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

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Company Information

Board of Directors

Chairman	Mr. Kemal Shoaib	Independent Chairman
Managing Director & CEO	Mr. Towfiq H. Chinoy	Chief Executive Officer
Directors	Mr. Tariq Iqbal Khan	Independent Director
	Mr. Kamran Y. Mirza	Independent Director
	Syed Salim Raza	Independent Director
	Syed Hyder Ali	Independent Director
	Mr. Mustapha A. Chinoy	Non-Executive Director
	Mr. Kamal A. Chinoy	Non-Executive Director
	Mr. Otomichi Yano	Non-Executive Director

Chief Financial Officer	Mr. Alee Arsalan
Company Secretary	Ms. Neelofar Hameed
External Auditors	KPMG Taseer Hadi & Co.
Internal Auditors	Ernst & Young Ford Rhodes Sidat Hyder
Bankers	Allied Bank Ltd. Bank Al Habib Ltd. Bank Alfalah Ltd. Barclays Bank PLC Dubai Islamic Bank (Pak) Ltd. Faysal Bank Ltd. Habib Bank Ltd. Habib Metropolitan Bank Ltd. HSBC Bank Middle East Ltd. MCB Bank Ltd Meezan Bank Ltd. NIB Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. United Bank Ltd.

Legal Advisors	Mrs. Sana Shaikh Fikree	
Registered Office	101, Beaumont Plaza, 10 Beaumont Road, Karachi – 75530 Telephone Nos: 35680045-54 UAN: 111-019-019 Fax: +9221-35680373, E-mail: neelofar.hameed@isl.com.pk	
Branch Office	**Lahore** Chinoy House, 6 Bank Square, Lahore-54000 Phone: +9242-37229752-55 UAN: 042-111-019-019 Fax: +9242-37249755 E-mail: lahore@isl.com.pk	**Islamabad** Office # 2, First Floor, Ahmed Centre, I-8 Markaz, Islamabad. Phone: +9251-2524650, 4864601-2
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Shares Registrar	THK Associates (Pvt.) Ltd Ground Floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phone: +9221-111-000-322 Fax: +9221-35655595 Email: info@thk.com.pk	

Directors' Report

The Directors of your company are pleased to present the half year financial statements for the period ended December 31, 2013

During first half year, your company has continued to grow and registered it's fourth consecutive profitable quarter since inception. This essentially is a reflection of consistent product quality, and increasing customer confidence in the domestic market. The product also competes well in the international market that accounted for 11% of total sales.

Net Sales for the period at Rs.9,932 million registered a healthy growth of 42% compared to same period last year driven by higher volumes of both galvanized and cold rolled products.

In line with higher sales and operational efficiency in the manufacturing processes, gross profit for the period was 108% higher than same period last year. Consequently, the company registered a pre-tax profit of Rs. 444.8 million as opposed to a loss of Rs. 97 million in same period last year. This represents earnings per share for the half year at Rs 0.86 against a loss of Rs 0.16 per share in the same period last year.

The Board of Directors has decided to launch an expansion plan at an estimated cost of Rs 2 billion, to enhance its galvanizing capacity to 300,000 tons and increase rolling capacity to 425,000 tons.

Your company continues to face challenges from imported products that are enjoying **concessions under a Free Trade Agreement with China, under invoiced and secondary materials cleared at incorrect low ITP values, import of carbon steel mis-declared as alloy steel at no Import Duty and through the misuse of SRO 565 (I) 2006.** We continue to raise these issues with Government authorities. Inspite of this, the outlook for the remaining year seems encouraging in terms of the market demand and supply position. The uncertain economic outlook of the country and law and order situation could adversely impact operations.

Our sincere thanks to all stakeholders for their support and in particular the management and staff for their diligence.

We thank Almighty Allah for his blessings and pray for our continued prosperity and success.

For & behalf of
International Steels Limited

Karachi
Dated: 22 January, 2014

Kemal Shoaib
Chairman

Independent Auditors' Report to the Members on review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of International Steels Limited ("the Company") as at 31 December 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matter

The figures for the quarter ended 31 December 2013 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

KPMG Taseer Hadi & Co.

