figures for the quarter ended 31 December 2016 and 31 December 2015 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Dated: 24 January 2017  
Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Moneeza Usman Butt



## Condensed Interim Balance Sheet

As at 31 December 2016

Note      **31 December**      30 June  
                  **2016**      2016  
                  **(Un-audited)**      **(Audited)**  
                  ----- (Rupees in '000) -----

### ASSETS

#### Non-Current Assets

Property, plant and equipment	5	12,737,295	12,620,022
Long-term deposit with Central Depository Company of Pakistan Limited		100	100
<b>Total Non-Current Assets</b>		<b>12,737,395</b>	<b>12,620,122</b>

#### Current Assets

Stores and spares		489,681	442,597
Stock-in-trade	6	8,212,011	5,314,131
Receivable from K-Electric Limited (KE) - unsecured, considered good		41,231	40,513
Trade debts - considered good	7	729,048	520,801
Advances - considered good	8	55,090	35,069
Trade deposits, short term prepayments and other receivables	9	28,312	12,324
Sales tax receivable		434,381	410,259
Taxation - net		1,092,773	1,550,697
Cash and bank balances		45,815	37,615
<b>Total Current Assets</b>		<b>11,128,342</b>	<b>8,364,006</b>

#### Total Assets

**23,865,737**      **20,984,128**

### EQUITY AND LIABILITIES

#### Share Capital and Reserves

Authorised capital 500,000,000 (2016: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
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Issued, subscribed and paid-up capital		4,350,000	4,350,000
Unappropriated profit		2,444,532	1,818,328

<b>Total shareholders' equity</b>		<b>6,794,532</b>	<b>6,168,328</b>
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Surplus on revaluation of property, plant and equipment - net of tax		964,084	974,298
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#### LIABILITIES

##### Non-Current Liabilities

Long-term finances - secured	10	4,225,114	4,044,973
Staff retirement benefits		24,496	24,496
Deferred taxation - net		1,376,079	810,748

<b>Total non-current liabilities</b>		<b>5,625,689</b>	<b>4,880,217</b>
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##### Current Liabilities

Trade and other payables	11	6,287,828	4,694,800
Short term borrowings - secured	12	2,991,754	3,523,755
Current portion of long term finances	10	1,127,097	699,016
Accrued mark-up		74,753	43,714

<b>Total Current Liabilities</b>		<b>10,481,432</b>	<b>8,961,285</b>
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##### Contingencies and Commitments

13

#### Total Equity and Liabilities

**23,865,737**      **20,984,128**

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

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

**Tauqir Hasan**  
 Chief Financial Officer

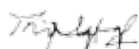
**Yousuf H. Mirza**  
 Chief Executive Officer

# Condensed Interim Profit and Loss Account (Un-audited)

For the six and three months period ended 31 December 2016

	Note	<b>Six months period ended</b>		<b>Three months period ended</b>	
		<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>----- (Rupees in '000) -----</b>					
Net sales	14	<b>15,220,920</b>	8,370,209	<b>8,634,701</b>	5,507,817
Cost of sales	15	<b>(12,386,709)</b>	(8,052,060)	<b>(6,864,521)</b>	(5,318,924)
<b>Gross profit</b>		<b>2,834,211</b>	318,149	<b>1,770,180</b>	188,893
Administrative expenses	16	<b>(88,725)</b>	(75,024)	<b>(44,277)</b>	(38,534)
Selling and distribution expenses	17	<b>(152,043)</b>	(79,606)	<b>(86,403)</b>	(45,131)
		<b>(240,768)</b>	(154,630)	<b>(130,680)</b>	(83,665)
Financial charges	18	<b>(236,759)</b>	(422,332)	<b>(113,998)</b>	(197,155)
Other operating charges	19	<b>(203,845)</b>	(85,519)	<b>(117,133)</b>	(15,172)
		<b>(440,604)</b>	(507,851)	<b>(231,131)</b>	(212,327)
Other income	20	<b>53,132</b>	54,489	<b>21,702</b>	23,101
<b>Profit / (loss) before taxation</b>		<b>2,205,971</b>	(289,843)	<b>1,430,071</b>	(83,998)
Taxation - net	21	<b>(1,046,231)</b>	211,650	<b>(836,049)</b>	208,390
<b>Profit / (loss) for the period</b>		<b>1,159,740</b>	(78,193)	<b>594,022</b>	124,392
<b>----- (Rupees) -----</b>					
<b>Earnings / (loss) per share - basic and diluted</b>		<b>2.67</b>	(0.18)	<b>1.37</b>	0.29

