INTERNATIONAL STEELS LIMITED

REDEFINING

PAKISTAN

Unaudited Condensed Interim Financial Statements

For the six months ended 31 December 2019

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL
THIS IS BY THE GRACE OF ALLAH

Contents

Corporate & Management Directory

Chairman (Non-Executive)
Mr. Towfiq H. Chinoy

Independent Directors
Dr. Amjad Waheed
Ms. Nausheen Ahmad
Mr. Nihal Cassim
Mr. Zakaullah Khan

Non-Executive Directors
Mr. Mustapha A. Chinoy
Mr. Kamal A. Chinoy
Mr. Fuad Azim Hashimi
Mr. Kazuteru Mihara

Director & Chief Executive Officer
Mr. Yousuf H. Mirza

Director & Chief Operating Officer
Mr. Samir M. Chinoy

Chief Financial Officer
Mr. Mujtaba Hussain

Company Secretary
Mr. Mohammad Irfan Bhatti

Chief Internal Auditor
Ms. Asema Tapal

External Auditors
M/s KPMG Taseer Hadi & Co.

Bankers
Allied Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Dubai Islamic Bank (Pak) Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
Meezan Bank Limited
MCB Islamic Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Legal Advisor(s)
Mrs. Sana Shaikh Fikree

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Directors' Report

The Directors of your company are pleased to present the financial statements for the half year ended 31 December 2019.

Pakistan's economy is showing signs of recovery as the structural reforms agenda of the current Government aimed at addressing the macroeconomic imbalances has started to take effect. Reduction in current account deficit, declining bond yields in anticipation of lower expected inflation, and improvement in foreign exchange reserves are indicative of some improvement in the economic environment.

The bailout package negotiated with the International Monetary Fund has brought in fiscal and monetary discipline, however, at a cost of a slower pace of economic growth. The PKR USD parity, based on market determined exchange rate has shown improvement during the last 3 months and is now at Rs. 155 / USD, an improvement of 5% over June 2019. The State Bank of Pakistan has kept the policy rate stagnant at 13.25% in the last two monetary policies. The high policy rate continues to dampen the demand in the already weak economy and resulting in higher financial charges for the industry. This also increased financial charges for the period to Rs. 1,326 million as compared to Rs. 584 million in the same period last year.

To counter weak demand in the domestic economy, your Company has focused on strengthening existing export markets and developing new ones, which is in line with the strategy to diversify the sales. Resultantly, export sales of the Company rose to Rs. 4.3 billion as compared to Rs. 1.3 billion during the same period last year. The domestic sales decreased by 13%, and stood at Rs. 25.1 billion.

The continuing economic challenges had an impact on the margins and net profitability of the Company for the half year ended 31 December 2019. The net profit after tax and earnings per share stood at Rs. 466 million and Rs. 1.07 per share respectively compared to Rs. 1,748 million and Rs. 4.02 per share for the same period last year.

We extend our gratitude to all our stakeholders for their continued support and thank management and staff for their commitment and hard-work.

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

Yousuf Hussain Mirza
Chief Executive Officer

Towfiq H. Chinoy
Chairman

Karachi: 27 January 2020

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز کی جانب سے 31 دسمبر 2019 کو ختم ہونے والے سال کیلئے کمپنی کی ششماہی رپورٹ بمعہ مجموعی مالی حسابات بمسرت پیش کیا جارہا ہے۔

حکومت کی جانب سے پاکستانی معیشت کے بنیادی ڈھانچے کی اصلاحات کی نتیجے میں اب بحالی کے امکانات نظر آرہے ہیں اور ملک کے بڑے اقتصادی توازن میں بہتری آتی نظر آرہی ہے۔ حالیہ کرنٹ اکاؤنٹ خسارے میں کمی، کم متوقع افراط زر کے باعث بانڈ کے محاصل میں کمی، زرمبادلہ کے ذخائر میں بہتری معاشی ماحول میں بہتری کے اشارے ہیں۔

بین الاقوامی مالیاتی فنڈ کے ساتھ بات چیت کے نتیجے میں حاصل ہونے والے بیل آؤٹ پیکیج سے ملک میں مالی اور مالیاتی نظم وضبط آیا ہے، ہر چند کہ اس دوران معاشی نمو کی رفتار سست رہی۔ مارکیٹ میں طے شدہ زرمبادلہ کی شرح کی بنیاد پر پاکستانی روپے اور امریکی ڈالر میں گذشتہ 3 ماہ کے دوران بہتری دیکھنے میں آئی ہے اور یہ جون 2019 کے مقابلے میں 5 فیصد کی بہتری کے ساتھ 155 روپے فی امریکی ڈالر ہے۔ اسٹیٹ بینک آف پاکستان نے پچھلی دو مانیٹری پالیسیوں میں شرح سود کو 13.25 فیصد پر مستحکم رکھا ہے۔ زیادہ شرح سود پہلے سے کمزور معیشت میں طلب کو گھٹا رہی ہے اور اس کے نتیجے میں صنعتوں پر زیادہ فنانشل چارجز لاگو ہو رہے ہیں۔ اس سے اس مدت کے دوران فنانشل چارجز بھی بڑھے جو گذشتہ سال اسی عرصے کے 584 ملین روپے کے مقابلے میں 1,326 ملین روپے تھے۔