Date: 22 January 2014 **KPMG Taseer Hadi & Co.**
Chartered Accountants
Karachi **Mohammed Nadeem**

Condensed Interim Balance Sheet

As at 31 December 2013

	Note	31 December 2013 (Unaudited)	30 June 2013 (Restated) (Audited)
		(Rupees in '000)	
ASSETS			
Non current assets			
Property, plant and equipment	4	**9,736,936**	9,905,282
Intangible assets		**6,769**	8,067
Long term deposit with Central Depository Company Pakistan Limited		**100**	100
Total non current assets		**9,743,805**	9,913,449
Current assets			
Stores and spares		**375,222**	370,320
Stock in trade	5	**4,138,024**	2,616,040
Receivable from Karachi Electric Supply Company Limited (KESC) - unsecured, considered good		**91,434**	35,743
Trade debts - secured, unsecured and considered good	6	**555,776**	550,880
Advances - considered good	7	**55,119**	297,901
Trade deposits, short term prepayments and other receivables	8	**26,849**	12,989
Sales tax receivable		**316,890**	165,678
Taxation - net		**1,116,398**	787,216
Cash and bank balances		**111,558**	13,694
Total current assets		**6,787,270**	4,850,461
Total assets		**16,531,075**	14,763,910
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
500,000,000 (2013: 500,000,000) ordinary shares of Rs. 10 each		**5,000,000**	5,000,000
Issued, subscribed and paid up capital		**4,350,000**	4,350,000
Hedging reserve		**(69,635)**	-
Unappropriated profit		**540,634**	160,308
Total shareholders' equity		**4,820,999**	4,510,308
Surplus on revaluation of property, plant and equipment		**567,093**	572,886
LIABILITIES			
Non current liabilities			
Long term finances - secured	9	**3,217,903**	3,371,860
Staff retirement benefit		**9,847**	9,847
Deferred taxation - net	10	**238,702**	215,803
Total non current liabilities		**3,466,452**	3,597,510
Current liabilities			
Trade and other payables	11	**2,115,694**	1,021,318
Short term borrowings	12	**4,439,088**	4,121,378
Current portion of long term finances	9	**806,347**	783,285
Derivative financial instruments	13	**105,508**	-
Accrued markup		**209,894**	157,225
Total current liabilities		**7,676,531**	6,083,206
Contingency and commitments	14		
Total equity and liabilities		**16,531,075**	14,763,910

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

Kamal A. Chinoy	Alee Arsalan	Towfiq H. Chinoy
Director	Chief Financial Officer	Managing Director & Chief Executive

Condensed Interim Profit and Loss Account (Unaudited)

For the six and three months period ended 31 December 2013

	Note	Six months period ended		Three months period ended	
		31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
		(Rupees in '000)			
Net sales	15	**9,992,646**	7,056,342	**5,596,105**	3,827,553
Cost of sales	16	**8,883,308**	6,522,433	**4,904,990**	3,592,515
Gross profit		**1,109,338**	533,909	**691,115**	235,038
Administrative expenses	17	**69,972**	54,504	**36,765**	26,410
Selling and distribution expenses	18	**60,789**	39,273	**25,646**	18,044
		(130,761)	(93,777)	**(62,411)**	(44,454)
Financial charges	19	**544,766**	555,840	**279,098**	286,486
Other operating charges	20	**35,149**	13,560	**26,386**	11,352
		(579,915)	(569,400)	**(305,484)**	(297,838)
Other income	21	**46,158**	32,218	**14,476**	21,148
Profit / (loss) before taxation		**444,820**	(97,050)	**337,696**	(86,106)
Taxation		**(70,287)**	28,147	**(79,011)**	29,837
Profit / (loss) for the period		**374,533**	(68,903)	**258,685**	(56,269)
		(Rupees)			
Earnings / (loss) per share - basic and diluted		**0.86**	(0.16)	**0.59**	(0.13)

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

Kamal A. Chinoy	**Alee Arsalan**	**Towfiq H. Chinoy**
Director	Chief Financial Officer	Managing Director & Chief Executive

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six and three months period ended 31 December 2013

	Note	Six months period ended		Three months period ended	
		31 December 2013	31 December 2012 (Restated)	**31 December 2013**	31 December 2012
		(Rupees in '000)			
Profit / (loss) for the period		374,533	(68,903)	258,685	(56,269)
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Effective portion of changes in fair value of cash flow hedges		(105,508)	-	(105,508)	-
Recognition of tax		35,873	-	35,873	-
		(69,635)	-	(69,635)	-
Items that will never be reclassified to profit or loss					
Remeasurements of defined benefit liability		-	(2,349)	-	-
Recognition of tax		-	799	-	-
		-	(1,550)	-	-
Total other comprehensive income - net of tax		(69,635)	(1,550)	(69,635)	-
Total comprehensive income / (loss) for the period		304,898	(70,453)	189,050	(56,269)

