



On a Roll



Shaping Tomorrow

Unaudited Financial Statements
For the six and three months period ended 31 December 2018

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

Contents

Company Information	2
Directors' Report	3
Auditor's Report to the members on review of Interim Financial Statements	4
Condensed Interim Statement of Financial Position	5
Condensed Interim Profit and Loss Account (Un-audited)	6
Condensed Interim Statement of Comprehensive Income (Un-audited)	7
Condensed Interim Cash Flow Statement (Un-audited)	8
Condensed Interim Statement of Changes in Equity (Un-audited)	9
Notes to the Condensed Interim Financial Information (Un-audited)	10

International Steels Limited Company Information

Chairman (Non-Executive)

Mr. Kemal Shoaib

Independent Directors

Mr. Tariq Iqbal Khan

Mr. Kamran Y. Mirza

Syed Salim Raza

Non-Executive Directors

Mr. Kamal A. Chinoy

Mr. Mustapha A. Chinoy

Mr. Riyaz T. Chinoy

Mr. Kazuteru Mihara

Executive Directors

Mr. Towfiq H. Chinoy - Advisor

Mr. Samir M. Chinoy

Chief Executive Officer

Mr. Yousuf H. Mirza

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary

Mr. Salman K. Ghauri

Group 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 Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial and Commercial Bank of China Limited

MCB Bank Limited

MCB Islamic Bank Limited

Meezan Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

Legal Advisor(s)

Ms. Sana Shaikh Fikree

Registered Office

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Karachi – 75530

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E-mail: info@isl.com.pk

Website

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Investor Relations Contact

Shares Registrar

THK Associates (Pvt.) Ltd

40-C, Block-6, P.E.C.H.S,

Off Shahrah-e-Faisal, Karachi

Phone: +9221-111-000-322

Fax: +9221-34168271

E-mail: secretariat@thk.com.pk

Assistant Company Secretary

Mr. Mohammad Irfan Bhatti

101 Beaumont Plaza,

10 Beaumont Road, Karachi.

UAN: +9221-111-019-019,

Fax: +9221-35680373

E-mail : irfan.bhatti@isl.com.pk

International Steels Limited Directors' Report

As at 31 December 2018

The Directors of your company are pleased to present the condensed interim financial statements for the half year ended 31st December 2018.

The challenges being faced by the country on economic front continues with the declining foreign exchange reserves, current account deficit and continued slow-down of economic growth. This has given rise to lower tax collection thus increasing the budget deficit. The currency continues to depreciate further and has declined by around 32% since December 2017. In November 2018, the SBP discount rate was further increased to 10 % and it is expected to further increase in the medium to long term. All these above factors has resulted in slow down of national economy and the impact is being felt across all the business segments. Your company is not immune to these economic challenges and this has resulted in declining sales in volumetric terms.

Steel prices have come down internationally due to demand slowdown in key global markets and this is likely to remain under pressure in near future as well. Imports from China & Russia continues to increase at significantly lower prices thus putting pressure on the Company to lower its prices.

In spite of the domestic economic challenges, steel prices decline and import at lower prices, your Company's sales during the half year ended 31 December 2018 recorded a growth of 12% at Rs. 24.8 billion as compared to Rs.22.2 billion for the same period last year. The gross margin remained under pressure due to fluctuations in exchange rate and volatility in international steel prices. The finance cost for the quarter increased mainly due to hike in interest rates and increased inventory levels. These challenges had an impact on margins and profitability of the Company. Profit after tax for the half year and earnings per share stood at Rs. 1,748 million and Rs. 4.02 per share compared to Rs. 2,182 million and Rs. 5.02 per share for the same period last year.

The Company expanded cold rolling capacity at 1 million tons will enable the company to meet the demand in both local and international market as well help the economy in terms of import substitution. The work on the additional annealing furnaces for Cold Rolled products is expected to be commissioned in Q3 2018-19.

On behalf of Directors, we would like to extend our gratitude to all our stakeholders for their continued support. We also thank management and staff for their commitment, hard work and pray to Almighty Allah for the continued success of your Company.