ملکی معیشت میں کمزور ڈیمانڈ کا مقابلہ کرنے کیلئے آپ کی کمپنی نے موجودہ برآمدی مارکیٹوں کو مستحکم کرنے اور نئی مارکیٹوں کی تلاش پر توجہ دی ہے جو برآمدی فروخت میں بہتری کی حکمت عملی کے عین مطابق ہے۔ نتیجتاً، کمپنی کی برآمدی فروخت بڑھ کر جو گذشتہ سال اسی عرصے کے 1.3 بلین روپے کے مقابلے میں 4.3 ارب روپے رہی۔ ملکی فروخت میں 13 فیصد کمی واقع ہوئی، اور یہ 25.1 بلین روپے رہی۔

حالیہ معاشی چیلنجوں کا اثر 31 دسمبر، 2019 کو ختم ہونے والی ششماہی کے لیے کمپنی کی بچت اور خالص منافع پر پڑا۔ کمپنی کا بعد از ٹیکس خالص منافع اور فی شیئر آمدن گذشتہ سال اسی مدت کے 1,748 ملین روپے اور 4.02 روپے فی شیئر کے مقابلے میں 466 ملین روپے اور 1.07 روپے فی شیئر رہی۔

ہم اپنے تمام اسٹیک ہولڈرز کی جانب سے ان کی مسلسل حمایت کے لئے ان کے ممنون ہیں اور کمپنی کی انتظامیہ اور عملے کے ان کے عزم اور محنت کے لئے شکر گزار ہیں۔

ہم اللہ تعالیٰ سے آپ کی کمپنی کی مسلسل کامیابی کے لئے دعا گو ہیں۔

توفیق ایچ چنوئے
چیئرمین

یوسف حسین مرزا
چیف ایگزیکٹو آفیسر

کراچی: 27 جنوری 2020

Independent Auditor's Review Report

KPMG

To the members of International Steels Limited
Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed statement of financial position of International Steels Limited ("the Company") as at 31 December 2019 and the related condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of cash flows, and condensed statement of changes in equity, and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements 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 statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarter ended 31 December 2019 and 31 December 2018 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.

Date: 10 February 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Condensed Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**20,644,267**	19,862,302
Intangible assets		**1,912**	2,736
Long term deposit with Central Depository Company of Pakistan Limited		**100**	100
		20,646,279	19,865,138
Current assets			
Stores and spares		**705,962**	610,974
Stock-in-trade	6	**12,137,785**	14,647,959
Trade debts - considered good	7	**1,436,149**	868,035
Receivable from K-Electric Limited (KE) - unsecured, considered good		**59,978**	38,997
Advances, trade deposits and short-term prepayments	8	**154,453**	108,988
Other receivable	9	**1,776**	-
Sales tax receivable		**3 ,579,161**	2,312,713
Taxation		**1,216,442**	906,326
Cash and bank balances		**374,878**	402,912
		19,666,584	19,896,904
Total assets		**40,312,863**	39,762,042
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
500,000,000 (2019: 500,000,000) ordinary shares of Rs. 10 each		**5,000,000**	5,000,000
Share capital			
Issued, subscribed and paid-up capital		**4,350,000**	4,350,000
Revenue reserve			
Un-appropriated profit		**7,073,231**	7,240,140
Capital reserve			
Revaluation surplus on property, plant and equipment		**1,268,473**	1,288,130
Total shareholders' equity		**12,691,704**	12,878,270
LIABILITIES			
Non-current liabilities			
Long term finance - secured	10	**6,061,222**	6,367,141
Deferred taxation - net		**1,977,351**	2 ,230,618
Lease liabilities	3.4.1	**1 00,759**	-
		8,139,332	8,597,759
Current liabilities			
Trade and other payables	11	**3,467,562**	5,612,295
Contract liabilities	12	**1,256,623**	1,259,011
Short term borrowings - secured	13	**13,112,275**	10,191,219
Unpaid dividend		**5,788**	2,385
Unclaimed dividend		**7,625**	6,453
Current portion of long term finance - secured	10	**1,202,818**	909,943
Current portion of lease liabilities	3.4.1	**37,027**	-
Accrued mark-up		**392,109**	304,707
		19,481,827	18,286,013
Total liabilities		**27,621,159**	26,883,772
Contingencies and commitments	14		
TOTAL EQUITY AND LIABILITIES		**40,312,863**	39,762,042

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.

Dr. Amjad Waheed Director & Chairman Board Audit Committee	Mujtaba Hussain Chief Financial Officer	Yousuf H. Mirza Chief Executive Officer

Condensed Statement of Profit or Loss (Un-audited)

For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019	Six months ended 31 December 2018	Three months ended 31 December 2019	Three months ended 31 December 2018
		(Rupees in '000)			
Net sales	15	**25,364,552**	25,783,410	**13,819,202**	14,155,570
Cost of sales	16	**(23,140,837)**	(22,716,587)	**(12,829,694)**	(12,707,835)
Gross profit		**2,223,715**	3,066,823	**989,508**	1,447,735
Selling and distribution expenses	17	**(441,825)**	(242,883)	**(197,674)**	(133,254)
Administrative expenses	18	**(134,732)**	(135,185)	**(72,972)**	(69,315)
		(576,557)	(378,068)	**(270,646)**	(202,569)
Finance cost	19	**(1,345,963)**	(591,843)	**(678,749)**	(306,486)
Other operating income/(expenses) - net	20	**1,611**	(164,433)	**25,980**	(74,972)
		(1,344,352)	(756,276)	**(652,769)**	(381,458)
Other income	21	**94,471**	83,386	**29,938**	10,509
Profit before taxation		**397,277**	2,015,865	**96,031**	874,217
Taxation	22	**68,657**	(267,404)	**21,976**	32,901
Profit after taxation		**465,934**	1,748,461	**118,007**	907,118
		(Rupees)			
Earnings per share - basic and diluted		**1.07**	4.02	**0.27**	2.09

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.