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

Kamal A. Chinoy	Alee Arsalan	Towfiq H. Chinoy
Director	Chief Financial Officer	Managing Director & Chief Executive

Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2013

	Note	Six months period ended 31 December 2013	31 December 2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**444,820**	(97,050)
Adjustments for:			
Depreciation		**250,368**	208,575
Amortisation		**2,948**	2,673
Gain on disposal of property, plant and equipment		**(2,596)**	(3,069)
Provision for staff gratuity		**4,360**	3,338
Provision for compensated absences		**775**	-
Financial charges		**544,766**	555,840
		800,621	767,357
Movement in working capital	22	**(414,576)**	1,324,438
Net cash generated from operations		**830,865**	1,994,745
Financial charges paid		**(492,096)**	(620,832)
Gratuity paid		**(4,360)**	(3,638)
Compensated absences paid		**(1,586)**	(8,568)
Taxes paid		**(340,698)**	(156,768)
		(838,740)	(789,806)
Net cash (used in) / generated from operating activities		**(7,875)**	1,204,939
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(89,130)**	(422,019)
Proceeds from sale of property, plant and equipment		**8,054**	6,830
Net cash used in investing activities		**(81,076)**	(415,189)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of long term financing - Net cash used in financing activities		**(130,895)**	(88,482)
Net (decrease) / increase in cash and cash equivalents		**(219,846)**	701,268
Cash and cash equivalents at beginning of the period		**(4,107,684)**	(6,443,865)
Cash and cash equivalents at end of the period		**(4,327,530)**	(5,742,597)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances		**111,558**	9,837
Short term borrowings		**(4,439,088)**	(5,752,434)
		(4,327,530)	(5,742,597)

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

Kamal A. Chinoy
Director

Alee Arsalan
Chief Financial Officer

Towfiq H. Chinoy
Managing Director & Chief Executive

Condensed Interim Statement of Changes in Equity (Unaudited)

For the six months period ended 31 December 2013

	Issued, subscribed & paid up capital	Hedging reserve	Accumulated (losses) / profit (Restated)	Total
	(Rupees in '000)			
Balance as at 1 July 2012 as previously reported	4,350,000	-	(196,657)	4,153,343
Impact of change in accounting policy - note 3.2	-	-	(3,539)	(3,539)
Balances as at 1 July 2012 - restated	4,350,000	-	(200,196)	4,149,804
Loss for the period	-	-	(68,903)	(68,903)
Total other comprehensive income for the period - note 3.2	-	-	(1,550)	(1,550)
Total comprehensive income for the period - restated	-	-	(70,453)	(70,453)
Balance as at 31 December 2012 - restated	4,350,000	-	(270,649)	4,079,351
Balance as at 1 July 2013 as previously reported	4,350,000	-	166,807	4,516,807
Impact of change in accounting policy - note 3.2			(6,499)	(6,499)
Balances as at 1 July 2013 - restated	4,350,000	-	160,308	4,510,308
Profit for the period	-	-	374,533	374,533
Total other comprehensive income for the period	-	(69,635)	-	(69,635)
Total comprehensive income for the period	-	(69,635)	374,533	304,898
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	5,793	5,793
Balance as at 31 December 2013	4,350,000	(69,635)	540,634	4,820,999

The annexed notes from 1 to 26 form an integral part of this condensed interim financial information.

Kamal A. Chinoy
Director

Alee Arsalan
Chief Financial Officer

Towfiq H. Chinoy
Managing Director & Chief Executive

1 STATUS AND NATURE OF BUSINESS

International Steels Limited ("the Company") was incorporated on 3 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Karachi Stock Exchange on 1 June 2011 as a result of divestment of shares by International Industries Limited (the Holding Company) (IIL). The Company is in the business of manufacturing of Cold Rolled and Galvanized Steel Coils and Sheets. The Company commenced commercial operation on 1 January 2011. The Company is a subsidiary of IIL. The registered office of the company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information of the Company for the six month period ended 31 December 2013 has been prepared in accordance with the requirements of the International Accounting Standard (IAS)-34 "Interim Financial Reporting" and provision of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directive issued under the Companies Ordinance,1984 have been followed.

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

2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2013.

2.1.4 This condensed interim financial information is unaudited and is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange vide section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 December 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 Estimates, judgements and financial risk management

In preparing these interim financial infromation, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2013 except for the estimation of fair value of forward exchange contracts entered in to during the six months period ended 31 December 2013 that are derived from inputs other than quoted prices (i.e., categorised under level 2 of fair value hierarchy).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company as at and for the year ended 30 June 2013 except for adoption and changes in accounting policies as described in note 3.1 and 3.2 below.

