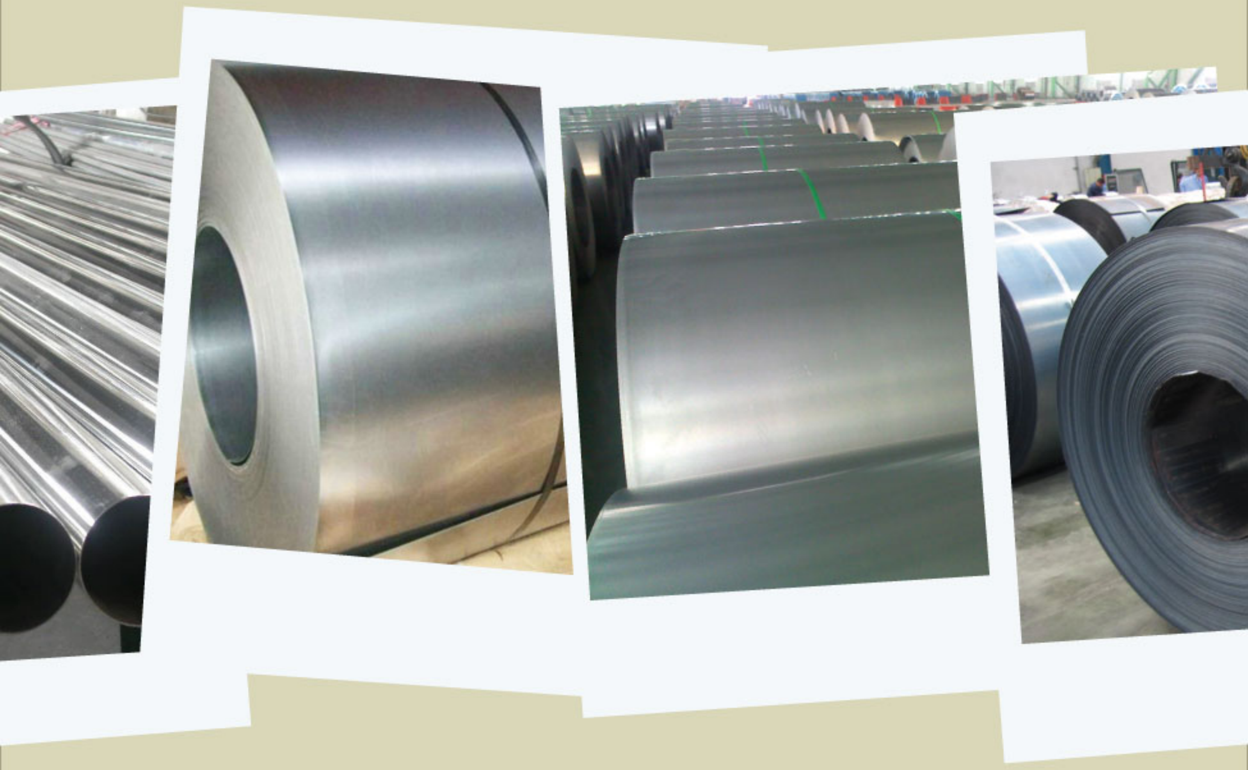

AISHA STEEL MILLS LIMITED

SHAPING THE ECONOMY

Half Yearly Report
31 December 2012

CONTENTS

COMPANY INFORMATION

Board of Directors

Mr. Arif Habib, Chairman
Mr. Hasib Rehman
Mr. Yoshikazu Uda
Mr. Nasim Beg
Mr. Samad Habib
Mr. Kashif Habib
Mr. Muhammad Ejaz
Mr. Kashif Shah, Chief Executive Officer

Audit Committee

Mr. Kashif Habib - Chairman
Mr. Hasib Rehman - Member
Mr. Muhammad Ejaz - Member

Registered Address:

Arif Habib Centre, 23 - M.T. Khan Road,
Karachi – Pakistan
website : www.aishasteel.com

Plant Address:

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

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 Shahrae Faisal, Karachi
Phone: 92-21-111-111-500

Bankers

Askari Bank Ltd
Bank Alfalah Ltd
Faysal Bank Ltd
Habib Metropolitan Bank Ltd
JS Bank Ltd
KASB Bank Ktd
MCB Bank Ltd
National Bank of Pakistan
Pak China Investment Company Ltd
Saudi Pak Industrial & Agricultural Investment
Company (Pvt.) Ltd
Silk Bank Ltd
Summit Bank Ltd
Sindh Bank Ltd
The Bank of Khyber
The Bank of Punjab

DIRECTORS' REVIEW

Dear Shareholders,

On behalf of the Board of Directors of Aisha Steel Mills Limited, I present the Directors' Review together with interim condensed financial statements for the half year ended December 31, 2012.

