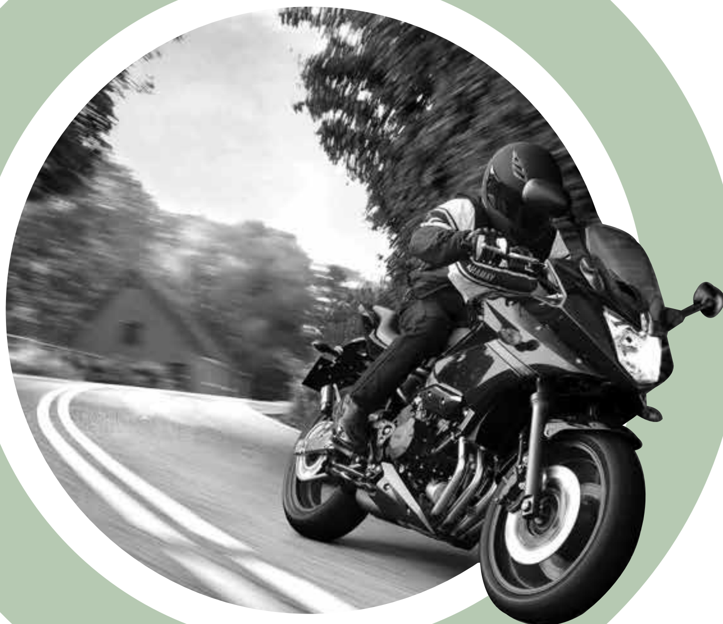
# Passion for Future

## Half Yearly Report
## December 2017

AISHA STEEL MILLS LIMITED
SHAPING THE ECONOMY

A Group Company of
Arif Habib

# 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 half year ended December 31, 2017.

## Steel Market Review

The international steel market remained strong in the July–December 2017 period. The iron ore prices fluctuated in a narrow range between US$ 65 to 75, C&F China. The HRC, FOB China prices increased gradually from US$ 520 in July 2017 to US$ 600 in September 2017. However, the HRC price retreated to levels around US$ 575 and have since remained stable. The local market also followed the rising trend and prices increased gradually stabilizing in the last quarter. The international as well as the local market is expected to remain stable in the next quarter.

## Operational Review

The sales quantity achieved in the July-December 2017 period was 114,695 tons compared to 110,708 tons for the corresponding period last year, showing an increase of about 3.6%. The total production for the period was 101,580 tons compared to 105,246 tons, showing a decrease of 3.5%. The capacity utilization was 92.3% and 95.7%, respectively. The revenue generated during the period was PKR 9,510 million, compared to PKR 6,394 million achieved in the corresponding period in 2016-17, showing an increase of 48.7%.

Higher sales value achieved in the local market improved the bottom line. The Company posted before tax profit of PKR 1,179 million in the July-December period of the current financial year compared to PKR 165 million in corresponding period in 2016-17, showing an increase of 6.13 times.

**A brief summary of the financial results as on December 31, 2017 is as follows:**

| All figures in PKR Million | Half year ended | |
|---|---|---|
| | Dec 2017 | Dec 2016 |
| Net Sales | 9,510 | 6,394 |
| Gross Profit | 1,843 | 743 |
| Profit before tax | 1,179 | 165 |
| Profit after tax | 801 | 550 |

## Future Outlook

The Chinese government has enforced environmental policies to contain pollution, particularly in steel producing provinces. The government is systematically eliminating obsolete capacities with poor environment controls and also enforcing capacity cuts to contain emission levels. So far it has been reported that 50 million tons capacity cut was achieved in 2017. The aim for the year 2018 is of the order of 100 million tons. This is expected to create a balance in demand supply cycle keeping steel prices stable. The market is keenly watching the developments.