3.1 Adoption of accounting policy for cash flow hedges

During the six months period ended 31 December 2013, the Company has entered into forward exchange contracts (derivative financial instruments) to hedge its foreign currency exposure on firm commitment of raw material. Based on the formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy following accounting policy has been adopted for these contracts.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income is removed from equity and included in the initial carrying amount of non-financial asset (inventory) upon recognition of non-financial asset (inventory).

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

There is no effect on the prior period's financial statements as a result of adoption of this accounting policy, as contracts have been made during six months period ended 31 December 2013.

3.2 Change in accounting policy for employee benefits - defined benefit plan

IAS-19 (revised) “Employee benefits” amends the accounting for employment benefits which became effective to the Company from 1 July 2013. The changes introduced by the IAS-19 (revised) are as follows:

(a) The standard requires past service cost to be recognised immediately in profit or loss;

(b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;

(c) There is a new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and

(d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes would not have significant effect on this condensed interim financial information except for the changes referred to in (d) above that has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in restatement of financial statements of prior periods.

As a result of the above mentioned changes, the cumulative balance for unrecognised actuarial losses that existed as at 1 July 2012 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

The effect of the change in accounting policy has been demonstrated below:

	30 June 2013	1 July 2012
	(Rupees in '000)	
Effect on balance sheet		
Unappropriated profit / accumulated (losses)		
As previously reported	**166,807**	(196,657)
Effect of change in accounting policy	**(6,499)**	(3,539)
As restated	**160,308**	(200,196)
Staff retirement benefit		
As previously reported	**-**	-
Effect of change in accounting policy	**9,847**	5,444
As restated	**9,847**	5,444

	30 June 2013	1 July 2012
	(Rupees in '000)	
Deferred taxation		
As previously reported	**219,151**	67,867
Effect of change in accounting policy	**(3,348)**	(1,905)
As restated	**215,803**	65,962

	Six months period ended 31 December 2012	Prior to 1 July 2012
	(Rupees in '000)	
Effect on Other Comprehensive Income		
Remeasurement of defined benefit liability recognised in other comprehensive income (decrease)	**(2,349)**	(5,444)
Recognition of tax	**799**	1,905
	(1,550)	(3,539)

The effect on profit and loss account in the current and prior period being immaterial has not been determined and presented. The management is in process of determining the effect of this change, if any, to the amount to be recognised through Comprehensive Income for the full year ending 30 June 2014. In the absence of such full year valuation, the management has not considered any amount as an adjustment for the purposes of the condensed interim financial information for the current period.
The amount is not expected to be materially significant for the current period.

4 PROPERTY, PLANT AND EQUIPMENT

	Operating Assets	Capital work in progress	Total
	(Rupees in '000)		
Cost			
Opening balance	10,481,107	376,025	**10,857,132**
Additions - net of disposals	270,227	(192,295)	**77,932**
	10,751,334	183,730	**10,935,064**
Accumulated depreciation			
Opening balance	951,850	-	**951,850**
For the period - net of disposal	246,278	-	**246,278**
	1,198,128	-	**1,198,128**
Written down value as at 31 December 2013 (Unaudited)	9,553,206	183,730	**9,736,936**
Written down value as at 30 June 2013 (Audited)	9,529,257	376,025	**9,905,282**

5	STOCK IN TRADE		31 December 2013 (Unaudited)	30 June 2013 (Audited)
			(Rupees in '000)	
	Raw material	5.1	2,251,953	1,410,479
	Work-in-process		520,363	360,724
	Finished goods		1,365,148	841,816
	Scrap material		560	3,021
			4,138,024	2,616,040

5.1 This includes raw material-in-transit amounting to Rs. Nil (30 June 2013: Rs. 552.25 million).

6 TRADE DEBTS - Secured, unsecured and considered good

Secured	6.1	551,154	544,237
Unsecured		4,622	6,643
		555,776	550,880

6.1 This represents trade debts arising on account of export sales of Rs. 517.41 million (30 June 2013: Rs. 521.26 million) which are secured by way of Export Letters of Credit and Documents of Acceptance. Rs. 33.75 million (30 June 2013: Rs. 22.98 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit or post dated cheques.