Dr. Amjad Waheed
Director & Chairman
Board Audit Committee

Mujtaba Hussain
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Statement of Comprehensive Income (Un-audited)
For the six months ended 31 December 2019

	Note	Six months ended		Three months ended	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Rupees in '000)			
Profit after taxation		**465,934**	1,748,461	**118,007**	907,118
Other comprehensive income		-	-	-	-
Total comprehensive income		**465,934**	1,748,461	**118,007**	907,118

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.

Dr. Amjad Waheed
Director & Chairman
Board Audit Committee

Mujtaba Hussain
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Statement of Cash Flows (Un-audited)

For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019	Six months ended 31 December 2018
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		397,277	2,015,865
Adjustments for:			
Depreciation and amortisation		705,193	498,974
Gain on disposal of property, plant and equipment		(1,639)	(1,583)
Provision for obsolescence against spares		15,419	8,878
Provision for staff gratuity		11,809	9,558
Provision for compensated absences		2,927	3,095
Income on bank deposits		(1,582)	(60)
Finance cost		1,345,963	591,843
		2,078,090	1,110,705
Changes in working capital		(1,644,889)	571,489
Net cash generated from operations		830,478	3,698,059
Finance cost paid		(1,258,561)	(527,490)
Staff gratuity paid		(11,809)	(9,558)
Compensated absences paid		(8,179)	(5,786)
Income tax paid		(494,724)	(280,099)
		(1,773,273)	(822,933)
Net cash (used in) / generated from operating activities		(942,795)	2,875,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,501,722)	(1,223,770)
Proceeds from disposal of property, plant and equipment		17,028	4,131
Income on bank deposits received		1,582	60
Net cash used in investing activities		(1,483,112)	(1,219,579)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance		474,757	350,000
Repayments of long term finance		(487,801)	(607,107)
Repayments of short term borrowings - net		(1,118,721)	(501,402)
Lease liabilities		137,786	-
Dividend paid		(647,925)	(570,665)
Net cash used in financing activities		(1,641,904)	(1,329,174)
Net (decrease) / increase in cash and cash equivalents		(4,067,811)	326,373
Cash and cash equivalents at beginning of the period		(6,232,042)	(5,075,660)
Cash and cash equivalents at end of the period		(10,299,853)	(4,749,287)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	23.1	374,878	363,559
Short term borrowings - secured	23.1	(10,674,731)	(5,112,846)
		(10,299,853)	(4,749,287)

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.

Dr. Amjad Waheed
Director & Chairman
Board Audit Committee

Mujtaba Hussain
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Statement of Changes in Equity (Un-audited)
For the six months ended 31 December 2019

	Issued, subscribed & paid-up capital	Revenue reserve-unappropriated profit/(loss)	Capital reserve-revaluation Surplus on property, plant and equipment	Total
	(Rupees in '000)			
Balance as at 01 July 2018	4,350,000	6,532,704	942,304	11,825,008
Total comprehensive income for the period				
Profit for the period	-	1,748,461	-	1,748,461
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	1,748,461	-	1,748,461
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2018	-	(1,305,000)	-	(1,305,000)
Total transactions with owners of the Company - distributions	-	(1,305,000)	-	(1,305,000)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	10,213	(10,213)	-
Balance as at 31 December 2018	4,350,000	6,986,378	932,091	12,268,469
Balance as at 01 July 2019	**4,350,000**	**7,240,140**	**1,288,130**	**12,878,270**
Total comprehensive income for the period				
Profit for the period	-	465,934	-	465,934
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	465,934	-	465,934
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 15% (Rs. 1.50 per share) for the year ended 30 June 2019	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(652,500)	-	(652,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	19,657	(19,657)	-
Balance as at 31 December 2019	**4,350,000**	**7,073,231**	**1,268,473**	**12,691,704**

The annexed notes 1 to 27 form an integral part of these condensed interim financial statements.

Dr. Amjad Waheed Director & Chairman Board Audit Committee	Mujtaba Hussain Chief Financial Officer	Yousuf H. Mirza Chief Executive Officer

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011. The Company is subsidiary of International Industries Limited (Holding Company) which holds 245,055,543 (30 June 2019: 245,055,543 shares) shares of the Company as at 31 December 2019 representing 56.3% (30 June 2019: 56.3%) of the shareholding of the Company.

The net assets of the Steel Project Undertaking of International Industries Limited (the Holding Company), amounting to Rs. 4,177.167 million determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on 24 August 2010. In consideration of transferring to and vesting the Steel Project Undertaking in the Company, 417,716,700 fully paid-up ordinary shares were issued at par value to the Holding Company.