Market Review

Margins of the domestic CRC manufacturers' are significantly affected by unscrupulous activity of various pipe mills. CRC is imported by these pipe mills under the scheme of Duty and Tax Remission for Exports (DTRE) without paying any taxes i.e. 16% Sales Tax, 5% Income Tax on the premise of re-export. Illegal gains are made on the expense of damaging the national exchequer and by distorting prices in the local CRC industry. ASML has been persuading FBR and Customs at all levels for discontinuing such practices.

Another challenge faced by CRC segment is the under-invoicing of primary grade CRC which is not subject to ITP regulations. Given the high percentage of duty on CRC the absolute impact of this under invoicing is substantial and further lowers the margin for local CRC manufacturers.

Your Company along with the other CRC manufacturers is aggressively pursuing Customs and FBR to encourage uniformity of import duties from all countries. Our domestic producers of CRC possess sufficient capabilities for catering to the entire local demand of the pipe mills therefore ASML has been actively working towards ensuring of fair ground for local CRC manufacturers.

Operating Results:

The first half of the financial year 2013 contained two different periods of activity in which first quarter was pertaining to the trial run phase and second quarter was actually considered as commercial operations period. The total sales for the H1FY13 stood at Rs. 1,134 M of which Rs. 690.18 M have been recorded in the second quarter of commercial operations. Trial production sales amounting to PKR 514.8 M have been capitalized.

Due to the falling international prices of HRC and CRC during the Oct '12 – Dec'12 conversion margins in the domestic market were squeezed resulting in an after tax loss of Rs. 264.11 M in the first quarter of Commercial Operations and for the half year under review. LPS for the half year stood at Rs. 1.18.

Operational Highlights:

- Announced Commercial Operations Date on 1st October 2012;
- Recognized as the best quality producer of CRC in Pakistan;
- Largest producer of CRC in Pakistan
- Production of thinnest gauge of CRC (0.25mm);
- Production processes are becoming streamlined and production records are being broken;
- Procurement of HRC for the coming months has increased to record levels
- Sales have reached c. PKR 1,100 M as of December 31, 2012;

During the first quarter of commercial operations (Oct' 12 – Dec '12) we have been steadily ramping up our production capacity to achieve the targeted capacity utilization of 70% by year end. To attain this target, we will be operative at 100% monthly capacity in the upcoming months. As of Dec 2012, we were operative at 45% monthly capacity. By the half year end ASML had produced 24,968 MT CRC.

We are pleased to communicate that your Company is now supplying CRC in line with Japanese standards, to the commercial market and is ready to play a leading role in the period ahead. Going forward, fixed costs will be further absorbed with the increase in the production and sourcing of HRC at competitive prices, resulting in positive contribution margins.

Your Company has been able to secure sufficient working capital lines which have been utilized to procure adequate raw material for seamless production of CRC.

Future Outlook:

Going forward as ASML takes advantage of the lower cost HRC booked in the 2nd quarter 2013 the financial indicators are expected to improve the contribution margins which will increase the gross profitability of the Company. These will also be aided by the increasing prices of CRC and higher production.

Acknowledgement

We would also like to record our appreciation to all stakeholders for their patronage and look forward towards their continued support. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

For and on behalf of the Board

Kashif Shah
Chief Executive Officer

Karachi 28 February 2013

pwc

A. F. FERGUSON & CO.

AUDITOR'S 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, 2012 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 quarter ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

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 inquires, primarily of people 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 indentified 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, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi
Dated: February 28, 2013

Name of the engagement partner: Farrukh Rehman

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) 34215007/32427938/32424740; <www.pwc.com/pk>
Lahore: 23-C, Aziz Avenue, Canal Bank, Gulberg V, P.O. Box 39, Lahore-54660, Pakistan; Tel: + 92(42) 35715864-71; Fax:+92 (42)357 15872

Islamabad: PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan; Tel: +92 (51) 2273457-60; Fax: +92 (51) 2277924 Kabul: House No. 1, Street No. 3, Darulaman Road, Ayoub Khan Meina, Opposite Ayoub Khan Mosque, Kabul, Afghanistan; Tel: + 93 (779) 315320, +93 (779) 315320