## 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 has commenced and expected to be completed by July 2018. The LCs for all the major equipment, including CRM, PPPL, BAF and CGL have already been established. The detailed foundation construction drawings of CGL and PPPL lines are ready and tender for the same will be floated within few days. The completion time, Insha'Allah, for the project, starting from October 01, 2017, is 18 months. The CGL and PPPL lines, however, are expected to be completed within 13 months. The BAF and CRM will be commissioned within 15 and 18 months, respectively.

## Improvements in Existing Set Up

The existing facilities are also being streamlined to improve quality and productivity. The new roll grinder acquired from M/s Herkules, Germany to improve thin guage CRC quality, which was earlier scheduled to be commissioned in December 2017, has been rescheduled now to be commissioned in late February 2018 due to change in schedule of commissioning engineer from China. 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 optimized.

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.

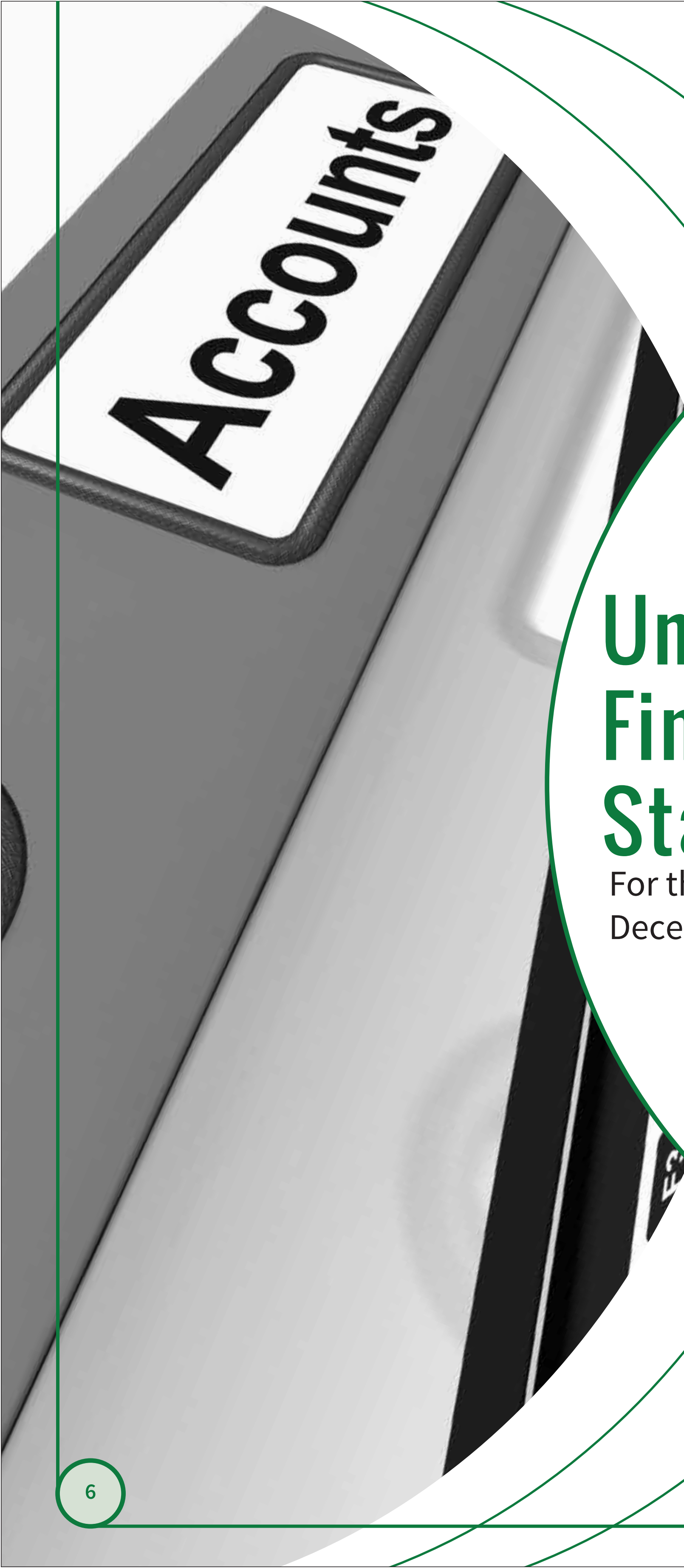
This expansion and improvements in the existing set up are expected to improve profit margins with the use of advance technology, additional product line and economy of scale. Additional benefits include increase of equity, improvement in financial strength and higher liquidity. After successful completion 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:<br>February 12, 2018 | **Dr. Munir Ahmed**<br>Chief Executive | **Arif Habib**<br>Chairman |
|---|---|---|