The primary activity of the Company is the business of manufacturing of cold rolled, galvanized and colour coated steel coils and sheets. The Company commenced commercial operations on 01 January 2011. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.

The manufacturing facility of the Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These condensed interim financial statements of the Company have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34 'Interim Financial Reporting' issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1.2 These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 30 June 2019.

2.1.3 The comparative condensed statement of financial position presented in these condensed interim financial statements have been extracted from the audited annual financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of cash flows and condensed statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended 31 December 2018.

2.1.4 These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets determined by an independent actuary, land & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments which are stated at fair value.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the audited financial statements for the year ended 30 June 2019 except for the adoption of new standards effective as of 01 July 2019 as referred to in note 3.4 to these condensed interim financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

The Company has adopted IFRS 16 'Leases' from 01 July 2019. The impact of the adoption of the standard and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 01 July 2019 but they do not have a material effect on the Company's condensed interim financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 01 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 'Regulatory Deferral Accounts' - (effective for annual periods beginning on or after 01 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 16 'Leases' on the Company's condensed interim financial statements different to those applied in prior periods.

3.4.1 IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' from 01 July 2019. IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. Under IFRS 16, the Company determines whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 July 2019.

B. As a lessee

As a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet. The Company has elected to apply the IFRS 16 requirements on the rented properties only. Low value assets, if there any, are and shall remain excluded from its application. The Company shall recognize the lease payments associated with any low value assets as an expense on a straight-line basis over the lease term.

i. Significant accounting policies

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17. The lease typically runs for a period of 3 to 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at 01 July 2019. The right-of-use assets were measured at the amount of lease liability, adjusted by the amount of prepaid lease payments recognised in the statement of the financial position immediately before the date of initial application.

The impact of adoption of IFRS 16 on the condensed statement of financial position as at 31 December 2019 is as follows:

	31 December 2019	01 July 2019
	(Rupees in '000)	
Right of use assets	**130,655**	152,996
Lease liabilities	**137,786**	152,996

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4.2 The significant judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2019, except for those related to IFRS 16 as explained in note 3.4.1.

4.3 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2019.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Right-of-use assets	Total
	(Rupees in '000)			
Cost / revalued amount				
Opening balance	24,058,543	663,029	-	**24,721,572**
Additions	217,824	1,481,394	-	**1,699,218**
Transfer / adjustment	22,747	(373,239)	152,996	**(197,496)**
Disposal	(24,878)	-	-	**(24,878)**
	24,274,236	1,771,184	152,996	**26,198,416**
Accumulated depreciation				
Opening balance	(4,859,270)	-	-	**(4,859,270)**
Charge for the period	(682,027)	-	(22,341)	**(704,368)**
Transfer	-	-	-	**-**
Disposal	9,489	-	-	**9,489**
	(5,531,808)	-	(22,341)	**(5,554,149)**
Written down value as at 31 December 2019 (Un-audited)	18,742,428	1,771,184	130,655	**20,644,267**
Written down value as at 30 June 2019 (Audited)	19,199,273	663,029	-	**19,862,302**

5.1 The 'right-of-use assets' along with its depreciation charge has been recognised to comply with the requirements of IFRS 16 'Leases'. Refer note 3.4.1 for details.

6. STOCK-IN-TRADE

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
		(Rupees in '000)	
Raw material - in hand		**5,079,764**	1,919,579
- in transit		**96,786**	4,811,283
Work-in-process		**2,562,830**	1,942,101
Finished goods		**4,289,801**	5,850,831
By-product		**16,100**	5,424
Scrap material		**92,504**	118,741
		12,137,785	14,647,959

7. TRADE DEBTS - considered good

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
- Secured	7.1	**389,264**	151,932
- Unsecured		**1,046,885**	716,103
		1,436,149	868,035

7.1 Related party from whom debts is due is as under:

	31 December 2019 (Un-audited)	30 June 2019 (Audited)
- Sumitomo Corporation	**75,605**	-
- IIL Australia PTY Limited	**57,806**	19,120
- Pakistan Cables Limited	**448**	-

8. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	31 December 2019 (Un-audited)	30 June 2019 (Audited)
	(Rupees in '000)	
Advances to suppliers- considered good	**79,159**	64,594
Trade deposits	**13,561**	14,617
Margin against shipping guarantee	**4,300**	16,255
Short term prepayments	**57,433**	13,522
	154,453	108,988

9. OTHER RECEIVABLE

	31 December 2019 (Un-audited)	30 June 2019 (Audited)
Insurance claim	**1,776**	-

10. LONG TERM FINANCE - secured

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
Conventional			
Long Term Finance Facility (LTFF)	10.1	**1,330,950**	1,460,418
Long term finance	10.2	**133,333**	266,666
Islamic			
Long term finance	10.3, 10.4 & 10.5	**5,325,000**	5,550,000
Long Term Finance Facility (LTFF)	10.6	**474,757**	-
		7,264,040	7,277,084
Current portion of long term finances shown under current liabilities			
Conventional			
Long Term Finance Facility (LTFF)		**(254,485)**	(237,721)
Long term finance		**(133,333)**	(222,222)
Islamic			
Long term finance		**(815,000)**	(450,000)
		(1,202,818)	(909,943)
		6,061,222	6,367,141

Conventional

10.1 This finance has been obtained from commercial banks and is secured by way of pari passu charge over fixed assets of the Company.