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET

As At December 31, 2012

	Note	(Unaudited) December 31 2012	(Audited) June 30 2012
		(Rupees in Thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	9,516,660	9,491,653
Intangibles		16,448	11,343
Long-term loans		5,118	4,032
Long-term deposits and prepayments		52,420	47,634
Deferred tax		379,235	237,281
		9,969,881	9,791,943
Current assets			
Stores and spares		388,491	137,089
Stock-in-trade		1,658,085	489,519
Advances, deposits and prepayments		48,473	20,294
Other receivables	6	138,655	138,854
Tax refunds due from Government - Sales tax		385,597	285,274
Accrued mark-up		1,098	424
Taxation - payments less provision		108,775	46,394
Cash and bank balances		207,726	37,283
		2,936,900	1,155,131
Total assets		12,906,781	10,947,074
EQUITY AND LIABILITIES			
Equity			
Share capital	7		
Ordinary shares		2,680,000	2,680,000
Cumulative preference shares		758,201	758,201
		3,438,201	3,438,201
Accumulated losses		(704,776)	(440,664)
		2,733,425	2,997,537
Liabilities			
Non - Current Liabilities			
Long-term finance	8	6,194,557	5,912,032
Liabilities against assets subject to finance leases		8,264	11,375
Staff retirement benefit		10,081	6,125
		6,212,902	5,929,532
Current liabilities			
Trade and other payables		1,762,771	592,131
Accrued mark-up	9	615,418	864,809
Short-term borrowings	10	1,239,858	529,386
Current maturity of long-term finance		337,535	30,000
Current maturity of liabilities against assets subject to finance leases		4,872	3,679
		3,960,454	2,020,005
Total Liabilities		10,173,356	7,949,537
Contingencies and commitments	11		
Total equity and liabilities		12,906,781	10,947,074

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chairman & Director

Chief Executive Officer

Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

For The Half Year Ended December 31, 2012

	Note	(Unaudited) Quarter ended December 31 2012	(Unaudited) Quarter ended December 31 2011	(Unaudited) Half year ended December 31 2012	(Audited) Half year ended December 31 2011
		Rupees in Thousand			
Sales	12	690,185	-	690,185	-
Cost of Sales		(724,112)	-	(724,112)	-
Gross loss		(33,927)	-	(33,927)	-
Administrative expenses		(37,400)	(42,957)	(84,885)	(73,384)
Distribution Costs		(1,875)	-	(1,875)	-
Other operating income		3,438	4,751	5,337	19,220
Loss from operations		(69,764)	(38,206)	(115,350)	(54,164)
Finance costs		(286,598)	(9,125)	(290,716)	(10,421)
Loss before taxation		(356,362)	(47,331)	(406,066)	(64,585)
Taxation - deferred		124,557	22,604	141,954	22,604
Loss for the period		(231,805)	(24,727)	(264,112)	(41,981)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(231,805)	(24,727)	(264,112)	(41,981)
Loss per share - (Rupees)	13	(0.96)	(0.42)	(1.18)	(0.62)

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chairman & Director

Chief Executive Officer

Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT

For The Half Year Ended December 31, 2012

	Note	(Unaudited) December 31 2012	(Audited) December 31 2011
		(Rupees in Thousand)	
CASH INFLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(406,066)	(64,585)
Add / (Less): Adjustment for non-cash and other items			
Depreciation / amortization		86,363	6,369
Finance lease charges		945	1,140
Provision for staff retirement benefits		4,168	2,175
Return on deposits and funds under repo		(4,967)	(17,566)
Gain on disposal of fixed assets		(3)	(17)
Exchange loss		34,088	-
Interest on loan		246,599	-
		367,193	(7,899)
Loss before working capital changes		(38,873)	(72,484)
Effect on cash flow due to working capital changes			
(Increase) / Decrease in current assets			
Stores and spares		(25,599)	(7,592)
Stock-in-trade		(1,168,566)	-
Advances, deposits and prepayments		(28,179)	(11,752)
Other receivables		199	(14)
Tax refunds due from Government - Sales tax		(100,323)	(72,346)
		(1,322,468)	(91,704)
Increase in Current Liabilities			
Trade and other payables		1,136,552	225,026
Cash from operations		(224,789)	60,838
Income tax paid		(62,381)	(1,373)
Mark-up on loans paid		(777,138)	(395,207)
Return received on deposits and funds under repo		4,293	19,004
Staff retirement benefits paid		(212)	(1,737)
Increase in long - term employee loans		(1,086)	-
Increase in long-term deposits and prepayments		(4,786)	(53)
Net cash used in operating activities		(1,066,099)	(318,528)
CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(55,660)	(954,421)
Acquisition of intangible assets		(5,528)	(6,526)
Sale proceeds on disposal of property, plant and equipment		60	237
Net cash used in investing activities		(61,128)	(960,710)
CASH INFLOW FROM FINANCING ACTIVITIES			
Long-term finance obtained		590,060	957,118
Increase / (decrease) in short term borrowings		710,473	(100,000)
(Decrease) / increase in liabilities against assets subject to finance leases		(2,863)	9,308
Net cash inflow from financing activities		1,297,670	866,426
Net increase / (decrease) in cash and cash equivalents		170,443	(412,812)
Cash and cash equivalents at beginning of the half year		37,283	938,540
Cash and cash equivalents at end of the half year		207,726	525,728

