Passion for Future

Nine Months Report
March 2018

A Group Company of
Arif Habib

AISHA STEEL MILLS LIMITED
SHAPING THE ECONOMY

contents

Moving ahead with passion

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, Chief Executive Officer
Mr. Nasim Beg
Mr. Muhammad Ejaz
Mr. Kashif A. Habib
Mr. Javed Iqbal
Mr. Rashid Ali Khan
Ms. Tayyaba Rasheed
Mr. Ahsan Ashraf

Audit Committee
Mr. Javed Iqbal – Chairman
Mr. Kashif A. Habib – Member
Mr. Nasim Beg – Member
Ms. Tayyaba Rasheed – Member

Human Resource & Remuneration Committee
Mr. Rashid Ali Khan – Chairman
Mr. Arif Habib – Member
Mr. Muhammad Ejaz – Member
Mr. Javed Iqbal – Member

Chief Financial Officer
Umair Noor Muhammad

Company Secretary
Mr. Manzoor Raza

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
Ahmed & Qazi
Bawaney & Partners
Khalid Anwer & Co.

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

Website
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 third quarter ended 31st March 2018.

Steel Market Review

The international steel market remained stable, at US$ 575 FOB China, from December 2017 to mid February 2018. It peaked at US$ 620 in early March 2018 before dropping back to US$ 575 towards the end of March 2018 and is expected to remain stable at this level for the next few months. The iron ore prices remained stable, at around US$ 75 C&F China, from January 2018 to mid-March 2018. It subsequently dropped to US$ 65 by end of March 2018 and is expected to remain stable at this level.

Operational Review

The sales quantity achieved in the July 2017 to March 2018 period was 168,618 tons compared to 170,795 tons for the corresponding period last year, showing a decrease of 1.27%. The total production for the period was 157,305 tons compared to 160,378 tons, a decrease of 1.92%. The capacity utilization was 95% and 97%, respectively. The drop in production is primarily attributed to higher volume of annealed CRC. The budget envisaged production of 75% annealed and 25% full hard CRC. The actual quantities were 85% and 15%, respectively. Due to annealing cycle and skin pass operations, the annealed CRC productivity drops by about 60% compared to full hard production rates. The revenue generated during the period was PKR 14,351 million, compared to PKR 10,774 million achieved in the corresponding period in 2016-17, showing an increase of 33.2%.

Higher sales value achieved in the local market improved the bottom line. The gross profit achieved was PKR 2,655 million compared to PKR 1,679 million for the corresponding period last year, showing an increase of 58.13%. The Company posted before tax profit of PKR 1,628 million compared to PKR 776 million in corresponding period in 2016-17, an increase of 110%. The net profit increased to PKR 1,106 million compared to PKR 972 million for the corresponding period last year, showing an increase of 14%. Accumulated losses have now decreased to PKR 732 million from PKR 1,907 million last year.

A brief summary of the financial result as on March 31, 2018 is as follows:

All figures in PKR Million	Nine months ended March 2018	Nine months ended March 2017
Net Sales	14,351	10,774
Gross Profit	2,655	1,679
Profit before tax	1,628	776
Profit after tax	1,106	972
Accumulated loss	732	1,907

Future Outlook

The world steel market is anxiously watching the implication of 25% duty imposed by America on Chinese steel products following investigation that China violates international trade agreements. China has approached WTO to contest the imposition. The market has not panicked, so far, but is closely watching the developments. The devaluation of rupees will lead to increase in local steel prices.

The Expansion Project

The expansion plan approved by the board to increase production capacity from 220,000 to 700,000 MT per annum including 450,000 MT CRC and 250,000 MT Galvanized coils is well underway. The erection of the PEB structure is complete and the balance work will be completed by July 2018. The LCs for all the major equipment including, CRM, PPPL, BAF and CGL have already been established. Equipment foundation work of Galvanizing line, Pickling line and Batch Annealing Furnaces is well underway. Additional water reservoir tank is completed. Extension of water treatment plant is in progress. First batch of equipment, of the Galvanizing line, has arrived at the mill. Detailed construction drawings for the rolling mill is in progress. The completion time, Insha'Allah, for the complete project starting from October 01, 2017 is 18 months. The CGL, PPPL lines, however, are expected to be completed within 13 month. The BAF and CRM will be commissioned within 15 and 18 months, respectively.