10.2 Long term finance amounting to Rs. 133 million (30 June 2019: Rs.267 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.

Islamic

10.3 Long term finance amounting to Rs. 125 million (30 June 2019: Rs. 250 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.

10.4 Long term finance amounting to Rs. 300 million (30 June 2019: Rs. 400 million) has been obtained from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.

10.5 Long term finance amounting to Rs. 4,900 million (30 June 2019: Rs. 4,900 million) has been obtained from Islamic window of a commercial bank and is secured by way of ranking charge over fixed assets of the Company.

10.6 This finance has been obtained from an Islamic bank and is secured by way of pari passu charge over fixed assets of the Company.

11. TRADE AND OTHER PAYABLES

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
		(Rupees in '000)	
Trade creditors	11.1	**258,775**	2,525,391
Accrued expenses		**1,792,064**	1,742,862
Provision for infrastructure cess	11.2	**1,192,278**	1,058,166
Provision for government levies		**328**	329
Short term compensated absences		**6,985**	12,237
Workers' Profit Participation Fund		**18,651**	17,024
Workers' Welfare Fund		**148,313**	219,266
Others		**50,168**	37,020
		3,467,562	5,612,295
11.1 Related party to whom payment is due is as under:			
- Jubilee General Insurance Company Limited		**11,858**	-
11.2 Provision for infrastructure cess			
Opening balance		**1,058,166**	774,813
Provided during the period		**134,112**	283,353
Closing balance		**1,192,278**	1,058,166

12. CONTRACT LIABILITIES

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
Sales commission payable		**6,229**	50,183
Advances from customers	12.1	**1,250,394**	1,208,828
		1,256,623	1,259,011

12.1 Advances from customers are unsecured and includes Rs. Nil (30 June 2019: Rs. 0.17 million) received from a related party for supply of finished goods.

13. SHORT TERM BORROWINGS - secured

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
		(Rupees in '000)	
Conventional			
Running finance under mark-up arrangement from banks	13.1	**1,273,654**	5,881,084
Short-term borrowing under Money Market scheme			
Maturing after three months		**-**	-
Maturing within three months		**8,900,000**	500,000
	13.1	**8,900,000**	500,000
Short term finance under Export Refinance Scheme	13.2	**1,022,590**	1,984,265
Short term finance under FE25	13.3	**495,098**	-
Islamic			
Short term finance under Running Musharakah	13.4	**501,077**	253,870
Short term finance under Term Murabaha	13.5	**-**	1,572,000
Short term finance under Export Refinance Scheme	13.6	**919,856**	-
		13,112,275	10,191,219

13.1 The facilities for short term finance available from various commercial banks are for the purpose of meeting working capital requirements. The rate of mark-up on these finances ranges from 13.44% to 14.85% (30 June 2019: 7.12% to 13.90%) per annum.

13.2 The Company has obtained short term finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility ranges from 2.75% to 3% (30 June 2019: 2.5% to 3%) per annum.

13.3 The Company has obtained facility for short term finance under FE25 loan scheme. The rate of mark-up is 3% per annum.

13.4 The Company has obtained facilities for short term finance under Running Musharakah. The rate of mark-up ranges from 13.74% to 14.61% (30 June 2019: 7.12% to 13.10%) per annum. This facility matures within twelve months and is renewable.

13.5 The Company has obtained facilities for short term finance under Term Murabaha. The rate of mark-up is 13.25% (30 June 2019: 13.25%) per annum. This facility matures within twelve months and is renewable.

13.6 The Company has obtained short term finance facility under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% per annum.

13.7 As at 31 December 2019, the unavailed facilities from the above borrowings amounted to Rs. 6,540 million (30 June 2019: Rs. 11,459 million).

13.8 The above facilities are secured by way of joint pari passu charge over current and future moveable assets of the Company.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

	Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
14.1.1	The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Sindh High Court on petition filed by the petitioner, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs.1,211.5 million (30 June 2019: Rs. 1,111.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Company on prudent basis (Note 10.2). Subsequently through Sindh Finance Act 2015 and 2016, the legislation has doubled the rate of Sindh infrastructure cess. The Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.	Sindh High Court	I.S.L. v/s Secretary Excise and Taxation / Federation of Pakistan	15-May-12

	Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
14.1.2	In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution. During 2015, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act'),by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favorable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in these financial statements. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the Sindh High Court held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of Sindh High Court was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. Such decision has been challenged on appeal before Supreme Court of Pakistan, where in the Company is not the party and decision is pending. In light of aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act. Further the Company has not recognized GIDC amounting to Rs. 986 million (2019: Rs. 935 million) pertaining to period from 01 July 2011 to 31 December 2019 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).	Sindh High Court	I.S.L v/s OGRA / SSGC / Federation of Pakistan	8-Jan-12
14.1.3	Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs. 600 Per MMBTU vide its notification dated 30 December 2016, increasing the rate by Rs. 112 per MMBTU disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay, subject to submission of security for the differential amount with the Nazir of the court. The Company has issued cheques amounting to Rs. 424.8 million (30 June 2019: Rs. 424.8 million) in favour of the Nazir of the Court upto September 2018. The Company, on prudent basis, has also accrued this amount in these financial statements. OGRA has further revised the gas tariff to Rs. 780 per MMBTU vide its notification dated 04 October 2018, further increasing the rate by Rs. 180 per MMBTU. The Company has filed a petition before the court challenging such further revision and the matter is partially heard. Pending the decision on the matter, the Company is settling the bills at the revised rate.	Sindh High Court	I.S.L v/s OGRA / SSGC / Federation of Pakistan	19-Jan-17

	Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
14.1.4	The Company filed a constitutional petition in the Sindh High Court against notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. Stay was obtained on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan and is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.	Sindh High Court	Sindh Revenue Board / Government of Sindh/ Federation of Pakistan / Governing body of the Workers Welfare Fund / Federal Board of Revenue	6-Sept-17

14.1.5 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 404.67 million (30 June 2019: Rs. 404.67 million) as a security for supply of gas.

14.1.6 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 54 million (30 June 2019: Rs. 53 million).

14.1.7 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (30 June 2019: Rs. 8.67 million).

14.1.8 Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. 62.55 million (30 June 2019: Rs. 59.11 million).

14.1.9 Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs. 1,654 million (30 June 2019: Rs. 4.39 million).

14.2 Commitments

14.2.1 Capital expenditure commitments outstanding as at 31 December 2019 amounted to Rs. 143 million (30 June 2019: Rs. 446.2 million).

14.2.2 Commitments under Letters of Credit for raw materials and spares as at 31 December 2019 amounted to Rs. 7,562 million (30 June 2019: Rs. 11,843 million).

14.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2019 amounted to Rs. 16,844 million (30 June 2019: Rs. 10,822 million) and Rs. 1,245 million (30 June 2019: Rs. 1,206 million) respectively.

15. NET SALES

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Local	**25,137,438**	28,992,459	**13,771,858**	16,240,120
Export	**4,310,191**	1,330,840	**2,323,322**	466,122
	29,447,629	30,323,299	**16,095,180**	16,706,242
Sales tax	**(3,498,930)**	(4,207,567)	**(1,909,088)**	(2,352,853)
Trade discounts	**(305,210)**	(21,650)	**(207,992)**	(14,013)
Sales commission	**(278,937)**	(310,672)	**(158,898)**	(183,806)
	(4,083,077)	(4,539,889)	**(2,275,978)**	(2,550,672)
	25,364,552	25,783,410	**13,819,202**	14,155,570

15.1 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

Primary geographical markets:

Local	**21,054,361**	24,452,570	**11,495,880**	13,689,448
Asia	**1,939,534**	419,079	**1,057,047**	260,710
Australia	**71,434**	4,643	**57,806**	4,643
Americas	**1,562,691**	788,564	**775,598**	104,946
Africa	**736,532**	118,554	**432,871**	95,823
	25,364,552	25,783,410	**13,819,202**	14,155,570

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Major product lines:				
Cold Rolled	**10,329,839**	7,710,023	**5,853,405**	4,198,473
Galvanized Product	**14,057,356**	16,894,631	**7,438,396**	9,254,842
By-product	**977,357**	1,178,756	**527,401**	702,255
	25,364,552	25,783,410	**13,819,202**	14,155,570

16. COST OF SALES

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Raw material consumed				
Opening stock of raw material	**1,919,579**	5,930,244	**6,411,028**	10,728,658
Purchases	**23,494,416**	23,246,843	**7,815,886**	7,174,892
	25,413,995	29,177,087	**14,226,914**	17,903,550
Closing stock of raw material	**(5,079,764)**	(5,002,015)	**(5,079,764)**	(5,002,015)
	20,334,231	24,175,072	**9,147,150**	12,901,535
Manufacturing overheads				
Salaries, wages and benefits	**285,884**	275,331	**129,908**	123,747
Electricity, gas and water	**751,311**	643,535	**351,191**	356,521
Insurance	**11,968**	16,745	**5,273**	9,552
Security and janitorial	**16,060**	13,976	**8,393**	7,898
Depreciation and amortisation	**618,328**	445,978	**311,716**	227,686
Operating supplies and consumables	**62,137**	58,781	**32,528**	34,998
Provision for obsolescence against spares	**15,419**	8,878	**6,907**	8,878
Repairs and maintenance	**43,808**	48,024	**22,672**	24,926
Postage, telephone and stationery	**3,174**	4,210	**1,869**	2,335
Vehicle, travel and conveyance	**19,725**	19,052	**11,450**	12,234
Internal material handling	**7,068**	22,890	**3,422**	17,583
Environment controlling expense	**1,459**	1,303	**942**	741
Computer stationery and software support fees	**3,868**	3,045	**1,230**	1,780
Partial manufacturing expense	**3,543**	-	**3,543**	-
Sundries	**6,992**	9,173	**4,878**	4,128
	1,850,744	1,570,921	**895,922**	833,007
	22,184,975	25,745,993	**10,043,072**	13,734,542
Work-in-process				
Opening stock	**1,942,101**	1,187,244	**1,899,713**	1,461,386
Closing stock	**(2,562,830)**	(1,461,386)	**(2,562,830)**	(1,461,386)
	(620,729)	(274,142)	**(663,117)**	-
Cost of goods manufactured	**21,564,246**	25,471,851	**9,379,955**	13,734,542
Finished goods, by-products and scrap				
Opening stock	**5,974,996**	2,561,284	**7,848,144**	4,289,841
Closing stock	**(4,398,405)**	(5,316,548)	**(4,398,405)**	(5,316,548)
	1,576,591	(2,755,264)	**3,449,739**	(1,026,707)
	23,140,837	22,716,587	**12,829,694**	12,707,835