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



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



**Tauqir Hasan**  
Chief Financial Officer



**Yousuf H. Mirza**  
Chief Executive Officer



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

For the six and three months period ended 31 December 2016

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>----- (Rupees in '000) -----</u>			
<b>Profit / (loss) for the period</b>	<b>1,159,740</b>	(78,193)	<b>594,022</b>	124,392
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u><u>1,159,740</u></u>	<u><u>(78,193)</u></u>	<u><u>594,022</u></u>	<u><u>124,392</u></u>

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

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

**Tauqir Hasan**  
Chief Financial Officer

**Yousuf H. Mirza**  
Chief Executive Officer

# Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2016

	Note	Six months period ended	
		31 December 2016	31 December 2015
		------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before taxation		2,205,971	(289,843)
Adjustments for:			
Depreciation		391,544	335,333
Amortisation		-	275
Gain on disposal of property, plant and equipment		(1,744)	(2,940)
Provision for staff gratuity		9,395	5,448
Provision for compensated absences		5,075	1,500
Financial charges		236,759	422,332
		641,029	761,948
Movement in working capital	22	(1,620,909)	(179,035)
<b>Net cash generated from operations</b>		1,226,091	293,070
Financial charges paid		(205,720)	(531,119)
Gratuity paid		(9,395)	(5,448)
Compensated absences paid		(5,847)	(14,489)
Tax (paid) / adjusted - net		(22,976)	13,877
		(243,938)	(537,179)
<b>Net cash generated from / (used in) operating activities</b>		982,153	(244,109)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(516,394)	(336,898)
Proceeds from sale of property, plant and equipment		9,321	5,174
<b>Net cash used in investing activities</b>		(507,073)	(331,724)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from / (repayment) of long term financing - net		608,222	(353,391)
Dividend paid		(543,101)	(2)
<b>Net cash generated from / (used in) financing activities</b>		65,121	(353,393)
<b>Net increase / (decrease) in cash and cash equivalents</b>		540,201	(929,226)
Cash and cash equivalents at beginning of the period		(3,486,140)	(4,031,731)
Cash and cash equivalents at end of the period		(2,945,939)	(4,960,957)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		45,815	45,154
Short term borrowings		(2,991,754)	(5,006,111)
		(2,945,939)	(4,960,957)

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



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



**Tauqir Hasan**  
Chief Financial Officer



**Yousuf H. Mirza**  
Chief Executive Officer





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

For the six months period ended 31 December 2016

	Issued, subscribed & paid-up capital	Unappropriated profit / (loss)	Total
	----- (Rupees in '000) -----		
<b>Balance as at 01 July 2015</b>	4,350,000	628,114	4,978,114
Total comprehensive income for the six months period ended 31 December 2015			
Loss for the period	-	(78,193)	(78,193)
Total other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(78,193)	(78,193)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	5,793	5,793
<b>Balance as at 31 December 2015</b>	<u>4,350,000</u>	<u>555,714</u>	<u>4,905,714</u>
<b>Balance as at 01 July 2016</b>	<b>4,350,000</b>	<b>1,818,328</b>	<b>6,168,328</b>
Total comprehensive income for the six months period ended 31 December 2016			
Profit for the period	-	1,159,740	1,159,740
Total other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	1,159,740	1,159,740
<b>Transactions with the owners of the Company - distribution</b>			
Dividend:			
- Final dividend @ 12.50% (Rs. 1.25 per share) for the year ended 30 June 2016	-	(543,750)	(543,750)
Total transactions with owners of the Company	-	(543,750)	(543,750)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	10,214	10,214
<b>Balance as at 31 December 2016</b>	<u><b>4,350,000</b></u>	<u><b>2,444,532</b></u>	<u><b>6,794,532</b></u>