Dated: 25 January 2019
Karachi.

For & behalf of
International Steels Limited



Kemal Shoaib
Chairman



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of **International Steels Limited**

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **International Steels Limited** as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month 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 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 2018 and 31 December 2017 in the condensed interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 25 January 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

International Steels Limited

Condensed Interim Statement of Financial Position

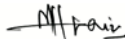
As at 31 December 2018

	Note	31 December 2018 (Un-audited) (Rupees in '000)	30 June 2018 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,985,527	18,262,610
Intangible assets		1,896	2,565
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		18,987,523	18,265,275
Current assets			
Stores and spares		415,260	438,997
Stock-in-trade	6	16,902,628	14,132,742
Trade debts - considered good	7	333,831	644,790
Receivable from K-Electric Limited (KE) - unsecured, considered good		41,744	32,663
Advances, trade deposits and short-term prepayments	8	84,700	65,761
Sales tax receivable		2,104,163	1,485,402
Taxation		334,304	427,137
Cash and bank balances		363,559	99,822
		20,580,189	17,327,314
Total assets		39,567,712	35,592,589
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 500,000,000 (2018: 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 Unappropriated profit		6,986,378	6,532,704
Capital reserve Revaluation surplus on property, plant and equipment		932,091	942,304
Total Shareholders' equity		12,268,469	11,825,008
LIABILITIES			
Non-current liabilities			
Long term financing - secured	9	6,597,354	6,768,281
Deferred taxation		1,602,704	1,708,232
		8,200,058	8,476,513
Current liabilities			
Trade and other payables	10	8,468,712	4,503,754
Contract liabilities	11	649,068	954,379
Short term borrowings - secured	12	7,898,272	8,462,310
Unpaid dividend		741,668	9,540
Unclaimed dividend		5,124	2,917
Current portion of long term financing - secured	9	1,115,499	1,201,679
Accrued markup		220,842	156,489
		19,099,185	15,291,068
Total liabilities		27,299,243	23,767,581
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		39,567,712	35,592,589

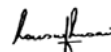
The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

International Steels Limited
Condensed Interim Profit and Loss Account (Un-audited)

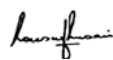
For the six and three months period ended 31 December 2018

	Note	Six months period ended		Three months period ended	
		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		(Rupees in '000)			
Net sales	14	24,780,895	22,189,671	13,549,353	11,481,585
Cost of sales	15	(21,714,072)	(18,390,849)	(12,101,618)	(9,462,642)
Gross profit		3,066,823	3,798,822	1,447,735	2,018,943
Selling and distribution expenses	16	(242,883)	(206,207)	(133,254)	(102,519)
Administrative expenses	17	(135,185)	(116,879)	(69,315)	(62,892)
		(378,068)	(323,086)	(202,569)	(165,411)
Finance cost	18	(591,843)	(232,316)	(306,486)	(119,436)
Other operating expenses	19	(164,433)	(252,028)	(74,972)	(134,765)
		(756,276)	(484,344)	(381,458)	(254,201)
Other income	20	83,386	48,726	10,509	43,728
Profit before taxation		2,015,865	3,040,118	874,217	1,643,059
Taxation	21	(267,404)	(858,575)	(32,901)	(464,861)
Profit after taxation for the period		1,748,461	2,181,543	907,118	1,178,198
(Rupees)					
Earnings per share - basic and diluted		4.02	5.02	2.09	2.71

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer


Yousuf H. Mirza
Chief Executive Officer

International Steels Limited

Condensed Interim Statement of Comprehensive Income (Un-audited)

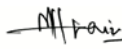
For the six and three months period ended 31 December 2018

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>----- (Rupees in '000) -----</u>			
Profit for the period	1,748,461	2,181,543	907,118	1,178,198
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,748,461</u>	<u>2,181,543</u>	<u>907,118</u>	<u>1,178,198</u>

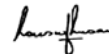
The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial Officer

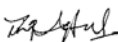


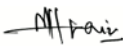
Yousuf H. Mirza
Chief Executive Officer

International Steels Limited
Condensed Interim Cash Flow Statement (Un-audited)
For the six months period ended 31 December 2018