Improvements in the existing set up

The existing facilities are also being streamlined and upgraded to improve productivity and quality. The rolling mill is running on ABB software. The same has been upgraded from 5.0.0 to 5.1.1 version. The new server with the automation system ABB PEC800 is much faster and the HMI graphics are enhanced. The overall reliability of the system has improved. The new roll grinder acquired from M/s. Herkules, Germany to improve thin guage CRC quality has been commissioned. An electrostatic oiler added to the finishing line (to improve corrosion protection by improving uniformity of oil layer on both sides of the sheet surface) is working well and oil consumption has been cut to 0.14 kg/ton from 0.28 kg/ton. A new 25 ton capacity overhead crane has been added in the dispatch bay to handle additional volumes. Two new cranes have been ordered to improve material flow in the Batch Annealing and CRSM bays. A new 25 ton fork lifter has been added to ease movement of HRC and CRC coils. The acid reservoir capacity has been doubled and HRC storage area being improved to handle additional volumes.

The expansion and improvements in the existing set up are expected to improve profit margins with the use of advance technology, additional product line and economy of scale. Additional benefits include increase of equity, improvement in financial strength and higher liquidity. After successful completion of the expansion, the Company will become the second largest flat steel manufacturer in Pakistan.

Acknowledgement:

We would like to record our appreciation and gratitude to the Banks for the continuous support in the ongoing operations as well as in the expansion project. We also acknowledge the support of Regulators for their continued support. We appreciate the extra efforts put in by the company employees to reach higher capacity utilization.

For and on behalf of the Board

Karachi: 27th April 2018	**Dr. Munir Ahmed** Chief Executive	**Arif Habib** Chairman

Unaudited Financial Statements

For the Nine Months Ended
March 31, 2018

Condensed Interim Statement Of Financial Position

AS AT MARCH 31, 2018

	Note	(Unaudited) March 31, 2018	Restated (Audited) June 30, 2017
		Rupees '000	
ASSETS			
Non-current assets			
Property, plant and equipment	6	11,966,645	10,542,575
Intangible assets		7,845	9,143
Long term loans and advances		4,514	2,673
Long term deposits and prepayments		45,405	46,349
Deferred taxation	7	1,095,406	1,358,102
		13,119,815	11,958,842
Current assets			
Stores and spares		117,006	96,298
Stock in trade		4,029,654	3,715,962
Trade debts - considered good		24,678	152,075
Advances, deposits and prepayments		361,775	525,675
Other receivables		149,320	139,761
Tax refunds due from Government - Sales tax		222,391	299,762
Taxation - payments less provision		558,201	434,098
Cash and bank balances		399,202	861,392
		5,862,227	6,225,023
Total assets		18,982,042	18,183,865
EQUITY AND LIABILITIES			
Equity			
Share Capital	8		
Ordinary shares		8,322,979	6,856,039
Cumulative preference shares		472,272	472,892
Difference on conversion of cumulative preference shares into ordinary shares	8.5	(1,313,789)	(2,171,630)
		7,481,462	5,157,301
Surplus on revaluation of fixed assets		1,204,405	1,224,627
Subscription money against right issue		-	2,176,616
		8,685,867	8,558,544
Accumulated losses		(731,664)	(1,858,071)
Total equity		7,954,203	6,700,473
LIABILITIES			
Non-current liabilities			
Long-term finance	9	4,607,880	5,032,184
Liabilities against assets subject to finance lease		24,314	4,477
Staff retirements benefit		47,529	40,876
		4,679,723	5,077,537
Current liabilities			
Trade and other payables		634,011	3,561,377
Accrued mark-up		165,168	157,925
Short-term borrowings	10	5,042,585	2,434,916
Current maturity of long-term loan	9	500,000	250,000
Current maturity of liabilities against assets subject to finance lease		6,352	1,637
		6,348,116	6,405,855
Total liabilities		11,027,839	11,483,392
Contingencies and commitments	11		
Total equity and liabilities		18,982,042	18,183,865

