

On a Roll

Production
Capacity
1,000,000 tons



**INTERNATIONAL
STEELS LIMITED**

Shaping Tomorrow

Annual
Report **2018**



Annual Report 2018

In the Name of Allah, Most Gracious,
Most Merciful. This is by the Grace of Allah.





Reshaping. Rebuilding.

Since inception, we have been driven by our vision to transform the way steel impacts lives. As a pioneering manufacturer of flat steel in Pakistan, your company strives to enable innovation and progress through providing steel that takes numerous forms, from construction and industrial applications, to products that are part of our daily lives.

Over the years, our capacity has grown and our product offering has diversified, helping us to provide better service to customers. With this growth our resolve remains unchanged as we strive to create value. As an enabler for various downstream industries, our value extends beyond steel. We not only strive to save precious foreign exchange, we also lighten Pakistan's name across the globe by exporting our products all over the world.

Contents

Introduction

- 07 Company Profile
- 09 Company Informaiton
- 17 Business at a Glance
- 19 Vision & Mission
- 21 Strategic Objectives
- 21 Our Values
- 22 Calendar of Major Events
- 23 Geographical Presence
- 24 Code of Conduct
- 26 Milestones Achieved

Chairman's Review

- 29 Chairman's Review
- 30 Chairman's Review (Urdu)

Directors' Report

- 33 Directors' Report
 - Boards Composition & Remuneration
 - Global Steel Scenario
 - Pakistan's Economy
 - Manufacturing Operations
 - Sales
 - JCR-VIS Credit Rating
 - Energy Management
 - Health, Safety & Environment
 - Human Resources
 - Corporate Social Responsibility
 - Risk Management
 - Business Review
 - Financials
 - Earnings per share
 - Dividend
 - Recommendation of the Board Audit Committee for appointment of auditor
 - Appropriations
 - Contribution to National Exchequer and the Economy
 - Provident Fund & Gratuity Scheme
 - Future Prospects
- 38 Directors' Report (Urdu)

Corporate Governance

- 42 Profile of the Board of Directors
- 46 List of Other Directorships
- 48 Governance Framework
- 48 Compliance Statement
- 48 The Board of Directors
- 49 Changes in the Board
- 49 Board Meetings Outside Pakistan
- 49 Roles and Responsibilities of the Chairman and Chief Executive
- 49 Business Philosophy & Best Corporate Practices
- 50 Timely Communication of Financial Results
- 50 Board Evaluation
- 50 Risk Management
- 50 Internal Control Framework
- 51 Risk and Opportunity
- 51 Disclosure of Conflict of Interest
- 51 Corporate Social Responsibility
- 52 Sustainability Measures
- 52 Engaging Stakeholders & Transparency
- 52 Policy for Investor Grievances
- 52 Safety of Company Records
- 53 Human Resources Management Policies and Succession Planning
- 53 Group Information Technology Policy
- 53 Whistleblowing Policy
- 53 Policy of security clearance of Foreign Directors
- 53 Issues Raised at Last AGM
- 53 Dividend to Shareholders
- 53 Pattern of Shareholding
- 54 Organization Chart
- 55 Mechanism for Providing Information
- 56 Board Committees
- 60 Ownership / Dividend Payment
- 60 Financial Calendar
- 60 Tentative Dates of Financial Results
- 61 Report of the Board Audit Committee on Adherence to the Code of Corporate Governance

- 62 Statement of Compliance with Listed Companies (Code Of Corporate Governance) Regulations, 2017
- 64 Review Report on Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

Financial Summary

- 66 Financial Highlights
- Business Growth
 - Shareholder Value Accretion
- 67 Analysis of Statement of Financial Position
- 68 Analysis of Profit & Loss Account
- 69 Analysis of Statement of Cash Flows
- 70 Analysis of Financial Statements (Graphs)
- 71 Key Financial Indicators (Graphs)
- Conversion Cost
 - Product Wise Sales Break Up
 - Net Sales/Gross Profit
 - Raw Material Purchases (in Tons)
 - Production (in Tons)
- 73 Six Years at a Glance
- Profitability Ratios
 - Liquidity Ratios
 - Turnover Ratios
 - Operating Cycle
 - Investment / Market Ratios
 - Capital Structure Ratios
- 76 DuPont Analysis
- 77 Quarterly Performance Analysis
- 78 Statement of Value Addition