# Unaudited Financial Statements

For the Half Year Ended December 31, 2017 pwc

A·F·FERGUSON&Co.

# 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 December 31, 2017 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 December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

## 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 December 31, 2017 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 23, 2018
Engagement Partner: Syed Fahim ul Hasan

*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>*

▪ KARACHI ▪ LAHORE ▪ ISLAMABAD

# Condensed Interim Balance Sheet

AS AT DECEMBER 31, 2017

| | Note | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|---|
| | | Rupees '000 | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 11,631,711 | 10,542,575 |
| Intangibles | | 8,277 | 9,143 |
| Long-term loans and advances | | 4,470 | 2,673 |
| Long-term deposits and prepayments | | 46,757 | 46,349 |
| Deferred tax | 6 | 1,169,014 | 1,358,102 |
| | | 12,860,229 | 11,958,842 |
| **Current assets** | | | |
| Stores and spares | | 107,847 | 96,298 |
| Stock-in-trade | | 4,820,704 | 3,715,962 |
| Trade debts | | 197,799 | 152,075 |
| Advances, deposits and prepayments | | 386,434 | 525,675 |
| Other receivables | | 149,947 | 139,761 |
| Tax refunds due from Government - Sales tax | | 419,425 | 299,762 |
| Taxation - payments less provision | | 584,176 | 434,098 |
| Cash and bank balances | | 726,401 | 861,392 |
| | | 7,392,733 | 6,225,023 |
| **Total assets** | | 20,252,962 | 18,183,865 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 7 | | |
| Ordinary shares | | 8,322,042 | 6,856,039 |
| Cumulative preference shares | | 472,682 | 472,892 |
| Difference on conversion of cumulative preference shares into ordinary shares | | (2,171,636) | (2,171,630) |
| | | 6,623,088 | 5,157,301 |
| Subscription money against rights issue | | - | 2,176,616 |
| Share premium | | 858,374 | - |
| | | 7,481,462 | 7,333,917 |
| Accumulated loss | | (1,043,191) | (1,858,071) |
| | | 6,438,271 | 5,475,846 |
| **Surplus on revaluation of fixed assets** | | 1,211,146 | 1,224,627 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term finance | | 4,834,391 | 5,032,184 |
| Liabilities against assets subject to finance leases | | 17,164 | 4,477 |
| Staff retirement benefit | | 47,569 | 40,876 |
| | | 4,899,124 | 5,077,537 |
| **Current liabilities** | | | |
| Trade and other payables | | 2,244,430 | 3,561,377 |
| Accrued mark-up | | 231,355 | 157,925 |
| Short-term borrowings | 8 | 4,722,284 | 2,434,916 |
| Current maturity of long-term finance | | 500,000 | 250,000 |
| Current maturity of liabilities against assets subject to finance leases | | 6,352 | 1,637 |
| | | 7,704,421 | 6,405,855 |
| **Total liabilities** | | 12,603,545 | 11,483,392 |
| **Contingencies and commitments** | 9 | | |
| **Total equity and liabilities** | | 20,252,962 | 18,183,865 |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chief Executive | Chief Financial Officer | Director