7 ADVANCES - Considered good

Advances to:			
- to suppliers	7.1	49,609	204,288
- to clearing agents		2,119	-
- against sales tax		-	85,000
- to service providers		2,773	7,174
- to employees		618	1,439
		55,119	297,901

7.1 This includes Rs. Nil (30 June 2013: Rs. 186.54 million) advance paid under Murabaha Master Agreement which has been settled during six months period ended 31 December 2013.

8 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits	5,393	3,837
Short term prepayments	17,193	8,625
Others	4,263	527
	26,849	12,989

9 LONG TERM FINANCES - secured

	Note	31 December 2013 (Unaudited)	30 June 2013 (Audited)
		(Rupees in '000)	
Syndicated LTFF term finance	9.1	3,103,567	3,344,803
Long term finance from banks	9.2	920,683	810,342
		4,024,250	4,155,145
Current maturity of long term finances		(806,347)	(783,285)
		3,217,903	3,371,860

9.1 The syndicated LTFF term finance facility is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which commenced from March 2011. The rate of markup on these finance is 1.5% over SBP refinance rate (30 June 2013: 1.5% over SBP refinance rate).

9.2 The term finance facilities are secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and other fixed assets of the Company against ranking charge. It is repayable in eight half yearly instalments which commenced from December 2012. The rate of markup ranges from 1.25 % to 1.8% over 6 months KIBOR (30 June 2013: 1.8% over 6 months KIBOR). During the period ended 31 December 2013, the Company has obtained long term finance from banks having limit of Rs. 300 million and out of which Rs. 200 million was availed as at 31 December 2013.

10 DEFERRED TAXATION - net

	Note	31 December 2013	30 June 2013
Taxable temporary difference			
Accelerated tax depreciation		**1,595,000**	1,659,272
Surplus on revaluation of buildings		**89,131**	91,895
Deductible temporary differences			
Provision for unavailed leaves		**(233)**	(487)
Staff retirement benefit	3.2	**(3,348)**	(3,348)
Unrealised exchange losses		**-**	(2,371)
Derivative financial instruments	3.1	**(35,873)**	-
Pre-commencement expenditure		**(7,838)**	(10,650)
Tax loss		**(1,398,137)**	(1,518,508)
		238,702	215,803

11 TRADE AND OTHER PAYABLES

		31 December 2013 (Unaudited)	30 June 2013 (Audited)
		(Rupees in '000)	
Trade creditors	11.1	**1,528,228**	23,128
Bills payable		**-**	573,830
Payable to provident fund		**1,172**	1,237
Sales commission payable		**25,676**	36,462
Accrued expenses		**91,162**	84,697
Advance from customers	11.2	**236,670**	146,911
Provision for infrastructure cess	11.3	**162,500**	118,000
Provision for government levies		**947**	947
Short term compensated absences		**771**	1,582
Workers' Profit Participation Fund		**47,721**	23,806
Workers' Welfare Fund		**19,088**	9,522
Others		**1,759**	1,196
		2,115,694	1,021,318

11.1 This includes Rs. 1,504 million payable to an associated company, a related party, against which the Company has entered into a forward exchange contract for hedging purposes (Refer note 3.1 and 13).

11.2 This includes advance of Rs. 45.87 million (June 2013 Rs. Nil) received from IIL (the Holding company) on account of supply of goods.

11.3 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (Refer note 14.1.1).

12 SHORT TERM BORROWINGS - Secured

Running finance under mark-up arrangement	12.1	**2,925,664**	2,626,159
Running finance under FE-25 Import Scheme	12.2	**158,657**	697,277
Running finance under Export Refinance Scheme	12.3	**612,000**	398,000
Short term finance under Murabaha and Istisna	12.4	**742,767**	399,942
		4,439,088	4,121,378

12.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from KIBOR + 0.80% to KIBOR + 1.75% (30 June 2013: KIBOR + 0.50% to KIBOR + 2.00%) per annum. These facilities mature within twelve months and are renewable.

12.2 The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 available from various commercial banks are for the purpose of meeting import requirements. The rates of mark-up on these finances ranges from 1.34% to 3.00% (30 June 2013: 1.25% to 1.79%) per annum. These facilities mature within six months and are renewable. The facilities availed is for an amount of USD 1.50 million equivalent to Rs. 158.65 million (30 June 2013: USD 6.99 million equivalent to Rs. 697.27 million).

12.3 The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub limit of short term finance facility. The rate of mark-up on this facility is 8.88% per annum (30 June 2013: 8.88%). This facility matures within six months and is renewable.

12.4 The Company has obtained facilities for short term finance under Murabaha and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.25% to KIBOR + 0.50% (30 June 2013: KIBOR + 0.72%). This facility matures within six months and is renewable.