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

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

**Tauqir Hasan**  
Chief Financial Officer

**Yousuf H. Mirza**  
Chief Executive Officer

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

For the six months period ended 31 December 2016

## 1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011 as a result of divestment of shares by International Industries Limited ('the Holding Company') ('IIL'). The Company is in the business of manufacturing of Cold Rolled, Galvanized and Colour Coated Steel Coils and Sheets. The Company commenced commercial operation on 01 January 2011. The Company is a subsidiary of IIL. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

**2.1.1** This condensed interim financial information of the Company for the six months period ended 31 December 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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

**2.1.3** This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange Limited vide section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 December 2016 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded-off to the nearest thousand Rupee except where stated otherwise.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

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

The preparation of condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2016.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2016.

### 5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
	----- (Rupees in '000) -----		
<b>Cost / revalued amount</b>			
Opening balance	14,936,346	173,641	<b>15,109,987</b>
Additions	53,982	491,437	<b>545,419</b>
Disposal / transfer / adjustment	(2,106)	(53,982)	<b>(56,088)</b>
	14,988,222	611,096	<b>15,599,318</b>
<b>Accumulated depreciation</b>			
Opening balance	(2,489,965)	-	<b>(2,489,965)</b>
Charge for the period	(391,544)	-	<b>(391,544)</b>
Disposal / transfer / adjustment	19,486	-	<b>19,486</b>
	(2,862,023)	-	<b>(2,862,023)</b>
<b>Written down value as at 31 December 2016 (Un-audited)</b>	<b>12,126,199</b>	<b>611,096</b>	<b>12,737,295</b>
Written down value as at 30 June 2016 (Audited)	12,446,381	173,641	12,620,022

6.	STOCK-IN-TRADE	Note	31 December 2016 (Un-audited)	30 June 2016 (Audited)
			----- (Rupees in '000) -----	
	Raw material - in hand		3,825,136	2,192,576
	- in transit		2,447,539	932,278
	Work-in-process		535,468	546,887
	Finished goods		1,386,790	1,602,250
	Scrap material		17,078	40,140
			<u>8,212,011</u>	<u>5,314,131</u>
7.	TRADE DEBTS - considered good			
	- Secured	7.1 & 7.2	359,860	517,972
	- Unsecured		369,188	2,829
			<u>729,048</u>	<u>520,801</u>
7.1	This represents trade debts arising on account of export sales of Rs. 336.2 million (30 June 2016: Rs. 467.95 million) which are secured by way of Export Letters of Credit and Rs. 23.66 million (30 June 2016: Rs. 50.02 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit.			
7.2	Trade debts include an amount of Rs.42.47 million (30 June 2016: Rs. 91.40 million) receivable from a related party.			
8.	ADVANCES - considered good			
			31 December 2016 (Un-audited)	30 June 2016 (Audited)
			----- (Rupees in '000) -----	
	Advances:			
	- to suppliers		55,086	35,059
	- to employees		4	10
			<u>55,090</u>	<u>35,069</u>
9.	TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
	Trade deposits		5,896	3,948
	Short term prepayments		22,364	6,280
	Others receivables	9.1	52	2,096
			<u>28,312</u>	<u>12,324</u>
9.1	Other receivables includes rent receivable from a related party amounting to Rs. 0.38 million (30 June 2016: Rs. 0.47 million).			