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

Chief Executive	Chief Financial Officer	Director

Condensed Interim Statement Of Profit Or Loss And Other Comprehensive Income

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

	Note	Quarter ended		Nine months ended	
		March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
		Rupees '000		Rupees '000	
Revenue	12	4,841,180	4,380,560	14,351,495	10,774,482
Cost of sales		(4,028,858)	(3,444,871)	(11,696,605)	(9,095,757)
Gross profit		812,322	935,689	2,654,890	1,678,725
Selling and distribution expenses		(5,263)	(4,717)	(13,611)	(13,383)
Administrative expenses		(54,598)	(51,194)	(143,977)	(136,227)
Other expenses		(34,517)	(41,124)	(121,867)	(53,492)
Other income		13,625	5,673	30,410	16,035
Profit from operations		731,569	844,327	2,405,845	1,491,658
Finance costs		(282,490)	(233,813)	(778,179)	(715,769)
Profit before taxation		449,079	610,514	1,627,666	775,889
Taxation		(144,293)	(189,050)	(521,481)	195,756
Profit for the period		304,786	421,464	1,106,185	971,645
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		304,786	421,464	1,106,185	971,645
Basic earnings per share - Rupees	13	0.38	0.96	1.36	2.05
Diluted earnings per share - Rupees	13	0.37	0.73	1.33	1.32

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

Chief Executive	Chief Financial Officer	Director

Condensed Interim Statement of Cash Flows

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

	March 31, 2018	March 31, 2017
	Rupees '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,627,666	775,889
Add / (less): Adjustment for non-cash and other items		
Depreciation and amortisation	318,152	299,519
Mark-up on assets subject to finance lease	1,137	370
Provision for staff retirement benefits	12,337	9,890
Unwinding of long term loan	75,697	214,052
Mark-up on loans	480,035	463,292
Exchange loss / (gain)	178,579	(800)
Loss on disposal of fixed assets	1,445	-
Return on PLS accounts	(10,541)	(2,849)
	1,056,841	983,474
Profit before working capital changes	2,684,507	1,759,363
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	(20,709)	(17,778)
Stock in trade	(313,692)	(242,591)
Trade debts	127,397	12,236
Advances, deposits and prepayments	163,901	(11,520)
Other receivables	(9,559)	(1,623)
Tax refunds due from Government - Sales tax	77,371	157,697
	24,709	(103,579)
Decrease in Current Liabilities		
Trade and other payables	(3,105,945)	(954,694)
Cash (used in) / generated from operations	(396,729)	701,090
Income tax (paid) / refund - net	(382,888)	88,968
Mark-up on loans paid	(472,792)	(547,976)
Staff retirement benefits paid	(5,681)	(5,453)
Increase in long term employee loans	(1,841)	(397)
Decrease / (increase) in long-term deposits and prepayments	944	(626)
Net cash (used in) / generated from operating activities	(1,258,987)	235,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(583,057)	(183,249)
Additions to capital work in progress	(1,163,443)	-
Return on PLS accounts	10,541	2,849
Sale proceeds from disposal of property, plant and equipment	4,126	-
Net cash used in investing activities	(1,731,833)	(180,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan	(250,000)	(802,000)
Decrease in short term borrowings	-	(1,270,363)
Proceeds from right issue - net	147,545	1,070,000
Increase / (decrease) in liabilities against assets subject to finance lease	23,415	(1,405)
Net cash used in financing activities	(79,040)	(1,003,768)
Net decrease in cash and cash equivalents	(3,069,860)	(948,562)
Cash and cash equivalents at the beginning of the period	(1,573,523)	(2,536,405)
Cash and cash equivalents at the end of the period	(4,643,383)	(3,484,967)