12.5 As at 31 December 2013, the unavailed facilities from the above borrowings amounted to Rs. 3,954 million (30 June 2013: Rs. 5,390.49 million).

12.6 The above facilities are secured by way of joint and first pari passu charges over current assets of the Company.

13 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward exchange contracts for USD 58.79 million to hedge its foreign currency exposure arising on firm commitments for purchase of inventory (raw material). As at 31 December 2013 the fair value of these contracts is negative Rs. 105.51 million resulting in recognition of liability.

14 CONTINGENCY AND COMMITMENTS

14.1 Contingencies

14.1.1 The Sindh Finance Act, 1994 prescribed in the position of an infrastructure fee at the rate of 0.50% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released upto 27 December, 2006 and any bank guarantee / security furnished for consignment released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner.

The High Court on petition filed, passed an interim order directing that any bank guarantee / securities furnished for consignments cleared up to 27 December 2006 are to be returned and for the period there after guarantees and securities furnished for consignments cleared are to be in cash to the extent of 50% and the remaining balance is to be retained till the disposal of petitions (refer note 11.3). For future clearances, the Company is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed by High Court. Bank guarantees issued as per the above mentioned interim order amount to Rs.166.50 million (30 June 2013: Rs. 126.50 million), have been provided to the Department. However, a provision to the extent of amount of guarantee has also been provided for by the Company on prudent basis.

14.1.2 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on International Steels Limited. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on International Steels Limited was increased to Rs. 100 per MMBTU. On 1 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Company at Rs. 13 per MMBTU which has been recorded.

In view of above and opinion of legal advisor, the Company is confident of a favourable outcome and therefore has not recorded differential of GID Cess of Rs. 87 per MMBTU (from October 2012 to December 2013) amounting to Rs. 136.81 million in these condensed interim financial information.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction there for under the constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court.

The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

14.1.3 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company based on legal councils' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.26 million was determined for the tax years 2012 and 2013. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections approved by the Board, the same was not recognised in the financial statements for the year ended 30 June 2013. Therefore, accumulated minimum tax liability amounting to Rs. 298.10 million has not been recorded on the same basis in the condensed interim financial information for the six months period ended 31 December 2013.

14.1.4 Guarantee issued by the Company to Sui Southern Gas Company Limited of Rs. 198.20 million (30 June 2013: Rs. 198.20 million) as a security for supply of gas.

14.1.5 The Company issued a bid bond guarantee to Jamshoro Power Company Limited amounting to Rs. 0.07 million (30 June 2013: Rs. 0.05 million).

14.2 Commitments

14.2.1 Capital expenditure commitments outstanding as at 31 December 2013 amounted to Rs. 48.4 million (30 June 2013: Rs. 7.35 million).

14.2.2 Commitments under Letter of Credit for raw materials and spares as at 31 December 2013 amounted to Rs. 4,861.9 million (30 June 2013: Rs.4,792.22 million).

14.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2013 amounted to Rs. 3,753 million (30 June 2013: Rs. 3,262.43 million) and Rs. 439.8 million (30 June 2013: Rs. 425.25 million).

15 NET SALES

	Six months period ended		Three months period ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	(Unaudited)			
	(Rupees in '000)			
Local	**10,510,561**	7,753,129	**5,980,171**	4,299,879
Export	**1,166,250**	458,092	**572,311**	169,857
	11,676,811	8,211,221	**6,552,482**	4,469,736
Sales tax	**1,569,769**	1,068,697	**887,818**	592,329
Trade discount	**9,377**	1,836	**7,814**	1,152
Sales commission	**105,019**	84,346	**60,745**	48,702
	1,684,165	1,154,879	**956,377**	642,183
	9,992,646	7,056,342	**5,596,105**	3,827,553