		Six months period ended	
	Note	31 December 2018	31 December 2017
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,015,865	3,040,118
Adjustments for:			
Depreciation	5	498,305	421,338
Amortization		669	-
Gain on disposal of property, plant and equipment	20	(1,583)	(2,424)
Provision for obsolescence against spares		8,878	-
Provision for staff gratuity		9,558	10,482
Provision for compensated absences		3,095	8,063
Income on bank deposits	20	(60)	-
Finance cost	18	591,843	232,316
		1,110,705	669,775
Changes in working capital	22	571,489	2,573,666
Cash generated from operations		3,698,059	6,283,559
Finance cost paid		(527,490)	(257,043)
Income on bank deposit received		60	-
Payment for staff gratuity		(9,558)	(34,060)
Compensated absences paid		(5,786)	(5,063)
Income tax paid		(280,099)	(195,311)
		(822,873)	(491,477)
Net cash generated from operating activities		2,875,186	5,792,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,223,770)	(1,569,190)
Proceeds from disposal of property, plant and equipment		4,131	8,372
Net cash used in investing activities		(1,219,639)	(1,560,818)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		350,000	500,000
Repayment of long term financing		(607,107)	(1,096,312)
Proceeds from / (repayments of) short term borrowings - net		(501,402)	(746,328)
Dividend paid		(570,665)	(707,596)
Net cash used in financing activities		(1,329,174)	(2,050,236)
Net increase in cash and cash equivalents		326,373	2,181,028
Cash and cash equivalents at beginning of the period		(5,075,660)	(2,378,005)
Cash and cash equivalents at end of the period		(4,749,287)	(196,977)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances		363,559	63,054
Short term borrowings - running finance (secured)	12	(5,112,846)	(260,031)
		(4,749,287)	(196,977)

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer

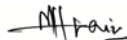

Yousuf H. Mirza
Chief Executive Officer

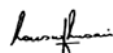
International Steels Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the six months period ended 31 December 2018

	Issued, subscribed & paid-up capital	Revenue Reserve - Unappropriated profit	Capital Reserve - Revaluation surplus on property, plant and equipment	Total Equity
	(Rupees in '000)			
Balance as at 01 July 2017	4,350,000	3,246,005	958,242	8,554,247
Profit for the period	-	2,181,543	-	2,181,543
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,181,543	-	2,181,543
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 10% (Re. 1.00 per share) for the year ended 30 June 2017	-	(435,000)	-	(435,000)
Total transactions with owners of the Company - distributions	-	(435,000)	-	(435,000)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	10,214	(10,214)	-
Balance as at 31 December 2017	<u>4,350,000</u>	<u>5,002,762</u>	<u>948,028</u>	<u>10,300,790</u>
Balance as at 01 July 2018	4,350,000	6,532,704	942,304	11,825,008
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	<u>4,350,000</u>	<u>6,986,378</u>	<u>932,091</u>	<u>12,268,469</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial statements.


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer


Yousuf H. Mirza
Chief Executive Officer

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

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 a subsidiary of International Industries Limited (Holding Company) which holds 245,055,543 shares (30 June 2018: 245,055,543 shares) of the Company as at 31 December 2018 representing 56.3% (30 June 2018: 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

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.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligation less fair value of plan assets, freehold land & buildings thereon that are stated at fair values determined 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 financial statements for the year ended 30 June 2018 except for the adoption of new standards effective as of 1 July 2018 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 initially adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2018 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

There are certain new standards, interpretations and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 July 2019. However, currently management considers that these new standards, interpretations and amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 Financial Instruments' on the Company's condensed interim financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

3.4.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for comparative periods in these condensed interim financial statements have not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The Company manufactures and contracts with customers for the sale of cold rolled, galvanized and colour coated steel coils and sheets which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised on delivery of products. Delivery occurs when the products have been shipped to / or and delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product either as per the sales contract or lapse of acceptance provision or the Company has objective evidence that all criteria for acceptance have been satisfied. Revenue is measured based on the consideration specified in a contract with a customer, net of estimated sales commission and excludes amounts collected on behalf of third parties.