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chairman & Director

Chief Executive Officer

Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For The Half Year Ended December 31, 2012

	Share Capital	Share deposit money	Accumulated losses	Total
	Rupees in Thousand			
Balance as at July 1, 2012 - Audited	**3,438,201**	-	**(440,664)**	2,997,537
Total comprehensive loss for the half year ended December 31,2012	**-**	-	**(264,112)**	(264,112)
Balance as at December 31, 2012 - Unaudited	**3,438,201**	-	**(704,776)**	2,733,425
Balance as at July 1, 2011 - Audited	**3,200,336**	3,571	**(354,581)**	2,849,326
Total comprehensive loss for the half year ended December 31,2011	**-**	-	**(41,981)**	(41,981)
Balance as at 31 December 2011 - Audited	**3,200,336**	3,571	**(396,562)**	2,807,345

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Chairman & Director | Chief Executive Officer | Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Half Year Ended December 31, 2012 (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 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 coils. The production capacity of the plant is 220,000 metric tons. The Company started trial production from July 2012 and declared October 1, 2012 as its Commercial Operations Date.

In June 2012 an offer for sale of shares was made by Metal One Corporation, Japan, Arif Habib Equity (Private) Limited and Mr. Hasib Rehman, existing sponsors of the Company. The principal purpose of the offer for sale of shares was to list the Company on the Karachi Stock Exchange (KSE). The subscription of these shares was made on 3rd and 4th July 2012. After the fulfillment of other formalities relating to listing, trading of Company's shares at KSE started on 6th August 2012.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the half year ended December 31, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2012.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended June 30, 2012. There are no new IFRSs that are effective for the first time for this interim period that would be expected to have a material impact on the Company .

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

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

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2012.

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, 2012.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 The Company declared commencement of commercial production of Cold Rolled Coils (CRC), effective October 1, 2012. Accordingly, the company has transferred costs relating to cold rolling mill complex of Rs 8.49 billion to operating assets in the current period. The difference of trial production sales amounting to Rs 514.8 million and related cost of Rs 624 million have been charged to the cost of plant.

Other ancillary cost transferred to operating assets during the current period include borrowing costs amounting to Rs 2.1 billion. The Company ceased capitalization of borrowing costs of the main plant on September 30, 2012 (the date when substantially all the activities necessary to prepare the main plant were completed) except for the borrowing cost on remaining plant and machinery, amounting to Rs 218 million which is still under construction phase.

The useful life of plant and machinery has been assessed between 10 to 33 years.

5.2 Additions to property plant and equipment during the period are as follows:

	Additions (at cost)	
	Unaudited December 31, 2012	Audited December 31, 2011
	(Rupees in Thousand)	
Owned		
Building on leasehold land	**9,205**	-
Plant and machinery	**22,977**	-
Electrical installations	**10,342**	-
Office Equipment	**7,033**	2,797
Furniture and fittings	**1,270**	939
Borrowing cost capitalised	**293,783**	403,604
Assets held under finance leases		
Motor vehicles	**-**	13,070
	344,610	420,410

5.3 No significant disposals were made during the period.

6. OTHER RECEIVABLES

This represents amount receivable from Etimaad Engineering (Private) Limited which is under dispute. There has been no change in the status of other receivables reported in the financial statements of the Company for the year ended June 30, 2012 .

7. SHARE CAPITAL

7.1 On December 31, 2012 the Company has allotted 430,000 ordinary shares against conversion of 430,000 preference shares of the Company in accordance with the terms of issue of preference shares.

7.2 Dividend in respect of preference shares is only payable when Company has accumulated profits. Therefore, cumulative dividend on Preference Shares amounting to Rs 219.7 million is not accounted for in these condensed interim financial statements.