Financial Statements

- 80 Auditors' Report to the Members
- 84 Statement of Financial Position
- 85 Profit & Loss Account
- 86 Statement of Comprehensive Income
- 87 Statement of Cash Flows
- 88 Statement of Changes in Equity
- 89 Notes to the Financial Statements

Stakeholders Information

- 127 Pattern of Shareholding
- 128 Categories of Shareholders
- 128 Key Shareholding
- 128 Shares Trading by Directors/Executives
- 129 Shareholders Composition
- 129 Share Price Trend Vs. Volume Traded
- 130 Notice of Annual General Meeting
- 133 Notice of Annual General Meeting (Urdu)
- Consent for Annual Report Through Emails
 - E-Mandate Form
 - Proxy Form
 - Glossary





Company Profile

International Steels Limited “ISL” is the largest Flat Steel manufacturer in Pakistan. The company was incorporated in 2007 and commenced production in 2010. To date, the company has invested approximated US\$ 250 million in establishing a state of the art flat steel complex.

ISL’s manufacturing facilities are located on 32 acres in the port city of Karachi, where the company produces Cold Rolled Steel, Galvanized Steel and Color Coated Steel for numerous industrial and commercial applications. The company has a strong nationwide supplier network that is served through regional offices in Lahore, Islamabad and Multan. ISL exports its products to more than 20 countries worldwide.

In its short history, ISL has carried out extensive large scale expansion activities to enhance production. With the recent expansion, the company now has a capacity of over 1,000,000 Metric Tons.

The company has played an important role in developing the large scale industrial manufacturing sector of Pakistan. ISL’s high quality steel serves as an essential input for various upstream and downstream industries of the country. Through consistently expanding manufacturing capacity, the company has substituted a significant portion of Pakistan’s flat steel imports, resulting in foreign exchange saving for the country.

ISL believes in sustainability of operations and aims to maintain good relationship with all its stakeholders. Driven by the Clean, Lean and Green approach, the company strives to continuously reduce its carbon footprint, promote effective utilization of resources, reduce waste and promote green practices through recycling and reusing resources.

The company partakes in various social initiatives to promote wellbeing and welfare in society. ISL is a frequent supporter of various health care and educational initiatives in the country.



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

Syed Hyder Ali

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

Group Company Secretary & Head of Legal

Ms. Uzma Amjad Ali

Group Chief Internal Auditor

Ms. Asema Tapal

External Auditors

M/s. KPMG Taseer Hadi & Co.

Bankers

Allied Bank Ltd.

Bank Al Habib Ltd.

Bank Alfalah Ltd.

Dubai Islamic Bank (Pak) Ltd.

Faysal Bank Ltd.

Habib Bank Ltd.

Habib Metropolitan Bank Ltd.

MCB Bank Ltd

Meezan Bank Ltd.

Samba Bank Ltd.

Standard Chartered Bank (Pakistan) Ltd.

MCB Islamic Bank Ltd.

United Bank Ltd.

Legal Advisor

Ms. Sana Shaikh Fikree

Registered Office

101, Beaumont Plaza, 10 Beaumont Road,

Karachi-75530 Phone: +9221 35680045-54

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Fax: +9242-37249755 E-mail: lahore@isl.com.pk

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3rd Floor, Evacuee Trust, Plot No. 4 Agha Khan

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Multan Office

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Abdali Road, Multan

Factory

399 - 404, Rehri Road Landhi, Karachi.

Phone: +9221 3501-3104-5

Fax: +9221 3501-3108

E-mail: info@isl.com.pk

Website

www.isl.com.pk

Investors Relations Contact

Share Registrar

THK Associates (Pvt.) Ltd.

1st Floor, 4-C, Block-6, P.E.C.H.S., Karachi-75400

Phone: +9221-111-000-322 Fax: +9221-34168271

Email: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





Being Constructive

ISL prides itself on being an enabler and facilitator for various sectors. ISL's steel has a wide range of applications that allows innovative solutions for the industrial and construction segments.