		31 December 2016 (Un-audited)	30 June 2016 (Audited)
	Note	------(Rupees in '000)-----	
<b>10. LONG TERM FINANCES - secured</b>			
<i>Conventional</i>			
Long Term Finance Facility (LTFF)	10.1	1,993,877	1,988,433
Long term finance	10.2 & 10.3	1,566,667	1,755,556
<i>Islamic</i>			
Long term finance	10.4 & 10.5	1,791,667	1,000,000
Current portion of long term finances shown under current liabilities		5,352,211 (1,127,097) 4,225,114	4,743,989 (699,016) 4,044,973
<b>10.1</b>	This finance has been obtained from commercial bank and is secured by way of pari passu charge over fixed assets of the Company.		
<b>10.2</b>	Long term finance amounting to Rs. 666.7 million (30 June 2016: Rs.755.6 million) has been obtained from commercial bank and is secured by way of pari passu charge over fixed assets of the Company.		
<b>10.3</b>	Long term finance amounting to Rs. 900 million (30 June 2016: Rs.1,000 million) has been obtained from commercial bank and is secured by way of ranking charge over fixed assets of the Company.		
<b>10.4</b>	Long term finance amounting to Rs. 875 million (30 June 2016: Rs.1,000 million) has been obtained from Islamic financial institution and is secured by way of pari passu charge over fixed assets of the Company.		
<b>10.5</b>	Long term finance amounting to Rs. 916.7 million (30 June 2016: Nil) has been obtained from Islamic financial institution and is secured by way of ranking charge over fixed assets of the Company.		
<b>11. TRADE AND OTHER PAYABLES</b>		31 December 2016 (Un-audited)	30 June 2016 (Audited)
	Note	------(Rupees in '000)-----	
Trade creditors		4,388,573	3,622,348
Derivative financial liabilities		-	8,286
Sales commission payable		48,892	34,653
Accrued expenses		676,038	426,750
Advances from customers		519,644	177,170
Provision for infrastructure cess	11.1	433,817	362,076
Provision for government levies		257	409
Dividend payable		649	-
Unclaimed dividend		384	384
Short term compensated absences		3,228	4,000
Workers' Profit Participation Fund		118,605	13,817
Workers' Welfare Fund		88,779	41,337
Others		8,962	3,570
		6,287,828	4,694,800

	31 December 2016 (Un-audited)	30 June 2016 (Audited)
	----- (Rupees in '000) -----	
<b>11.1 Movement of infrastructure cess</b>		
Opening balance	362,076	287,508
Provided during the period	71,741	74,568
Closing balance	<u>433,817</u>	<u>362,076</u>

This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (Refer note 13.1.1).

- 11.2** Trade creditors includes Rs. 2,623.63 million (30 June 2016: Rs. 3,299.72 million) payable to a related party.

**12. SHORT TERM BORROWINGS - secured**

	Note	31 December 2016 (Un-audited)	30 June 2016 (Audited)
		----- (Rupees in '000) -----	
<i>Conventional</i>			
Running finance under mark-up arrangement	12.1	1,066,014	2,663,844
Running finance under Export Refinance Scheme	12.2	1,118,500	-
<i>Islamic</i>			
Short term finance under Term Musharakah	12.3	736,800	39,102
Short term finance under Running Musharakah	12.4	70,440	820,809
		<u>2,991,754</u>	<u>3,523,755</u>

- 12.1** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from 5.90% to 7.97% (30 June 2016: 6.04% to 9.68%) per annum. These facilities mature within twelve months and are renewable.
- 12.2** The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub-limit of short term finance facility. The rate of mark-up on this facility is 2.15% (30 June 2016: 3.96%) per annum. This facility matures within six months and is renewable.
- 12.3** The Company has obtained facilities for short term finance under Term Musharakah arrangement. The rate of profit is 5.89% to 5.95% (30 June 2016: 6.07% to 6.58%) per annum. This facility matures within twelve months and is renewable.
- 12.4** The Company has obtained facilities for short term finance under Running Musharakah arrangement. The rate of profit is 6.08% (30 June 2016: 6.55% to 7.18%) per annum. This facility matures within twelve months and is renewable.
- 12.5** As at 31 December 2016, the unavailed facilities from the above borrowings amounted to Rs. 8,408.25 million (30 June 2016: Rs. 7,876.24 million).
- 12.6** The above facilities are secured by way of joint and pari passu charges over current assets of the Company.

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

**13.1.1** The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by the petitioner, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amount to Rs. 436.5 million (2016: Rs. 376.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been made for by the Company on prudent basis (Note 11.1).

**13.1.2** As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including 'Sui Southern Gas Company' (SSGC)) shall collect and pay Gas Infrastructure and Development Cess (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 the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. On 01 August 2012, the Company filed a suit bearing number 859/2012 wherein it 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 06 September 2012 has restrained 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, as absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the Constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. On 22 August 2014, Supreme Court of Pakistan upheld the decision of the Peshawar High Court stating the GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During the year 2014-15, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' - 'The Act', by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded to the extent of self consumption a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in this condensed interim financial information.