The Company provides retrospective commission to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. A contract liability is recognised for expected sales commission payable to customers in relation to sales made until the end of the reporting period. Further the Company receives short term advances from its customers. Prior to adoption of IFRS 15, a provision for sales commission and advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to 'Contract liabilities' for outstanding balance of advance from customers and sales commission payable for prior year to provide comparison. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Company.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

3.4.2 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

The classification and measurement under IFRS 9 does not have any impact on Company's accounting policy. Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Trade receivable is initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life time expected loss allowance for all trade receivables and contract assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience with customers having good collection history with no historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1** The preparation of condensed interim financial statements require the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. 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 2018.
- 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 2018.

	Operating assets	Capital work in progress	Total
	(Rupees in '000)		
5. PROPERTY, PLANT AND EQUIPMENT			
Cost / revalued amount			
Opening balance	18,784,955	3,551,329	22,336,284
Additions	1,696,541	1,168,447	2,864,988
Disposal / transfer	(5,735)	(1,641,218)	(1,646,953)
	<u>20,475,761</u>	<u>3,078,558</u>	<u>23,554,319</u>
Accumulated depreciation			
Opening balance	(4,073,674)	-	(4,073,674)
Charge for the period	(498,305)	-	(498,305)
Disposal / transfer	3,187	-	3,187
	<u>(4,568,792)</u>	<u>-</u>	<u>(4,568,792)</u>
Net book value as at 31 December 2018 (Un-audited)	<u>15,906,969</u>	<u>3,078,558</u>	<u>18,985,527</u>
Net book value as at 30 June 2018 (Audited)	<u>14,711,281</u>	<u>3,551,329</u>	<u>18,262,610</u>

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

	<i>Note</i>	31 December 2018 (Un-audited) ———— (Rupees in '000) ————	30 June 2018 (Audited) ———— (Rupees in '000) ————
6. STOCK-IN-TRADE			
Raw material - in hand		3,525,734	5,930,245
Raw material - in transit		5,122,679	4,453,970
Work-in-process		2,937,667	1,187,243
Finished goods		5,121,308	2,504,609
By Products		1,812	7,292
Scrap material		193,428	49,383
		<u>16,902,628</u>	<u>14,132,742</u>
7. TRADE DEBTS - considered good			
- Secured	7.1	107,852	183,933
- Unsecured		225,979	460,857
		<u>333,831</u>	<u>644,790</u>
7.1 Related party from whom debt is due is as under:			
-Sumitomo Corporation		-	43,320
8. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Advances to suppliers - considered good		43,367	29,629
Trade deposits		10,728	10,904
Margin against shipping guarantee		-	13,949
Short term prepayments		30,605	11,279
		<u>84,700</u>	<u>65,761</u>
9. LONG TERM FINANCING - secured			
<i>Conventional</i>			
Long Term Finance Facility (LTFF)	9.1	1,582,297	1,708,848
Long term finance	9.2 & 9.3	355,556	544,445
<i>Islamic</i>			
Long term finance	9.4, 9.5, 9.6 & 9.7	5,775,000	5,716,667
		7,712,853	7,969,960
Current portion of long term finances shown under current liabilities			
<i>Conventional</i>			
Long Term Finance Facility (LTFF)		(237,721)	(240,568)
Long term finance		(177,778)	(277,778)
<i>Islamic</i>			
Long term finance		(700,000)	(683,333)
		(1,115,499)	(1,201,679)
		<u>6,597,354</u>	<u>6,768,281</u>
9.1 This finance has been obtained from commercial banks and is secured by way of pari passu charge over fixed assets of the Company.			
9.2 Long term finance amounting to Rs. 355.56 million (30 June 2018: Rs. 444 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.			
9.3 Long term finance amounting to Rs. nil (30 June 2018: Rs. 100 million) has been obtained from a commercial bank and is secured by way of pari passu charge over fixed assets of the Company.			
9.4 Long term finance amounting to Rs. 375 million (30 June 2018: Rs. 500 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.			
13 International Steels Limited			

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

- 9.5** Long term finance amounting to Rs. 250 million (30 June 2018: Rs. 416.67 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.
- 9.6** Long term finance amounting to Rs. 500 million (30 June 2018: Rs. 500 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.
- 9.7** Long term finance amounting to Rs. 4,650 million (30 June 2018: Rs. 4,300 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.