16 COST OF SALES

Opening stock of raw material and work-in-process	**1,218,957**	2,802,092	**3,560,390**	3,468,758
Purchases	**10,306,597**	7,020,969	**3,997,810**	3,151,699
Salaries, wages and benefits	**114,382**	100,920	**56,976**	45,109
Electricity, gas and water	**213,836**	153,431	**111,622**	77,808
Insurance	**10,415**	10,727	**5,283**	5,782
Security and janitorial	**8,745**	5,565	**4,024**	2,716
Depreciation	**213,355**	173,792	**106,709**	88,711
Amortisation	**2,948**	2,673	**1,474**	1,336
Stores and spares consumed	**73,308**	38,664	**40,061**	14,352
Repairs and maintenance	**25,394**	18,534	**12,055**	3,646
Postage, telephone and stationery	**1,887**	1,986	**889**	915
Vehicle, travel and conveyance	**7,213**	5,316	**3,892**	2,848
Internal material handling	**1,902**	2,456	**904**	462
Environment controlling expense	**570**	573	**247**	150
Computer stationery and software support fees	**1,646**	2,739	**906**	1,382
Others	**4,762**	3,505	**3,639**	2,926
Recovery from sale of scrap	**(26,961)**	(4,006)	**(13,393)**	(5,564)
	12,178,956	10,339,936	**7,893,488**	6,863,036

	Six months period ended 31 December 2013	31 December 2012	Three months period ended 31 December 2013	31 December 2012
	(Unaudited)			
	(Rupees in '000)			
Closing stock of raw material and work-in-process	**(2,772,316)**	(3,005,336)	**(2,772,316)**	(3,005,336)
Cost of goods manufactured	**9,406,640**	7,334,600	**5,121,172**	3,857,700
Finished goods:				
Opening stock	**841,816**	752,307	**1,148,966**	1,299,289
Closing stock	**(1,365,148)**	(1,564,474)	**(1,365,148)**	(1,564,474)
	(523,332)	(812,167)	**(216,182)**	(265,185)
	8,883,308	6,522,433	**4,904,990**	3,592,515

17 ADMINISTRATIVE EXPENSES

	Six months period ended 31 December 2013	31 December 2012	Three months period ended 31 December 2013	31 December 2012
	(Unaudited)			
	(Rupees in '000)			
Salaries, wages and benefits	**47,902**	39,769	**24,848**	19,758
Rent, rates and taxes	**2,219**	2,109	**1,099**	1,010
Electricity, gas and water	**750**	893	**309**	457
Insurance	**421**	323	**237**	163
Security and janitorial expenses	**75**	28	**48**	28
Depreciation	**2,737**	2,095	**1,478**	1,072
Printing and stationery	**607**	470	**591**	139
Postage and communication	**320**	228	**158**	132
Vehicle, travel and conveyance	**2,016**	2,818	**1,205**	1,618
Legal and professional charges	**9,394**	4,324	**4,484**	1,283
Certification and registration charges	**206**	145	**105**	61
Directors' fee	**1,240**	920	**600**	440
Others	**2,085**	382	**1,603**	249
	69,972	54,504	**36,765**	26,410

18 SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits	**25,467**	15,232	**12,027**	6,276
Rent, rates and taxes	**2,429**	2,326	**1,223**	1,103
Electricity, gas and water	**356**	391	**135**	198
Insurance	**619**	221	**300**	122
Depreciation	**1,126**	1,169	**557**	601
Postage, telephone and stationery	**373**	253	**158**	117
Vehicle, travel and conveyance	**2,215**	1,761	**1,161**	1,119
Freight and forwarding charges	**25,618**	16,226	**8,568**	8,083
Advertising and sales promotion	**1,231**	1,199	**887**	279
Others	**1,355**	495	**630**	146
	60,789	39,273	**25,646**	18,044

			Six months period ended		Three months period ended	
			31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
			---- (Unaudited) ----			
			---- (Rupees in '000) ----			
19	**FINANCIAL CHARGES**					
	Mark-up on:					
	- Long term finances		**179,913**	219,911	**86,290**	110,294
	- Short term borrowings		**337,634**	296,407	**192,459**	138,481
			517,547	516,318	**278,749**	248,775
	Exchange loss / (gain) on FE financing	19.1	**25,377**	36,866	**(861)**	37,058
	Bank charges		**1,842**	2,656	**1,210**	653
			544,766	555,840	**279,098**	286,486

19.1 Exchange loss on foreign exchange borrowing amounting to Rs. 36.866 million (three months period ended December 2012: Rs. 37.06 million) has been reclassified from 'Other operating charges'.