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

Chief Executive

Chief Financial Officer

Director

Condensed Interim Statement Of Changes In Equity

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

	SHARE CAPITAL	RESERVES			SUBSCRIPTION MONEY AGAINST RIGHT ISSUE	TOTAL
		Capital		Revenue		
		Share premium	Surplus on revaluation of fixed assets	Accumulated loss		
	Rupees '000					
Balance as at July 1, 2016 as previously reported	5,157,301	-	-	(2,883,779)	-	2,273,522
Effect of change in accounting policy with respect to accounting for surplus on revaluation - net of deferred tax as a component of equity - note 4	-	-	381,821	-	-	381,821
Balance as at July 1, 2016 - restated	5,157,301	-	381,821	(2,883,779)	-	2,655,343
Incremental depreciation net of deferred tax transferred	-	-	(4,859)	4,859	-	-
Total comprehensive income for the nine months ended March 31, 2017						
- Profit for the nine months ended March 31, 2017	-	-	-	971,645	-	971,645
- Other comprehensive income for the nine months ended March 31, 2017	-	-	-	-	-	-
	-	-	-	971,645	-	971,645
Balance as at March 31, 2017 - Unaudited	5,157,301	-	376,962	(1,907,275)	-	3,626,988
Balance as at July 1, 2017 as previously reported	5,157,301	-	-	(1,858,071)	2,176,616	5,475,846
Effect of change in accounting policy with respect to accounting for surplus on revaluation - net of deferred tax as a component of equity - note 4	-	-	1,224,627	-	-	1,224,627
Balance as at July 1, 2017 - restated	**5,157,301**	**-**	**1,224,627**	**(1,858,071)**	**2,176,616**	**6,700,473**
Subscription money received	-	-	-	-	155,128	155,128
Issuance cost	-	-	-	-	(7,583)	(7,583)
	-	-	-	-	147,545	147,545
Issuance of right shares	1,465,787	858,374	-	-	(2,324,161)	-
Share premium set off - note 8.5	858,374	(858,374)	-	-	-	-
Incremental depreciation net of deferred tax transferred	-	-	(20,222)	20,222	-	-
Total comprehensive income for the nine months ended March 31, 2018						
- Profit for the nine months ended March 31, 2018	-	-	-	1,106,185	-	1,106,185
- Other comprehensive income for the nine months ended March 31, 2018	-	-	-	-	-	-
	-	-	-	1,106,185	-	1,106,185
Balance as at March 31, 2018 - Unaudited	7,481,462	-	1,204,405	(731,664)	-	7,954,203

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

Chief Executive

Chief Financial Officer

Director

Notes To And Forming Part Of The Condensed Interim Financial Statements

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the repealed Companies Ordinance, 1984. The Company's shares are listed on 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 is undertaking an expansion project of increasing its current production capacity from 250,000 metric tonnes to 450,000 metric tonnes and installing production line of galvanized coils.

2. BASIS OF PREPARATION

These condensed interim financial statements of the Company for the period ended March 31, 2018 have been prepared in accordance with the requirements of the International Accounting Standard (lAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with annual financial statements as at and for the year ended June 30, 2017.

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 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

The change will impact the disclosures of the Company's annual financial statements.

The Companies Act, 2017 has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in recognition criteria of surplus on revaluation of fixed assets as more explained in note 4. Presentation changes also include re-naming of Balance Sheet to Statement of Financial Position.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2017, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in this condensed interim financial information.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2018 that may have an impact on the financial statements of the Company.

IFRS 9 'Financial instruments' - This standard replaces the guidance in lAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: lAS 18 Revenue, lAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16 ‘Leases’ - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognsied. The only exceptions are short term and low value leases.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2017 except as described in note 4 below.

4. CHANGE IN ACCOUNTING POLICY

The specific section relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment:

- surplus on revaluation of fixed assets would be shown under equity; and
- offset the deficit arising from revaluation of the particular category of assets.

Following the application of IAS 16, the Company's policy for surplus on revaluation of fixed assets stands ammended as follows:

- Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. A revaluation surplus is credited to surplus on revaluation of fixed assets in shareholders’ equity. An amount equal to incremental depreciation for the period net of deferred taxation is transferred from surplus on revaluation of fixed assets to accumulated loss in the statement of changes in equity.