	Note	31 December 2018 (Un-audited) ----- (Rupees in '000) -----	30 June 2018 (Audited)
10. TRADE AND OTHER PAYABLES			
Trade creditors	10.1	5,403,700	2,029,925
Payable to provident fund		3,034	3,164
Accrued expenses		1,694,482	1,360,709
Provision for infrastructure cess	10.2	907,944	774,813
Provision for government levies		328	230
Short term compensated absences		9,237	11,928
Workers' Profit Participation Fund		108,438	24,171
Workers' Welfare Fund		308,717	265,342
Others		32,832	33,472
		<u>8,468,712</u>	<u>4,503,754</u>
10.1 Related party to whom payment is due is as under:			
-Sumitomo Corporation		<u>3,862,995</u>	<u>1,072,790</u>
10.2 Movement of infrastructure cess			
Opening balance		774,813	519,204
Provided during the period		<u>133,131</u>	<u>255,609</u>
Closing balance		<u>907,944</u>	<u>774,813</u>
11 CONTRACT LIABILITIES			
Sales commission payable		72,317	60,868
Advances from customers	11.1 & 11.2	<u>576,751</u>	<u>893,511</u>
		<u>649,068</u>	<u>954,379</u>
11.1 Advance from customers are unsecured and includes Rs. 1.25 million (30 June 2018: Rs. 0.18 million) received from a related party for supply of finished goods.			
11.2 The full amount of contract liabilities representing advance consideration received from customers amounting to Rs.893.5 million as at the beginning of the period has been recognized as revenue for the six months period ended 31 December 2018.			
12. SHORT TERM BORROWINGS - secured			
<i>Conventional</i>			
Running finance under mark-up arrangement	12.1	5,063,797	3,919,725
Running finance under Export Refinance Scheme	12.2	1,984,265	1,861,675
<i>Islamic</i>			
Short term finance under Running Musharakah	12.3	49,049	1,255,757
Short term finance under Term Musharakah	12.4	<u>801,161</u>	<u>1,425,153</u>
		<u>7,898,272</u>	<u>8,462,310</u>
12.1 The facilities for running 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 7.12% to 10.90% (30 June 2018: 6.62% to 8.42%) per annum.			
12.2 The Company has short term running 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 2.10% to 2.75% (30 June 2018: 2.10% to 2.15%) per annum.			

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

- 12.3** The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit ranges from 7.12% to 10.60% (30 June 2018: 6.34% to 6.63%) per annum. This facility matures within twelve months and is renewable.
- 12.4** The Company has obtained facilities for short term finance under Term Musharakah. The rate of profit ranges from 6.99% to 8.37% (30 June 2018: 6.09% to 6.47%) per annum. This facility matures within twelve months and is renewable.
- 12.5** As at 31 December 2018, the unavailed facilities from the above borrowings amounted to Rs. 11,252 million (30 June 2018: Rs. 4,594 million).
- 12.6** The above facilities are secured by way of joint pari passu charge and ranking charge over current and future moveable assets of the Company.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** 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. 941.5 million (30 June 2018: Rs. 791.5 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.

- 13.1.2** 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 01 July 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 favourable 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 condensed interim 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, wherein 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. 895.94 million (30 June 2018: Rs. 850 million) pertaining to period from 01 July 2011 to 31 December 2018 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).

- 13.1.3** 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 (2018: Rs. 348.3 million) in favour of Nazir of the Court up to September 2018. The Company, on prudent basis, has also accrued this amount in these condensed interim financial statements. OGRA has further revised the gas tariff to Rs. 780/- per MMBTU vide its notification dated 4 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 rates.
- 13.1.4** Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement. A similar view is likely to be taken in this case as well where the liability will have to be discharged in the respective province.