Our steel brings visions to life, from aesthetically appealing roofing and decking to functionally robust and durable wall partitions, ducting and HVAC systems, steel provides quick, economical, and sustainable solutions.





Rolling out options and opportunities

By developing materials specifically suited to customers' requirements and expanding manufacturing capacity, ISL provides high quality products and services for various customers, acting as a catalyst to economic activity and generating opportunities for people.



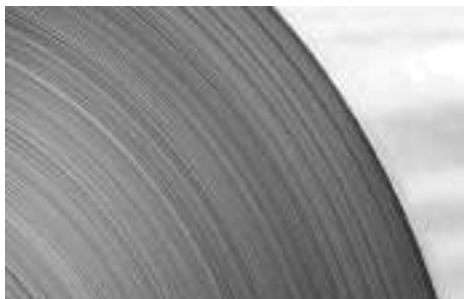


Industry & the Industrious

ISL's domestically produced flat steel has improved steel availability and acted as a catalyst to the downstream industry, thus enabling growth.



Business at a Glance



Cold Rolled Steel

Our cold rolling mill is a modern, advanced facility designed and supplied by SMS Siemag, Germany.

With strict quality control processes and advanced technology, our product provides outstanding finish and workability, highly valued by customers in the automobile, home appliances, furniture, drum, tube, filter, tin plate and various other industrial segments.

Cold rolled steel manufactured by ISL is available in thicknesses ranging from 0.15 mm to 3.0 mm and is offered in a maximum width of 1,250 mm. ISL's CRC is provided in a range of product specifications, ranging from drawing to structural and surface finishes from bright to matt to meet our customer specific requirements. After the recent expansions, ISL's capacity has increased to over 1,000,000 MT.



Hot Dip Galvanized Steel

Our Hot Dipped Galvanized Steel is produced on a state-of-the-art, fully automated production line. The best available raw materials and processes are applied under controlled conditions to produce material of the highest quality. Our manufacturing facility, a dynamic production team and adherence to strict quality control measures ensures a product of the highest grade. Hot Dip Galvanized steel is available in thicknesses ranging from 0.15 mm – 2.50 mm. After addition of our new galvanizing line, ISL's capacity to produce Galvanized materials increased to 450,000 MT.



Color Coated Steel

Our Continuous Color Coil Coating facility was developed using wet paint coating technology. The 84,000 MT facility allows us to produce high quality color coated sheets on various substrates like Cold Rolled, Galvanized, Galvalume, Aluminum and Stainless Steel sheets. The high quality color coating enhances the corrosion resistance substrate and adds to the aesthetic appeal. Color coated steel is available in thicknesses ranging from 0.20 mm – 1.50 mm.