Further the Company has not recognized GIDC amounting to Rs. 685 million (2016: 633 million) pertaining to period from 01 July 2011 to 31 December 2016 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from

K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA). However, on 26 October 2016, High Court of Sindh vide its judgment dated 26 October 2016 held GIDC Act 2015 ultra vires the Constitution. Management on prudent basis maintained the provision recognized under GIDC Act 2015.

- 13.1.3** Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company based on legal counsels' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the High Court of Sindh 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.

Further, based on the tax expert's advice obtained during the quarter, accumulated minimum tax liability under Section 113 of the Income Tax Ordinance, 2001 (the Ordinance) of Rs. 431 million was determined from the tax years 2013 till 2015 and an amount of Rs. 248 million on account of Alternate Corporate Tax (ACT) for the tax year 2016 under Section 113(C) of the Ordinance. 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 65(B) of the Income Tax Ordinance, 2001, accumulated minimum tax liability and alternate corporate tax net of tax credit under section 65(B) amounting to Rs. 157 million has not been recorded in this condensed interim financial information for the period ended 31 December 2016. Additionally, during the period, provision for taxation has been made based on the income for the period determined in accordance with the prevailing law for taxation of income. The charge for tax is calculated using prevailing tax rates.

- 13.1.4** Guarantee issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 269.24 million (2016: Rs. 262.7 million) as a security for supply of gas.
- 13.1.5** Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 5.5 million (2016: Rs. 5.5 million).
- 13.1.6** Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2016: Rs. 8.67 million).
- 13.1.7** Guarantees issued in favour of Nazir High Court issued by bank on behalf of the Company amounted to Rs. 2.65 million (2016: Rs. 2.65 million).

## **13.2 Commitments**

- 13.2.1** Capital expenditure commitments outstanding as at 31 December 2016 amounted to Rs. 173.80 million (2016: Rs. 320.07 million).
- 13.2.2** Commitments under Letters of Credit for raw materials and spares as at 31 December 2016 amounted to Rs. 7,884.71 million (2016: Rs. 6,578.36 million).
- 13.2.3** The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2016 amounted to Rs. 6,841.49 million (2016: Rs. 7,934.56 million) and Rs. 190.42 million (2016: Rs. 194 million) respectively.





#### 14. NET SALES

	Six months period ended		Three months period ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Un-audited)			
	(Rupees in '000)			
Local	15,693,516	8,848,948	8,824,907	6,152,272
Export	2,060,111	971,904	1,227,998	352,633
	17,753,627	9,820,852	10,052,905	6,504,905
Toll manufacturing	836	6,846	424	2,450
	17,754,463	9,827,698	10,053,329	6,507,355
Sales tax	(2,367,789)	(1,356,252)	(1,328,901)	(937,272)
Trade discounts	(4,361)	(12,682)	(488)	(315)
Sales commission	(161,393)	(88,555)	(89,239)	(61,951)
	(2,533,543)	(1,457,489)	(1,418,628)	(999,538)
	15,220,920	8,370,209	8,634,701	5,507,817

#### 15. COST OF SALES

Opening stock of raw material and work-in-process	2,739,463	2,576,275	3,807,485	4,475,347
Purchases	13,113,667	5,896,669	6,698,574	2,003,237
Salaries, wages and benefits	185,745	153,038	94,226	76,111
Electricity, gas and water	480,520	362,748	236,957	184,783
Insurance	9,133	8,044	4,160	6,079
Security and janitorial	9,433	10,275	4,812	5,560
Depreciation	360,463	297,200	176,088	160,209
Amortisation	-	275	-	137
Stores and spares consumed	37,960	38,747	21,446	24,264
Repairs and maintenance	34,128	34,037	15,906	21,629
Postage, telephone and stationery	2,563	2,257	1,415	1,068
Vehicle, travel and conveyance	7,672	7,913	4,071	4,421
Internal material handling	7,541	3,088	3,218	1,827
Environment controlling expense	886	720	391	360
Toll manufacturing expense	-	10,768	-	10,768
Computer stationery and software support fees	3,923	1,539	2,264	853
Others	4,395	3,192	1,264	120
Recovery from sale of scrap	(465,639)	(277,966)	(270,711)	(211,189)
	16,531,853	9,128,819	10,801,566	6,765,584
Closing stock of raw material and work-in-process	(4,360,604)	(1,512,476)	(4,360,604)	(1,512,476)
Cost of goods manufactured	12,171,249	7,616,343	6,440,962	5,253,108
<i>Finished goods:</i>				
Opening stock	1,602,250	1,552,343	1,810,349	1,182,442
Closing stock	(1,386,790)	(1,116,626)	(1,386,790)	(1,116,626)
	215,460	435,717	423,559	65,816
	12,386,709	8,052,060	6,864,521	5,318,924