17. SELLING AND DISTRIBUTION EXPENSES

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Salaries, wages and benefits	**46,569**	43,428	**18,036**	20,073
Rent, rates and taxes	**105**	10,668	**-**	7,042
Electricity, gas and water	**1,635**	1,509	**746**	700
Insurance	**942**	555	**594**	407
Depreciation and amortisation	**24,521**	3,785	**12,970**	1,907
Postage, telephone and stationery	**2,458**	1,460	**1,313**	750
Vehicle, travel and conveyance	**12,825**	15,629	**5,335**	6,321
Freight and forwarding charges	**312,119**	111,267	**136,867**	61,504
Sales promotion	**31,443**	51,733	**15,923**	32,997
Others	**9,208**	2,849	**5,890**	1,553
	441,825	242,883	**197,674**	133,254

18. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	**74,577**	77,724	**30,908**	31,814
Rent, rates and taxes	**347**	2,467	**331**	1,132
Electricity, gas and water	**1,449**	1,277	**744**	619
Insurance	**902**	1,185	**611**	595
Security and janitorial services	**254**	287	**121**	144
Depreciation and amortisation	**7,129**	2,911	**3,825**	1,529
Printing and stationery	**2,200**	4,210	**1,352**	2,942
Postage and communication	**1,224**	849	**1,025**	660
Vehicle, travel and conveyance	**4,481**	4,390	**2,368**	2,645
Legal and professional charges	**27,784**	30,502	**21,859**	21,019
Certification and registration charges	**5,128**	2,528	**5,035**	2,427
Directors' fee	**3,225**	2,175	**1,300**	1,350
Others	**6,032**	4,680	**3,493**	2,439
	134,732	135,185	**72,972**	69,315

19. FINANCE COST

Conventional				
- Mark-up on long term finances	**54,459**	119,926	**26,622**	107,457
- Mark-up on short term borrowings	**663,925**	333,897	**343,368**	196,498
	718,384	453,823	**369,990**	303,955
Islamic				
- Profit on long term finances	**368,381**	82,747	**195,831**	-
- Profit on short term borrowings	**239,372**	47,427	**102,410**	-
	607,753	130,174	**298,241**	-
Interest on Workers' Profit Participation Fund	-	1,053	**-**	1,053
Bank charges	**10,328**	6,793	**5,572**	1,478
Interest on lease liabilities	**9,498**	-	**4,946**	-
	1,345,963	591,843	**678,749**	306,486

20. OTHER OPERATING (INCOME) / EXPENSES - net

Auditors' remuneration	**1,651**	1,897	**966**	892
Donations	**1,000**	10,724	**(10)**	2,824
Workers' Welfare Fund	**(23,913)**	43,375	**(30,391)**	18,823
Workers' Profit Participation Fund	**19,651**	108,437	**3,455**	47,058
Exchange loss	-	-	-	5,375
	(1,611)	164,433	**(25,980)**	74,972

	Note	Six months ended 31 December 2019	Six months ended 31 December 2018	Three months ended 31 December 2019	Three months ended 31 December 2018
		(Un-audited)			
		(Rupees in '000)			
21. OTHER INCOME					
Income from non-financial assets					
Income from power generation	21.1	**16,733**	10,021	**13,053**	3,088
(Loss) / Gain on sale of property, plant and equipment		**1,639**	1,583	**5,067**	898
Rental income		**1,317**	974	**830**	487
Exchange gain		**61,208**	55,887	**2,233**	-
Others		**11,992**	14,861	**7,836**	6,031
		92,889	83,326	**29,019**	10,504
Income from financial assets					
Income on bank deposits - conventional		**1,582**	60	**919**	5
		94,471	83,386	**29,938**	10,509
21.1 Income from power generation					
Net sales		**331,186**	203,613	**190,685**	108,535
Cost of electricity produced		**(314,453)**	(193,592)	**(177,632)**	(105,447)
		16,733	10,021	**13,053**	3,088
22. TAXATION					
- Current		**(184,608)**	(372,932)	**(68,731)**	(1,965)
- Deferred		**253,265**	105,528	**90,707**	34,866
		68,657	(267,404)	**21,976**	32,901

23. CHANGES IN WORKING CAPITAL

	31 December 2019	31 December 2018
	(Un-audited)	
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	**(110,407)**	14,859
Stock-in-trade	**2,510,174**	(2,769,886)
Receivable from K-Electric Limited	**(20,981)**	(9,081)
Trade debts	**(568,114)**	310,959
Advances, trade deposits, short-term prepayments and other receivable	**(47,244)**	(18,939)
Sales tax receivable	**(1,266,448)**	(618,761)
	496,980	(3,090,849)
Increase / (decrease) in current liabilities:		
Trade and other payables	**(2,141,869)**	3,662,338
	(1,644,889)	571,489