- 13.1.5 The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% sales tax. A Constitutional Petition in the Sindh High Court (SHC) has been filed on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 were implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The Court granted a stay order by allowing Company's exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (30 June 2018: Rs. 2.65 million) (i.e. value of disputed sales tax amount) before the Nazir of the Court. On 30 October 2015 the tax authority issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan do not attract the levy of sales tax. The same has already been filed before the Court and disposal of the case along with return of the said bank guarantees is awaited.
- 13.1.6 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 274.77 million (30 June 2018: Rs. 269.74 million) as a security for supply of gas.
- 13.1.7 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 12 million (30 June 2018: Rs. 12 million).
- 13.1.8 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (30 June 2018: Rs. 8.67 million).
- 13.1.9 Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. Nil (30 June 2018: Rs. 21.80 million).
- 13.1.10 Guarantees issued in favour of Nazir High Court issued by bank on behalf of the Company amounted to Rs. 2.65 million (30 June 2018: Rs. 2.65 million).
- 13.1.11 Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs. 4.61 million (30 June 2018: Rs. 4.61 million).
- 13.2 Commitments**
- 13.2.1 Capital expenditure commitments outstanding as at 31 December 2018 amounted to Rs. 678.34 million (30 June 2018: Rs. 581.3 million).
- 13.2.2 Commitments under Letters of Credit for raw materials and spares as at 31 December 2018 amounted to Rs. 13,341.9 million (30 June 2018: Rs. 9,538 million).
- 13.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2018 amounted to Rs. 10,278 million (30 June 2018: Rs. 10,199.52 million) and Rs. 896 million (30 June 2018: Rs. 59.31 million) respectively.

14. NET SALES

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Un-audited)			
	(Rupees in '000)			
Local	27,989,944	23,848,316	15,633,903	12,509,364
Export	1,330,840	2,206,733	466,122	1,015,157
	29,320,784	26,055,049	16,100,025	13,524,521
Sales tax	(4,207,567)	(3,580,609)	(2,352,853)	(1,876,111)
Trade discounts	(21,650)	(17,083)	(14,013)	(16,914)
Sales commission	(310,672)	(267,686)	(183,806)	(149,911)
	(4,539,889)	(3,865,378)	(2,550,672)	(2,042,936)
	24,780,895	22,189,671	13,549,353	11,481,585

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

14.1 DISAGGREGATION OF REVENUE

As required for the condensed interim financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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

	Six months period ended		Three months period ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	(Un-audited)			
	(Rupees in '000)			
Primary geographical markets:				
Local	23,450,055	19,982,938	13,083,231	10,466,428
United States	670,575	905,441	48,610	405,645
Africa	115,971	244,212	93,239	57,280
Afghanistan	128,670	520,819	92,903	308,950
Middle East	187,685	322,271	123,032	152,997
Others	227,939	213,990	108,338	90,285
	24,780,895	22,189,671	13,549,353	11,481,585
Major Product Lines:				
Cold Rolled	7,710,023	7,470,885	4,198,473	3,389,802
Galvanized Product	16,894,631	14,580,491	9,254,842	8,007,586
Bi-product	176,241	138,295	96,038	84,197
	24,780,895	22,189,671	13,549,353	11,481,585