- The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

	June 30, 2017	July 01, 2016
	Rupees '000	
Impact on statement of financial position		
Increase / (decrease) in reserves	1,224,627	381,821
Increase / (decrease) in surplus on revaluation of fixed assets	(1,224,627)	(381,821)
Impact on statement of changes in equity		
Increase / (decrease) on surplus on revaluation of fixed assets:		
- Cumulative effect from prior years	1,224,627	381,821

There is no impact on condensed interim profit or loss account and other comprehensive income and statement of cash flows as a result of the retrospective application of change in accounting policy of surplus on revaluation of fixed assets.

Notes To And Forming Part Of The Condensed Interim Financial Statements

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

5. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements 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 these condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2017.

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, 2017.

		(Unaudited) March 31, 2018	(Audited) June 30, 2017
		Rupees '000	
6.	**PROPERTY, PLANT AND EQUIPMENT**		
	Operating assets	9,901,619	10,009,887
	Capital work in progress - at cost	1,179,754	12,721
	Major spare parts and stand-by equipment	885,272	519,967
		11,966,645	10,542,575
6.1	**Additions to operating assets during the period are as follows:**		
	Owned		
	Building and other civil work on leasehold land	2,559	12,964
	Plant and machinery	171,848	129,950
	Electrical installations	6,981	973
	Vehicles	5,154	-
	Office Equipment	4,642	5,926
	Furniture and fittings	-	63
	Assets under finance lease		
	Motor vehicles	23,454	1,708
		214,638	151,584

6.2 Disposals during the period include motor vehicles and office equipment having written down value amounting to Rs. 6.19 million (2017: Rs. 2.5 million) and Rs. 46,751 (2017: Rs. Nil) respectively.

6.3 Capital work in progress as at March 31, 2018 comprise of the following:

		(Unaudited) March 31, 2018	(Audited) June 30, 2017
Plant and machinery	6.3.1	666,855	3,670
Civil works and prefabrication building	6.3.1	359,838	5,512
Advances to suppliers	6.3.1	84,284	3,539
Others	6.3.1	68,777	-
		1,179,754	12,721

6.3.1 This includes Rs. 1,163.4 million in respect of expansion project of the Company.

7. DEFERRED TAXATION

The Company has an aggregate amount of Rs. 7.15 billion (June 30, 2017: Rs. 9 billion) in respect of tax losses as at March 31, 2018. The management carries periodic assessment to assess the benefit of these losses as the Company would be able to set off the profit earned in future years against these carried forward losses. Based on the assessment, management has recognised deferred tax debit balance amounting to Rs. 2.16 billion (June 30, 2017: Rs. 2.70 billion) including an amount of Rs. 2.26 billion (June 30, 2017: Rs. 2.16 billion) on unabsorbed tax depreciation and initial allowance of Rs. 7.56 billion (June 30, 2017: Rs. 7.19 billion). The amount of this benefit has been determined based on the financial projections 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.

Notes To And Forming Part Of The Condensed Interim Financial Statements

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

8. SHARE CAPITAL

8.1 Issued, subscribed and paid-up capital

(Unaudited) March 31, 2018	(Audited) June 30, 2017		(Unaudited) March 31, 2018	(Audited) June 30, 2017
(Number of shares)			Rupees '000	
832,297,886	685,603,943	Ordinary Shares of Rs. 10 each	8,322,979	6,856,039
		Cumulative Preference Shares of Rs. 10 each		
44,357,057	44,377,557	- PSX Symbol - ASLPS	443,571	443,776
2,870,083	2,911,583	- PSX Symbol - ASLCPS	28,701	29,116
47,227,140	47,289,140		472,272	472,892
879,525,026	732,893,083		8,795,251	7,328,931

8.2 Issue of 20% Right Shares in terms of Ordinary Shares

The Board of Directors of the Company in their meeting held on April 29, 2017 approved the issue of 20% Right Shares in terms of Ordinary Shares at exercise price of Rs. 16 per share for the purpose of expansion of total production capacity of 700,000 metric tonnes per annum consisting of 450,000 metric tonnes Cold Rolled Coils and 250,000 metric tonnes of Galvanized Coils. These right shares have been issued to Company's existing ordinary and preference shareholders. Total amount raised through the rights issue is Rs. 2.345 billion comprising of Rs. 0.879 billion and Rs. 1.466 billion in respect of share premium and Ordinary Shares respectively. In this respect, the Company has issued 146,578,611 Ordinary Shares during the year.