# Condensed Interim Profit And Loss Account

**FOR THE HALF YEAR ENDED DECEMBER 31, 2017 - (UNAUDITED)**

| | Note | Quarter ended | | Half year ended | |
|---|---|---|---|---|---|
| | | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| | | Rupees '000 | | Rupees '000 | |
| **Revenue** | 10 | **5,271,723** | 3,846,856 | **9,510,315** | 6,393,922 |
| Cost of sales | | **(4,174,830)** | (3,425,809) | **(7,667,747)** | (5,650,886) |
| **Gross profit** | | **1,096,893** | 421,047 | **1,842,568** | 743,036 |
| Selling and distribution cost | | **(4,056)** | (1,944) | **(8,348)** | (8,666) |
| Administrative expenses | | **(44,768)** | (49,692) | **(89,379)** | (85,033) |
| Other expenses | | **(52,365)** | (6,184) | **(87,350)** | (12,368) |
| Other income | | **8,069** | 8,755 | **16,785** | 17,180 |
| **Profit from operations** | | **1,003,773** | 371,982 | **1,674,276** | 654,149 |
| Finance costs | | **(284,586)** | (262,267) | **(495,689)** | (488,774) |
| **Profit before taxation** | | **719,187** | 109,715 | **1,178,587** | 165,375 |
| Taxation | | **(227,016)** | 355,148 | **(377,188)** | 384,806 |
| Profit for the period | | **492,171** | 464,863 | **801,399** | 550,181 |
| Other comprehensive income | | **-** | - | **-** | - |
| **Total comprehensive income** | | **492,171** | 464,863 | **801,399** | 550,181 |
| Basic earnings per share - Rupees | 11 | **0.58** | 1.06 | **0.98** | 1.34 |
| Diluted earnings per share - Rupees | 11 | **0.54** | 0.63 | **0.96** | 0.74 |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

**Chief Executive** | **Chief Financial Officer** | **Director**

# Condensed Interim Cash Flow Statement

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 - (UNAUDITED)

| | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net cash used in operations | 12 | (737,455) | (412,477) |
| Income tax (paid) / refunded - net | | (338,178) | 92,740 |
| Mark-up on loans paid | | (217,506) | (332,468) |
| Return on bank deposits received | | 8,727 | 1,745 |
| Staff retirement benefits paid | | (1,320) | (4,343) |
| Increase in long term loans and advances | | (1,797) | (663) |
| (Increase) / decrease in long-term deposits and prepayments | | (408) | 402 |
| **Net cash outflow from operating activities** | | (1,287,937) | (655,064) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (1,300,089) | (102,538) |
| Sale proceeds on disposal of property, plant and equipment | | 1,489 | - |
| **Net cash outflow from investing activities** | | (1,298,600) | (102,538) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of long term finance | | - | (838,417) |
| Increase / (decrease) in liabilities against assets subject to finance leases | | 16,633 | (915) |
| Proceeds from right issue - net | | 147,545 | - |
| **Net cash inflow / (outflow) from financing activities** | | 164,178 | (839,332) |
| Net decrease in cash and cash equivalents | | (2,422,359) | (1,596,934) |
| Cash and cash equivalents at beginning of the period | | (1,573,524) | (2,536,405) |
| **Cash and cash equivalents at end of the period** | | (3,995,883) | (4,133,339) |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Chief Executive

Chief Financial Officer

Director

# Condensed Interim Statement Of Changes In Equity

## FOR THE HALF YEAR ENDED DECEMBER 31, 2017 - (UNAUDITED)

| | Share capital | Share premium | Subscription money against right issue | Accumulated loss | Total |
|---|---|---|---|---|---|
| | Rupees '000 | | | | |
| **Balance as at July 1, 2016** | 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 |
| **Total comprehensive income for the half year ended December 31, 2016** | | | | | |
| - Profit for thte 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 |
| **Balance as at December 31, 2016** | 5,157,301 | - | - | (2,329,181) | 2,828,120 |
| **Balance as at July 1, 2017** | **5,157,301** | **-** | **2,176,616** | **(1,858,071)** | **5,475,846** |
| - 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) | - | - |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax | - | - | - | 13,481 | 13,481 |
| **Total comprehensive income for the half year ended December 31, 2017** | | | | | |
| - Profit for the half year ended December 31, 2017 | - | - | - | 801,399 | 801,399 |
| - Other comprehensive income for the half year ended December 31, 2017 | - | - | - | - | - |
| | - | - | - | 801,399 | 801,399 |
| **Balance as at December 31, 2017** | 6,623,088 | 858,374 | - | (1,043,191) | 6,438,271 |