15. COST OF SALES

Opening stock of raw material and work-in-process	7,117,488	4,219,066	12,190,044	3,601,035
Purchases	23,246,844	15,319,619	7,174,893	8,311,212
Salaries, wages and benefits	275,331	226,891	123,747	113,984
Electricity, gas and water	643,535	481,321	356,521	249,624
Insurance	16,745	10,753	9,552	5,219
Security and janitorial	13,976	11,234	7,898	4,768
Depreciation and amortisation	445,978	374,457	227,686	186,749
Stores and spares consumed	58,781	49,632	34,998	23,397
Provision for obsolescence against spares	8,878	-	8,878	-
Repairs and maintenance	48,024	43,662	24,926	24,737
Postage, telephone and stationery	4,210	3,085	2,335	1,569
Vehicle, travel and conveyance	19,052	5,699	12,234	2,982
Internal material handling	22,890	6,584	17,583	5,107
Environment controlling expense	1,303	954	741	426
Computer stationery and software support fees	3,045	2,526	1,780	1,328
Sundries	9,173	6,669	4,128	3,596
Recovery from sale of scrap	(1,002,516)	(735,356)	(606,218)	(393,854)
	30,932,737	20,026,796	19,591,726	12,141,879
Closing stock of raw material and work-in-process	(6,463,401)	(3,186,413)	(6,463,401)	(3,186,413)
Cost of goods manufactured	24,469,336	16,840,383	13,128,325	8,955,466
Finished goods:				
Opening stock	2,561,284	3,505,587	4,289,841	2,462,297
Closing stock	(5,316,548)	(1,955,121)	(5,316,548)	(1,955,121)
	(2,755,264)	1,550,466	(1,026,707)	507,176
	21,714,072	18,390,849	12,101,618	9,462,642

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

16. SELLING AND DISTRIBUTION EXPENSES	Note	Six months period ended		Three months period ended	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		(Un-audited)			
		(Rupees in '000)			
Salaries, wages and benefits		43,428	39,668	20,073	19,640
Rent, rates and taxes		10,668	5,635	7,042	2,875
Electricity, gas and water		1,509	1,425	700	677
Insurance		555	404	407	256
Depreciation		3,785	3,086	1,907	1,578
Postage, telephone and stationery		1,460	955	750	490
Vehicle, travel and conveyance		15,629	6,637	6,321	4,647
Freight and forwarding charges		111,267	127,075	61,504	59,662
Sales promotion		51,733	16,820	32,997	10,356
Others		2,849	4,502	1,553	2,338
		<u>242,883</u>	<u>206,207</u>	<u>133,254</u>	<u>102,519</u>
17. ADMINISTRATIVE EXPENSES					
Salaries, wages and benefits		77,724	71,866	31,814	36,839
Rent, rates and taxes		2,467	2,487	1,132	1,135
Electricity, gas and water		1,277	1,262	619	596
Insurance		1,185	946	595	492
Security and janitorial		287	281	144	153
Depreciation		2,911	2,994	1,529	1,532
Printing and stationery		4,210	3,817	2,942	1,367
Postage and communication		849	1,588	660	956
Vehicle, travel and conveyance		4,390	3,469	2,645	1,780
Legal and professional charges		30,502	18,935	21,019	11,056
Certification and registration charges		2,528	3,558	2,427	3,111
Directors' fee		2,175	2,100	1,350	1,500
Others		4,680	3,576	2,439	2,375
		<u>135,185</u>	<u>116,879</u>	<u>69,315</u>	<u>62,892</u>
18. FINANCE COST					
Mark-up on:					
- long term finances		202,673	140,647	107,457	68,530
- short term borrowings		381,324	89,334	196,498	49,225
	18.1	583,997	229,981	303,955	117,755
Interest on Workers' Profit Participation Fund		1,053	-	1,053	-
Bank charges		6,793	2,335	1,478	1,681
		<u>591,843</u>	<u>232,316</u>	<u>306,486</u>	<u>119,436</u>
18.1. This includes mark-up under shariah compliant arrangements amounting to Rs. 165.06 million (31 December 2017: Rs. 85.6 million).					
19. OTHER OPERATING EXPENSES					
Auditors' remuneration		1,897	1,348	892	682
Donations		10,724	19,800	2,824	10,400
Workers' Welfare Fund		43,375	65,379	18,823	35,335
Workers' Profit Participation Fund		108,437	163,447	47,058	88,336
Loss on derivative financial instruments		-	2,054	-	12
Exchange loss		-	-	5,375	-
		<u>164,433</u>	<u>252,028</u>	<u>74,972</u>	<u>134,765</u>