			31 December 2013	31 December 2012	31 December 2013	31 December 2012
20	**OTHER OPERATING CHARGES**					
	Auditors' remuneration		**1,068**	850	**668**	490
	Donations		**600**	-	**300**	-
	Workers' Profit Participation Fund		**23,915**	-	**18,156**	-
	Workers' Welfare Fund		**9,566**	-	**7,262**	-
	Provision for government levies		**-**	315	**-**	194
	Exchange loss - net		**-**	12,395	**-**	10,668
			35,149	13,560	**26,386**	11,352
21	**OTHER INCOME**					
	Income from non-financial assets					
	Income from power generation	21.1	**13,286**	23,458	**7,909**	15,765
	Income on supply of utilities		**10,450**	2,150	**4,000**	2,150
	Gain on sale of property, plant and equipment		**2,596**	3,069	**878**	1,713
	Rent income		**858**	871	**429**	436
	Exchange gain - net		**16,253**	-	**54**	-
	Others		**2,715**	2,453	**1,206**	976
	Income / return from financial assets					
	Interest on bank deposits		**-**	217	**-**	108
			46,158	32,218	**14,476**	21,148
21.1	**Income from power generation**					
	Net sales		**234,636**	240,972	**124,754**	121,746
	Cost of electricity produced		**(221,350)**	(217,514)	**(116,845)**	(105,981)
	Income from power generation		**13,286**	23,458	**7,909**	15,765

22 MOVEMENT IN WORKING CAPITAL

	31 December 2013	31 December 2012
	(Unaudited)	
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	(4,902)	32,926
Stock in trade	(1,521,984)	685,608
Receivable from KESC	(55,691)	185,926
Trade debts	(4,896)	19,241
Advances	242,782	(147,821)
Trade deposits, short term prepayments and other receivables	(13,860)	(4,813)
Sales tax receivable	(151,212)	279,248
	(1,509,763)	1,050,315
Increase in current liabilities:		
Trade and other payables	1,095,187	253,747
Sales tax payable	-	20,376
	1,095,187	274,123
	(414,576)	1,324,438

23 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise IIL (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 undertakings are entered into at commercial terms, approved policy / under a contract. 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 engagements. Details of transactions with related are as follows:

	Six months period ended		Three months period ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	(Unaudited)			
	(Rupees in '000)			
TRANSACTIONS				
Holding Company				
Sales	885,341	576,708	733,683	229,877
Purchases	1,468	1,326	852	469
Office rent	4,362	3,986	2,181	1,993
Income on supply of utilities	10,450	2,150	4,000	2,150
Corporate & legal services	1,904	1,587	979	795
Payroll services	-	435	-	265
IT services	-	2,250	-	1,125
Sales of fixed assets	-	1,423	-	1,300
Sale of store items	-	123	-	-
Purchase of fixed assets	-	72	-	-
Associated Companies				
Purchases	5,747,624	3,008,429	3,210,059	1,616,570
Insurance premium expense	27,298	31,780	20,699	13,663
Insurance claim received	-	1,087	-	1,079
Rent Income	858	870	429	435
Donations	300	-	300	-

	Six months period ended 31 December 2013	Six months period ended 31 December 2012	Three months period ended 31 December 2013	Three months period ended 31 December 2012
	(Unaudited) (Rupees in '000)			
Associated Person				
Sales commission expense	**2,542**	-	**920**	-
Key Management Personnel				
Remuneration and benefits	**70,517**	62,451	**32,623**	31,888
Staff retirement benefits	**2,717**	1,015	**1,609**	477
Staff Retirement Fund				
Contribution paid - Provident Fund	**3,660**	3,030	**1,729**	1,494
Contribution paid - Gratuity Fund	**4,360**	3,638	**2,180**	1,969
BALANCES				
Holding Company				
Advances against sale of goods	**45,866**	-	**45,866**	-
Associated Companies				
Trade Creditors	**1,511,971**	9,397	**1,511,971**	9,397
Associated Person				
Sales Commission Payable	**2,605**	-	**2,605**	-

24 FINANCIAL RISK MANAGEMENT

Other aspects of the Company's risk management policies are consistent with those disclosed in the financial statements for the year ended 30 June 2013 except for currency risk exposure (refer note 3.1).

25 OPERATING SEGMENTS

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

25.1 Revenue from sales of steel products represents 97% (30 June 2013: 97%) of total revenue whereas remaining represent revenue from sale of surplus electricity to KESC. The Company does not consider sale of electricity to KESC as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanizing Plant and Cold Rolling Plant and currently any excess electricity is sold to KESC.

25.2 All non current assets of the Company as at 31 December 2013 are located in Pakistan.

25.3 10% of the sales are export sales that are made to customers outside Pakistan.

25.4 Single major customer of the Company is International Industries Limited which represents 7.5% of total revenue of the Company.

26 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information were authorized for issue by the Board of Directors on 22 January 2014

Kamal A. Chinoy Director	Alee Arsalan Chief Financial Officer	Towfiq H. Chinoy Managing Director & Chief Executive