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

| Chief Executive | Chief Financial Officer | Director |
|---|---|---|

# Notes To And Forming Part Of The Condensed Interim Financial Statements

## FOR THE HALF YEAR ENDED DECEMBER 31, 2017 - (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 is undertaking an expansion project of increasing its current production capacity of Cold Rolled Coils from 220,000 metric tons to 450,000 metric tons and installing production line of Galvanized Coils of 250,000 metric tons.

### 2. BASIS OF PREPARATION

As per the requirements of circular no. CLD/CCD/PR(11)/2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), companies whose financial year, including quarterly and other interim periods, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Accordingly, this condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (lAS) 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 repealed 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 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.

**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 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.

In addition to the foregoing, the Companies Act, 2017 which is not effective on this condensed interim financial information, has added certain disclosure requirements which will be applicable in the future.

## 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, 2017.

## 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 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 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, 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.

| | Note | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|---|
| **5. PROPERTY, PLANT AND EQUIPMENT** | | Rupees '000 | |
| Operating assets | | 9,944,002 | 10,009,887 |
| Capital work in progress - at cost | 5.3 | 927,793 | 12,721 |
| Major spare parts and stand-by equipment | | 759,916 | 519,967 |
| | | 11,631,711 | 10,542,575 |

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

| | Additions (at cost) (Unaudited) December 31, 2017 | Additions (at cost) (Unaudited) December 31, 2016 |
|---|---|---|
| **Owned** | Rupees '000 | |
| Plant and machinery | 122,600 | 59,734 |
| Building and other civil work on leasehold land | 2,209 | 8,227 |
| Office equipments | 3,742 | 2,324 |
| Furniture and fixtures | - | 64 |
| Vehicles | 64 | - |
| Electrical equipment | 195 | - |
| **Assets held under finance leases** | | |
| Motor vehicles | 16,255 | 1,708 |
| | 145,065 | 72,057 |

# Notes To And Forming Part Of The Condensed Interim Financial Statements

FOR THE HALF YEAR ENDED DECEMBER 31, 2017 - (UNAUDITED)

5.2 Disposals during the period includes vehicles and office equipment having written down value amounting to Rs. 909,975 (2016: Rs. Nil) and Rs. 9,445 (2016: Rs. Nil) respectively.

5.3 Capital work in progress as at December 31, 2017 comprise of the following:

| | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|
| | Rupees '000 | |
| Plant and machinery | 526,237 | 3,670 |
| Civil works and prefabrication building | 307,174 | 5,512 |
| Advances to suppliers | 78,730 | 3,539 |
| Others | 15,652 | - |
| | 927,793 | 12,721 |

5.3.1 This includes Rs. 915.2 million for installation of galvanized coils production line and for increasing current production capacity.

## 6. DEFERRED TAX

The Company has an aggregate amount of Rs. 7.70 billion (June 30, 2017: Rs. 9 billion) in respect of tax losses as at December 31, 2017. 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. 2.31 billion (June 30, 2017: Rs. 2.70 billion) including an amount of Rs. 2.23 billion (June 30, 2017: Rs. 2.16 billion) on unabsorbed tax depreciation and initial allowance of Rs. 7.44 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.