Issuance costs totalling Rs. 21.1 million was incurred in relation to above 20% right issue which has been netted with the subscription money received and accordingly accounted for as a deduction from equity.

8.3 During the period, the Company has allotted 20,500 Ordinary Shares against conversion of 20,500 Cumulative Preference Shares (PSX Symbol - ASLPS) of the Company in the ratio of 1:1.

8.4 During the period, the Company has allotted 94,827 Ordinary Shares against conversion of 41,500 Cumulative Preference Shares (PSX Symbol - ASLCPS) in the ratio of 2.285 Ordinary Shares for each Cumulative Preference Share.

8.5 The Board of Directors in their meeting held on February 12, 2018 resolved to set off share premium amounting to Rs. 858.37 million against difference on conversion of cumulative preference shares (PSX Symbol - ASLCPS) into ordinary shares.

As at March 31, 2018, difference on conversion of cumulative preference shares (PSX Symbol - ASLCPS) into ordinary shares is as follows:

	March 31, 2018	March 31, 2017
	Rupees '000	
- Cumulative Preference Shares (PSX Symbol - ASLCPS) of Rs. 10 each converted to ordinary shares	1,689,399	1,689,984
- Ordinary shares of Rs 10 each allotted against conversion of cumulative preference shares (PSX Symbol - ASLCPS)	(3,862,562)	(3,861,614)
	(2,172,163)	(2,171,630)
Share premium set off	858,374	-
	(1,313,789)	(2,171,630)

8.6 As the Company currently has accumulated losses, cumulative dividend on Preference Shares (PSX Symbol - ASLPS) and Preference Shares (PSX Symbol - ASLCPS) amounting to Rs 598.97 million (June 30, 2017: Rs. 567.05 million) and Rs. 296.84 million (June 30, 2017: Rs. 295.64 million) respectively is not accounted for in these condensed interim financial statements.

8.7 Pursuant to Share Purchase Agreement executed on March 31, 2016 by the Arif Habib Group (consisting of Mr. Mohammad Arif Habib, Arif Habib Corporation Limited and Arif Habib Equity Private Limited) with Metal One Corporation (Japan) (the Proposed Seller), it has been agreed that subject to the satisfaction of certain conditions precedent, Mr. Mohammad Arif Habib individually will acquire all the ordinary shares i.e. 66.77 million shares of the Proposed Seller in the Company at a price of

Rs. 0.5 per share with the intention of writing off and surrendering all the acquired shares of the proposed seller to the Company, at no cost to the Company and in accordance with Section 96 of the repealed Companies Ordinance, 1984 by way of a court approved scheme of reduction of capital, in order to enhance shareholder value for the remaining shareholders. In this respect, the petition under section 96 of the repealed Companies Ordinance, 1984 was filed before High Court of Sindh on December 29, 2016 for reduction of share capital of the Company. The petition is pending before High Court of Sindh as at March 31, 2018.

9. LONG-TERM FINANCE

	(Unaudited) March 31, 2018	(Audited) June 30, 2017
	Rupees '000	
Opening		
- long-term finance	**5,032,184**	5,320,004
- current maturity of long-term finance	**250,000**	500,000
	5,282,184	5,820,004
Impact of unwinding - finance cost	**75,697**	262,180
Amount repaid	**(250,000)**	(800,000)
	5,107,881	5,282,184
Less: Current maturity shown under current liabilities	**(500,000)**	(250,000)
	4,607,881	5,032,184