23.1 Cash and cash equivalents

	31 December 2019 (Unaudited)	30 June 2019 (Audited)
	(Rupees in '000)	
Cash and bank balances	**374,878**	402,912
Running finance under mark-up arrangement from banks	**(1,273,654)**	(5,881,084)
Short-term borrowing under Money Market scheme	**(8,900,000)**	(500,000)
Short term borrowing under Running Musharakah	**(501,077)**	(253,870)
	(10,299,853)	(6,232,042)

24. TRANSACTIONS WITH RELATED PARTIES

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Holding company				
Sales	**1,572,505**	3,962,017	**639,389**	1,749,935
Purchases	**126,854**	14,859	**32,616**	9,972
Rent	**11,925**	7,840	**2,550**	5,620
Shared resources cost	**41,103**	40,958	**20,598**	20,960
Reimbursement of expenses	**2,220**	3,457	**1,933**	55
Partial manufacturing -sales	**6,053**	54	**6,053**	-
Associated undertakings				
Sales	**445,346**	381,627	**323,687**	47,508
Purchases	**9,751,202**	22,594,246	**650,752**	10,059,043
Rental income	**2,195**	1,691	**830**	1,204
Reimbursement of expenses	**1,177**	-	**878**	-
Services	**53,925**	48,089	**38,634**	43,266
Key management personnel				
Remuneration	**117,733**	125,657	**55,030**	58,639
Staff retirement funds				
Contribution paid	**26,648**	21,976	**18,048**	11,235
Non-executive directors				
Directors' fee	**3,225**	2,175	**1,300**	1,350
Reimbursement of Chairman's expenses	**1,600**	648	**1,193**	409

25. OPERATING SEGMENTS

25.1 These condensed interim financial statements have been prepared on the basis of a single reportable segment.

25.2 Revenue from sales of steel products represents 99% (30 June 2019: 99%) of total revenue whereas remaining represents revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Cold Rolling, Galvanizing and Colour Coating Plants and currently any excess electricity is sold to KE.

25.3 85% (30 June 2019: 93.88%) of sales of steel sheets are domestic sales whereas 15% (30 June 2019: 6.12%) of sales are export / foreign sales.

26. MEASUREMENT OF FAIR VALUES

Management engages an independent external expert / valuer to carry out valuation of its non-financial assets (i.e. Land and Building) and obtains rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided by management. Selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

	31 December 2019 (Un-audited)					
	Carrying amount			Fair value		
	Amortised Cost	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees in '000)					
Financial assets not measured at fair value						
Trade debts	**1,436,149**	-	-	-	-	-
Receivable from K-Electric Limited (KE)	**59,978**	-	-	-	-	-
Trade deposits, Margin against shipping guarantee and insurance claim	**19,637**	-	-	-	-	-
Cash and bank balances	**374,878**	-	-	-	-	-
Total financial assets	**1,890,642**	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term finance	-	-	**6,061,222**	-	-	-
Current maturity of long term finance	-	-	**1,202,818**	-	-	-
Trade and other payables	-	-	**308,943**	-	-	-
Short term borrowings	-	-	**13,112,275**	-	-	-
Contract liabilities	-	-	**6,229**	-	-	-
Unpaid dividend	-	-	**5,788**	-	-	-
Unclaimed dividend	-	-	**7,625**	-	-	-
Accrued mark-up	-	-	**392,109**	-	-	-
Total financial liabilities	-	-	**21,097,009**	-	-	-

	30 June 2019 (Audited)					
	Carrying amount			Fair value		
	Amortised Cost	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees in '000)					
Financial assets not measured at fair value						
Trade debts	868,035	-	-	-	-	-
Receivable from K-Electric Limited (KE)	38,997	-	-	-	-	-
Trade deposits, Margin against shipping guarantee and insurance claim	30,872	-	-	-	-	-
Cash and bank balances	402,912	-	-	-	-	-
Total financial assets	1,340,816	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term finance	-	-	6,367,141	-	-	-
Current maturity of long term finance	-	-	909,943	-	-	-
Trade and other payables	-	-	2,562,411	-	-	-
Short term borrowings	-	-	10,191,219	-	-	-
Contract liabilities	-	-	50,183	-	-	-
Unpaid dividend	-	-	2,385	-	-	-
Unclaimed dividend	-	-	6,453	-	-	-
Accrued mark-up	-	-	304,707	-	-	-
Total financial liabilities	-	-	20,394,442	-	-	-

The fair value of land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing assets in use. The resulting fair value is a level 3 fair value measurement.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

Assets measured at fair value	**Date of valuation**	**Valuation approach and inputs used**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Revalued property, plant and equipment - Land and Building	30 June 2019	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit assets and long term liabilities management considers that their carrying values approximates fair value.

27. GENERAL

27.1 Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. There have been no rearrangements and reclassifications in these condensed interim financial statements except for the reclassification of recovery from sale of scrap from cost of sales to sales.

27.2 Date of authorization for issue

These condensed interim financial statements were authorised for issue by the Board of Directors on 27 January 2020.

Dr. Amjad Waheed Director & Chairman Board Audit Committee	Mujtaba Hussain Chief Financial Officer	Yousuf H. Mirza Chief Executive Officer