## 7. SHARE CAPITAL

Issued, subscribed and paid-up capital

| (Unaudited) December 31, 2017 | (Audited) June 30, 2017 | | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|---|---|
| (Number of shares) | | | Rupees '000 | |
| 832,204,201 | 685,603,943 | Ordinary shares of Rs. 10 each | 8,322,042 | 6,856,039 |
| | | Cumulative preference shares of Rs. 10 each | | |
| 44,357,057 | 44,377,557 | - PSX Symbol - ASLPS | 443,571 | 443,776 |
| 2,911,083 | 2,911,583 | - PSX Symbol - ASLCPS | 29,111 | 29,116 |
| 879,472,341 | 732,893,083 | | 8,794,724 | 7,328,931 |

### 7.2 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 tons per annum consisting of 450,000 metric tons Cold Rolled Coils and 250,000 metric tons 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 146,578,616 ordinary shares during the period.

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.

7.3 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.

7.4 During the period, the Company has allotted 1,142 ordinary shares against conversion of 500 cumulative preference shares (PSX Symbol - ASLCPS) in the ratio of 2.285 ordinary shares for each cumulative preference share.

As at December 31, 2017, difference on conversion of cumulative preference shares into ordinary shares is as follows:

| | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|
| | Rupees '000 | |
| - Cumulative preference shares (PSX Symbol - ASLCPS) of Rs. 10 each converted to ordinary shares | 1,689,989 | 1,689,984 |
| - Ordinary shares of Rs. 10 each allotted against conversion of cumulative preference shares (PSX Symbol - ASLCPS) | (3,861,625) | (3,861,614) |
| | (2,171,636) | (2,171,630) |

7.5 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.

7.6 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 December 31, 2017.

## 8. SHORT-TERM BORROWINGS

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

| | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|
| | Rupees '000 | |
| National Bank of Pakistan | 1,270,508 | 1,142,216 |
| Habib Metropolitan Bank Limited | 782,436 | 332,096 |
| BankIslami Pakistan Limited | 437,934 | 576,869 |
| Bank Alfalah Limited | 348,155 | - |
| Sindh Bank Limited | 474,739 | 13,677 |
| The Bank of Punjab | 366,949 | 1,441 |
| Askari Bank Limited | 592,039 | - |
| Summit Bank Limited | 400,000 | 319,075 |
| MCB Bank Limited | 49,524 | 49,542 |
| | 4,722,284 | 2,434,916 |

## 9. CONTINGENCIES AND COMMITMENTS

### 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, 2017.

### 9.2 Commitments

9.2.1 Commitments for capital expenditure outstanding as at December 31, 2017 amounted to Rs. 129.71 million (June 30, 2017: Rs. 24.2 million).

9.2.2 Commitments outstanding for expansion project of galvanized coils production line as at December 31, 2017 amounted to Rs. 3,670.67 million (June 30, 2017: Rs. Nil).

9.2.3 Commitments for rentals under ijarah arrangements amounted to Rs. 4.5 million (June 30, 2017: Rs. 8.9 million) payable as follows:

| | (Unaudited) December 31, 2017 | (Audited) June 30, 2017 |
|---|---|---|
| | Rupees '000 | |
| Not later than 1 year | 1,573 | 2,645 |
| Later than 1 year but not later than 5 years | 2,955 | 6,213 |
| | 4,528 | 8,858 |

## 10. REVENUE

| | (Unaudited) December 31, 2017 | (Unaudited) December 31, 2016 |
|---|---|---|
| | Rupees '000 | |
| Gross revenue | 11,248,511 | 7,559,451 |
| Less: Sales tax | (1,625,213) | (1,091,111) |
| Rebates and discounts | (3,065) | (3,296) |
| Dealer commission | (109,918) | (71,122) |
| | 9,510,315 | 6,393,922 |

10.1 This includes scrap sales of coil end sheets net of sales tax amounting to Rs. 262.3 million (2016: Rs. 196 million).