10. SHORT-TERM BORROWINGS

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

Habib Metropolitan Bank Limited	**1,101,021**	332,096
National Bank of Pakistan	**1,092,228**	1,142,216
JS Bank Limited	**690,949**	-
Askari Bank Limited	**589,460**	-
Summit Bank Limited	**420,782**	319,075
Bank Al-Falah Limited	**391,145**	-
Bank Islami Pakistan Limited	**361,000**	576,869
MCB Bank Limited	**250,000**	49,542
Silk Bank Limited	**146,000**	-
Sindh Bank Limited	**-**	13,677
The Bank of Punjab	**-**	1,441
	5,042,585	2,434,916

11. CONTINGENCIES AND COMMITMENT

11.1 Contingencies

11.1.1 There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2017.

11.2 Commitments

11.2.1 Commitments for capital expenditure outstanding as at March 31, 2018 amounted to Rs. 241.53 million (June 30, 2017: Rs. 24.2 million).

11.2.2 Commitments outstanding for expansion project of galvanized coils production line as at March 31, 2018 amounted to Rs. 3,693.8 million (June 30, 2017: Rs. Nil).

11.2.3 Commitments for rentals under ijarah arrangements amounted to Rs. 3.28 million (June 30, 2017: Rs. 8.9 million) payable as follows:

Not later than 1 year	**1,465**	2,645
Later than 1 year but not later than 5 years	**1,815**	6,213
	3,280	8,858

Notes To And Forming Part Of The Condensed Interim Financial Statements

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

		(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
		Rupees '000	
12.	**REVENUE**		
	Gross Revenue	16,967,153	12,728,409
	Less: Sales tax	(2,449,859)	(1,836,412)
	Dealer Commission	(165,799)	(117,515)
		14,351,495	10,774,482
13.	**EARNINGS PER SHARE**		
13.1.	**BASIC EARNINGS PER SHARE**		
	Profit after taxation attributable to ordinary shareholders	1,106,185	971,645
	Adjustment for cumulative preference share dividend	(43,929)	(122,025)
	Profit after taxation for calculation of basic earnings per share	1,062,256	849,620
	Weighted average number of ordinary shares outstanding at the end of period (in thousands)	783,811	415,462
	Basic earnings per share - Rupees	1.36	2.05
13.2.	**DILUTED EARNINGS PER SHARE**		
	Profit after taxation attributable to ordinary shareholders	1,106,185	971,645
	Weighted average number of ordinary shares outstanding at the end of period (in thousands)	783,811	415,462
	Adjustment for conversion of convertible preference shares	50,985	322,287
	Weighted average number of ordinary shares outstanding at the end of period (in thousands)	834,796	737,749
	Diluted earnings per share	1.33	1.32

14. TRANSACTIONS WITH RELATED PARTIES

Transactions entered into with related parties during the period are as follows:

Relationship	Nature of transaction	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
Associated Companies			
	- Purchase of raw material	6,043,371	3,004,937
	- Purchase of construction material	451	917
	- Rent and maintenance expense	6,629	-
	- Finance facilities utilised	250,000	1,473,000
	- Repayment of finance facilities utilised	250,000	2,020,494
	- Markup on finance facilities paid	19,902	55,834
	- Guarantee commission paid	1,130	-
	- Cancelation of Cumulative Preference Shares	-	564,855
	- Ordinary Shares issued against Cumulative Preference Shares (ASLCPS)	-	1,290,694
Key Management Personnel			
	- Salaries and other short-term employee benefits	10,976	8,750
	- Payment against meeting fees and expenses	96	-
	- Post retirement benefits	328	205

Notes To And Forming Part Of The Condensed Interim Financial Statements

FOR THE PERIOD ENDED MARCH 31, 2018 - (UNAUDITED)

Relationship	Nature of transaction	(Unaudited) March 31, 2018	(Unaudited) March 31, 2017
		Rupees '000	
Other related parties			
	- Bank charges paid	**11,886**	-
	- Markup on finance facilities paid	**15,070**	-
	- Finance facilities utilised	**-**	851,000
	- Repayment of finance facilities utilised	**-**	531,000

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 April 27, 2018.

Chief Executive	Chief Financial Officer	Director