Note	Six months period ended		Three months period ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Un-audited)			
	(Rupees in '000)			
<b>16. ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and benefits	57,493	50,171	29,953	24,875
Rent, rates and taxes	3,564	2,225	1,471	1,079
Electricity, gas and water	1,194	599	767	289
Insurance	905	828	431	696
Depreciation	2,825	2,671	1,230	1,371
Printing and stationery	1,410	1,322	238	284
Postage and communication	364	397	178	83
Vehicle, travel and conveyance	3,403	2,475	1,572	897
Legal and professional charges	11,867	10,707	5,684	7,273
Certification and registration charges	546	320	443	252
Repairs and maintenance	34	68	34	68
Directors' fee	1,200	1,500	660	660
Others	3,920	1,741	1,616	707
	<b>88,725</b>	<b>75,024</b>	<b>44,277</b>	<b>38,534</b>
<b>17. SELLING AND DISTRIBUTION EXPENSES</b>				
Salaries, wages and benefits	27,925	22,790	13,739	11,854
Rent, rates and taxes	5,279	4,190	2,691	2,469
Electricity, gas and water	1,127	527	676	250
Insurance	291	192	175	110
Depreciation	1,757	1,631	906	842
Postage, telephone and stationery	985	663	392	354
Vehicle, travel and conveyance	4,897	5,194	2,673	1,685
Freight and forwarding charges	96,524	35,685	60,280	23,273
Repairs and maintenance	386	324	386	324
Sales promotion	7,033	5,789	2,754	3,037
Others	5,839	2,621	1,731	933
	<b>152,043</b>	<b>79,606</b>	<b>86,403</b>	<b>45,131</b>
<b>18. FINANCIAL CHARGES</b>				
Mark-up on:				
- Long term finances	165,526	222,546	86,591	121,159
- Short term borrowings	67,456	125,514	25,773	74,682
18.1	<b>232,982</b>	<b>348,060</b>	<b>112,364</b>	<b>195,841</b>
Exchange loss on FE financing	-	69,089	-	333
Interest on Workers' Profit Participation Fund	85	-	-	-
Bank charges	3,692	5,183	1,634	981
	<b>236,759</b>	<b>422,332</b>	<b>113,998</b>	<b>197,155</b>

**18.1** It includes mark-up under shariah compliant arrangements amounting to Rs 65.9 million (31 Dec 2015: Rs. 44.61 million).

Note	Six months period ended		Three months period ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Un-audited)			
	(Rupees in '000)			
<b>19. OTHER OPERATING CHARGES</b>				
Auditors' remuneration	1,275	1,216	666	552
Donations	5,040	2,190	4,690	190
Workers' Welfare Fund	47,442	-	30,754	-
Workers' Profit Participation Fund	118,605	-	76,885	-
Loss on derivative financial instruments	31,483	10,524	4,138	10,524
Exchange loss - net	-	71,589	-	3,906
	<b>203,845</b>	<b>85,519</b>	<b>117,133</b>	<b>15,172</b>
<b>20. OTHER INCOME</b>				
<b>Income from non-financial assets</b>				
Income from power generation	19,624	19,865	10,287	7,025
Recovery of shared resources cost	19,241	15,851	11,028	8,815
Gain on sale of property, plant and equipment	1,744	2,940	1,031	2,449
Rental income	970	858	596	429
Exchange gain / (loss) - net	6,427	-	(5,376)	-
Others - scrap	4,640	14,608	3,650	4,016
	<b>52,646</b>	<b>54,122</b>	<b>21,216</b>	<b>22,734</b>
<b>Income / return from financial assets</b>				
Interest on bank deposits	486	367	486	367
	<b>53,132</b>	<b>54,489</b>	<b>21,702</b>	<b>23,101</b>
<b>20.1 Income from power generation</b>				
Net sales	206,275	226,487	106,954	111,024
Cost of electricity produced	(186,651)	(206,622)	(96,667)	(103,999)
	<b>19,624</b>	<b>19,865</b>	<b>10,287</b>	<b>7,025</b>
<b>21. TAXATION - net</b>				
- Current	(344,580)	(9,719)	(336,283)	(3,526)
- Prior	(136,320)	-	(136,320)	-
- Deferred	(565,331)	221,369	(363,446)	211,916
	<b>(1,046,231)</b>	<b>211,650</b>	<b>(836,049)</b>	<b>208,390</b>