## 11. EARNINGS PER SHARE

### 11.1 BASIC EARNINGS PER SHARE

| | (Unaudited) December 31, 2017 | (Unaudited) December 31, 2016 |
|---|---|---|
| | Rupees '000 | |
| Profit after taxation attributable to ordinary shareholders | 801,399 | 550,181 |
| Adjustment for cumulative preference share dividend | (33,119) | (100,169) |
| Profit after taxation for calculation of basic earnings per share | 768,280 | 450,012 |
| Weighted average number of ordinary shares outstanding at the end of period (in thousand) | 781,799 | 335,515 |
| **Basic earnings per share (Rupees)** | 0.98 | 1.34 |

**11.2 DILUTED EARNINGS PER SHARE**

| | (Unaudited) December 31, 2017 | (Unaudited) December 31, 2016 |
|---|---|---|
| | Rupees '000 | |
| Profit after taxation attributable to ordinary shareholders | 801,399 | 550,181 |
| Weighted average number of ordinary shares outstanding at the end of period (in thousand) | 781,799 | 335,515 |
| Adjustment for conversion of convertible preference shares | 51,029 | 403,513 |
| Weighted average number of ordinary shares at the end of period for diluted earnings per share (in thousand) | 832,828 | 739,028 |
| Diluted earnings per share (Rupees) | 0.96 | 0.74 |

**12. NET CASH USED IN OPERATIONS**

| | (Unaudited) December 31, 2017 | (Unaudited) December 31, 2016 |
|---|---|---|
| | Rupees '000 | |
| Profit before taxation | 1,178,587 | 165,375 |
| Add / (less): Adjustment for non-cash charges and other items | | |
| Depreciation and amortisation | 210,900 | 199,234 |
| Mark-up charges | 290,936 | 325,354 |
| Unwinding of long term finance | 52,207 | 141,027 |
| Finance lease charges | 769 | 255 |
| Provision for staff retirement benefits | 8,013 | 6,593 |
| Return on PLS savings accounts | (8,727) | (1,745) |
| Gain on disposal of fixed assets | (570) | - |
| | 553,528 | 670,718 |
| Profit before working capital changes | 1,732,115 | 836,093 |
| **Effect on cash flows due to working capital changes** | | |
| (Increase) / decrease in current assets | | |
| Stores and spares | (11,549) | (18,769) |
| Stock-in-trade | (1,104,742) | (755,844) |
| Trade debts | (45,724) | (15,406) |
| Advances, deposits and prepayments | 139,241 | (36,312) |
| Other receivables | (10,186) | (58,726) |
| Tax refunds due from Government - Sales tax | (119,663) | (66,286) |
| | (1,152,623) | (951,343) |
| Decrease in current liabilities | | |
| Trade and other payables | (1,316,947) | (297,227) |
| **Net cash used in operations** | (737,455) | (412,477) |

# Notes To And Forming Part Of The Condensed Interim Financial Statements

**FOR THE HALF YEAR ENDED DECEMBER 31, 2017 - (UNAUDITED)**

## 13. TRANSACTIONS WITH RELATED PARTIES

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

| Relationship | Nature of transaction | (Unaudited) December 31, 2017 | (Unaudited) December 31, 2016 |
|---|---|---|---|
| | | Rupees '000 | |
| Associated companies: | - Purchase of raw material | 3,793,510 | 1,696,257 |
| | - Payment made for construction materials | 662 | 917 |
| | - Office maintenance charges | 5,909 | - |
| | - Finance facilities utilised | - | 936,000 |
| | - Repayment of finance facilities utilised | - | 1,473,455 |
| | - Markup on finance facilities paid | 14,926 | 37,427 |
| | - Sponsor's loan repaid | - | - |
| | - Bank charges | 11,526 | - |
| | - 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 |
| | - Guarantee commission paid | 260 | - |
| | - Short-term borrowing obtained | - | 431,000 |
| | - Repayment of short-term borrowing | - | 431,000 |
| Key management compensation | - Salaries and other short-term employee benefits | 7,110 | 7,097 |
| | - Post retirement benefits | 213 | 154 |

## 14. 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 12, 2018.

Chief Executive | Chief Financial Officer | Director

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AISHA STEEL MILLS LIMITED
SHAPING THE ECONOMY