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

		Six months period ended		Three months period ended		
	Note	31 December 2018	31 December 2017	31 December 2018	31 December 2017	
		(Un-audited)				
		(Rupees in '000)				
20.	OTHER INCOME					
	Income from power generation	20.1	10,021	19,240	3,088	7,545
	Gain on sale of property, plant and equipment		1,583	2,424	898	2,156
	Rental income		974	971	487	490
	Exchange gain		55,887	16,755	-	26,780
	Others		14,861	9,336	6,031	6,757
	Income on bank deposit - conventional		60	-	5	-
			83,386	48,726	10,509	43,728
20.1	Income from power generation					
	Net sales		203,613	218,367	108,535	103,606
	Cost of electricity produced		(193,592)	(199,127)	(105,447)	(96,061)
			10,021	19,240	3,088	7,545
21.	TAXATION					
	- Current - for the period		(372,932)	(710,979)	(1,965)	(371,553)
	- for prior years		-	(7,850)	-	(4,850)
	- Deferred		105,528	(139,746)	34,866	(88,458)
			(267,404)	(858,575)	32,901	(464,861)
21.1	Under section 5A of the Income Tax Ordinance, 2001 a tax shall be imposed at the rate of 5% of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute atleast 20% of its after tax profits within six months of the end of the tax year through cash. However, no provision has been made for tax on undistributed profit as the Board of Directors of the Company intend to distribute sufficient dividend for the year ending 30 June 2019, so that such tax is not required to be paid.					
22.	CHANGES IN WORKING CAPITAL			31 December 2018	31 December 2017	
				(Un-audited)		
				(Rupees in '000)		
	(Increase) / decrease in current assets:					
	Stores and spares			14,859	(93,575)	
	Stock-in-trade			(2,769,886)	2,583,119	
	Receivable from K-Electric Limited			(9,081)	3,606	
	Trade debts			310,959	456,773	
	Advances, trade deposits and short-term prepayments			(18,939)	(1,252)	
	Sales tax receivable			(618,761)	457,972	
				(3,090,849)	3,406,643	
	Increase / (decrease) in current liabilities:					
	Trade and other payables			3,662,338	(832,977)	
				571,489	2,573,666	

International Steels Limited
Notes to the Condensed Interim Financial Statements (Un-audited)
For the six months period ended 31 December 2018

23. 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. Rental income is recognized on straight line basis over the term of the respective lease agreement.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements, are as follows:

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Un-audited)			
	(Rupees in '000)			
TRANSACTIONS				
Holding Company				
Sales	3,962,017	3,524,720	1,749,935	1,307,837
Purchases	14,859	204,330	9,972	173,545
Rent	7,840	4,038	5,620	2,019
Shared resources cost	40,958	33,373	20,860	18,744
Reimbursement of expenses	3,457	3,326	55	1,882
Partial manufacturing - sales	54	23	-	23
Dividend paid	-	245,056	-	245,056
	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Un-audited)			
	(Rupees in '000)			
Other related parties				
Sales	381,627	722,149	47,508	292,677
Purchases	22,594,246	9,683,402	10,059,043	4,693,720
Dividend paid	118,433	39,478	-	39,478
Rental income	1,691	971	1,204	490
Services*	48,089	24,965	43,266	20,398
Remuneration to Key Management Personnel	125,657	128,009	58,639	63,591
Payment to staff retirement funds	21,976	43,799	11,235	6,666

* Services includes premium against insurance policies

24. OPERATING SEGMENTS

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

24.2 Revenue from sales of steel products represents 99% (30 June 2018: 99%) of total revenue whereas remaining represent 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.

24.3 95% (30 June 2018: 92%) of sales of steel sheets are domestic sales whereas 5% (30 June 2018: 8%) of sales are export / foreign sales.

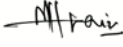
25. GENERAL

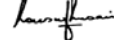
25.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. There have been no significant rearrangements and reclassifications in these condensed interim financial statements.

25.2 The Board of Directors of the Company in their meeting held on 25 January 2019 have declared an interim cash dividend of Rs. 1.50 per share amounting to Rs. 652.5 million. The condensed interim financial statements do not include the effect of above interim dividend which will be accounted for in the subsequent period.

25.3 These condensed interim financial statements were authorised for issue by the Board of Directors on 25 January 2019.


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial Officer


Yousuf H. Mirza
Chief Executive Officer