**22. MOVEMENT IN WORKING CAPITAL**

	31 December 2016	31 December 2015
	----- (Rupees in '000) -----	
<i>Increase in current assets:</i>		
Stores and spares	(47,084)	(59,544)
Stock-in-trade	(1,382,619)	1,496,685
Receivable from K-Electric Limited	(718)	14,627
Trade debts	(208,247)	(339,187)
Advances	(20,021)	(60,485)
Trade deposits, short term prepayments and other receivables	(15,988)	(8,686)
Sales tax receivable	(24,122)	(405,598)
	<u>(1,698,799)</u>	<u>637,812</u>
<i>Increase in current liabilities:</i>		
Trade and other payables	77,890	(816,847)
	<u>(1,620,909)</u>	<u>(179,035)</u>

**23. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise the Holding Company, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (provident fund) are made as per the terms of employment and contributions to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

	Six months period ended		Three months period ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
<b>TRANSACTIONS</b>				
<b>Holding company</b>				
Sales	1,931,178	1,257,404	1,288,552	1,005,040
Purchases	2,696	2,601	1,585	871
Toll Manufacturing - purchase	-	12,599	-	12,599
Toll Manufacturing - sales	28	4,583	28	55
Dividend paid	306,319	-	306,319	-
Office rent	5,278	5,278	2,639	2,639
Recovery of shared resources cost	19,241	15,851	11,028	8,815
Corporate, legal and marketing services	4,186	1,083	2,151	523
Reimbursement of Expenses	1,476	325	988	325



	Six months period ended		Three months period ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Un-audited)			
	(Rupees in '000)			
<b>Associated Companies/ Undertaking</b>				
Sales	325,180	8,869	152,559	5,626
Purchases	6,391,489	3,704,876	1,479,577	1,705,998
Rental Income	970	858	596	429
Dividend Income	49,347	-	49,347	-
<b>Associated Person</b>				
Sales commission expense	-	446	-	-
<b>Key Management Personnel</b>				
Remuneration and benefits	76,424	60,203	38,940	31,233
Staff retirement benefits	5,378	3,069	2,909	1,492
<b>Staff Retirement Fund</b>				
Contribution paid - Provident Fund	13,068	12,423	6,556	6,361
Contribution paid - Gratuity Fund	9,395	5,448	5,255	2,724

## 24. OPERATING SEGMENTS

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

**24.2** Revenue from sales of steel products represents 99% (31 December 2015: 97%) 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 Galvanizing Plant and Cold Rolling Plant and currently any excess electricity is sold to KE.

**24.3** All non-current assets of the Company as at 31 December 2016 are located in Pakistan.

**24.4** 88% (2015: 90%) of sales of steel sheets are domestic sales whereas 12% (2015: 10%) of sales are export / foreign sales.

## 24.5 Geographic Information

	Six months period ended		Three months period ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Rupees in '000)			
Domestic Sales	15,694,352	8,855,794	8,825,331	6,154,722
Export Sales	2,060,111	971,904	1,227,998	352,633
	17,754,463	9,827,698	10,053,329	6,507,355

## 25. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information were authorized for issue by the Board of Directors on 24 January 2017.

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

**Tauqir Hasan**  
Chief Financial Officer

**Yousuf H. Mirza**  
Chief Executive Officer