8. LONG-TERM FINANCE

During the period the Company obtained additional financing facility of Rs 590 million from syndicate banks, payable by February 2014, carrying mark-up rate of 1% above 6 months KIBOR. This facility is principally secured by pari passu charge over fixed assets with 25% margin coupled with additional security of pledge of shares from shareholders of the Company namely, Arif Habib Corporation Limited, Arif Habib Equity (Private) Limited, Metal One Corporation - Japan and Mr. Hasib Rehman.

9. ACCRUED MARK-UP

Out of total accrued mark-up of Rs 615.42 million, mark-up amounting to Rs 306.44 million and Rs 66.44 million were due as at December 31, 2012 against Syndicate Term Finance Facility I & III respectively. Subsequent to the balance sheet date, the Company has paid the mark-up payable on Syndicate Term Finance Facility I amounting to Rs 306.44 million which was due on October 22, 2012.

10. SHORT-TERM BORROWINGS

As at December 31, 2012, the Company has working capital finance facilities (including unfunded lines for letters of credit and guarantee) amounting to Rs 3.8 billion (June 30, 2012: Rs 1 billion). The rates of mark-up range between 3 months KIBOR + 2.5% to 3 months KIBOR + 3% (June 30, 2012: 3 months KIBOR + 2.5% to 3 months KIBOR + 3%). These facilities are secured against ranking pari passu charge over the current assets of the Company.

11. CONTINGENCIES AND COMMITMENT

11.1 Contingencies

There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2012.

11.2 Commitments

11.2.1 Commitments for capital expenditure outstanding as at December 31, 2012 amounted to Rs 149.7 million (June 30, 2012: Rs 77.86 million).

11.2.2 Commitments for rentals under ijarah arrangements amounted to Rs 18.09 million (June 30, 2012: Rs 1.38 million) payable as follows:

	Unaudited December 31, 2012	Audited June 30, 2012
	(Rupees in Thousand)	
Not later than 1 year	**3,686**	377
Later than 1 year but not later than 5 years	**14,406**	1,004
	18,092	1,381

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Half Year Ended December 31, 2012 (Unaudited)

	Unaudited December 31, 2012	Audited December 31, 2011
	(Rupees in Thousand)	
12. SALES		
Gross Sales	**815,083**	-
Less: Sales tax	**(112,425)**	-
	702,658	-
Less: Commission	**(12,473)**	-
	690,185	-

	Unaudited December 31, 2012	Audited December 31, 2011
	(Rupees in Thousand)	
13. LOSS PER SHARE		
Loss after taxation attributable to ordinary shareholders	**(264,112)**	(41,981)
Adjustment for cumulative preference share dividend	**53,185**	110,329
"Loss after taxation for calculation of basic earnings per share"	**(317,297)**	(152,310)
Weighted average number of ordinary shares outstanding at the end of period		
Ordinary shares in issue	**268,000**	244,571
Loss per share - Rupees	**(1.18)**	(0.62)

13.1 A diluted earnings per share has not been presented as it has anti-dilutive effect on the earnings per share.

Chairman & Director — Chief Executive Officer — Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For The Half Year Ended December 31, 2012 (Unaudited)

14. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	Unaudited December 31, 2012	Audited December 31, 2011
		(Rupees in Thousand)	
Associated companies:	- Purchase of construction materials	**1,659**	9,758
	- Purchase of raw material	**1,477,908**	-
	- Consultancy charges paid	**-**	3,191
	- Recovery of expenses	**372**	372
Key management	- Salaries and other short-term compensation employee benefits	**8,233**	8,157
	- Post retirement benefits	**1,086**	744
Other related Parties	Sponsors' loan - Interest free	**60,224**	-

15. SUBSEQUENT EVENT

Subsequent to the balance sheet date the Company has achieved successful financial close of its six months privately placed rated and secured Sukuk Issue amounting to Rs 500 million on January 11, 2013. The Sukuk is priced at 6 months KIBOR + 2.15% per annum. This Sukuk will mature on July 11, 2013. The subject Sukuk has been raised in line with the Company's ongoing working capital raising exercise.

16. 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 28, 2013.

Chairman & Director	Chief Executive Officer	Chief Financial Officer

AISHA STEEL MILLS LIMITED

SHAPING THE ECONOMY

Arif Habib Center 23, M.T Khan Road, Karachi-7400.
Tel: (021) 34740130-7 / Fax: (021) 34740151

Designed and produced by: **Creativedge** 3579484