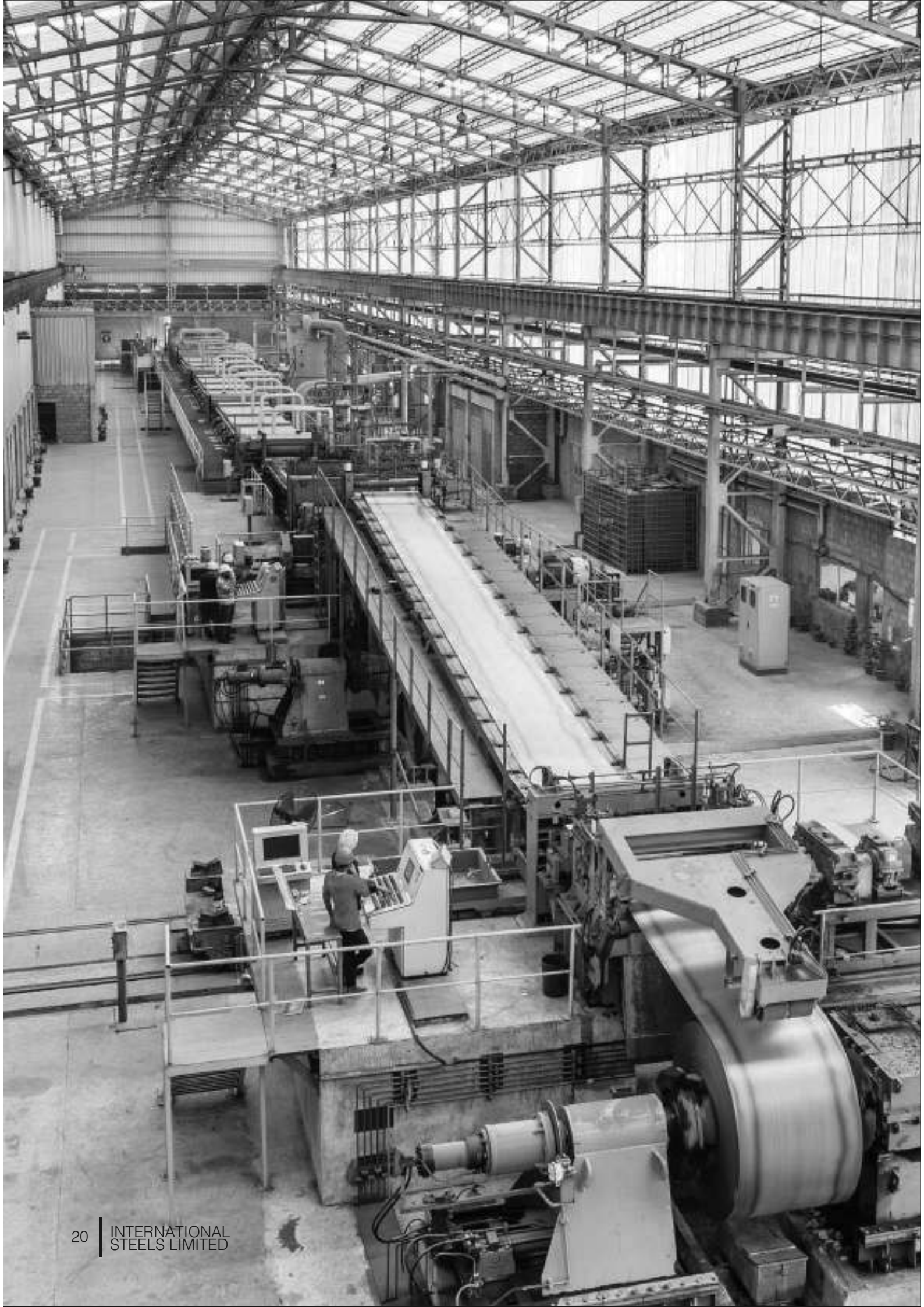


Vision

To be the premium manufacturer of Flat Steel Products in Pakistan.

Mission

To establish our presence in the steel industry by providing superior quality products and reliable services, catering to the customers' needs, at competitive prices; thereby generating value and close partnership. We take pride in providing an environment which cultivates teamwork and leadership capabilities to manage our company as a model corporate citizen, complying with highest standards of business ethics.





Strategic Objectives

We are committed to continually enhance the effectiveness of our quality, environmental, occupational health and safety management systems. We aim at creating fair value for the stakeholders through team work, continual improvement in technology, waste reduction, protection of environment, care for health, safety of people and equipment and improvement in safety practices.

Our Values

We share core set of values which incorporate:

Integrity:

We are committed to maintain highest ethical standards and ensure a culture of trust and openness internally as well as externally.

Diversity:

We are an equal opportunity employer with zero bias against gender, race, ethnicity and religion and encourage openness, expression of opinions etc.

Respect for People:

We are committed to foster a culture where people come first and we hire, develop and retain our people to work as synergized teams in line with our mission and vision.

Fairness:

We are committed to implement such policies and procedures which translate into fair and equitable treatment of all stakeholders, including selection, hiring, rewarding and compensating all employees.

Calendar of Major Events

Q1

- Highest ever First Quarter sales recorded in the month of July
- Conducted the first ISL Artists in Residence Program
- Penetrated new overseas markets in Mauritius, Qatar, Jordan, Somaliland

Q2

- Announced an investment of PKR 975 million for a new service center and enhancement of annealing capacity
- Participated in "Big Five International Building & Construction Exhibition" in Dubai
- ISL Artists in Residence Program wins the Corporate Art Award 2017 in Italy
- ISL wins the FPCCI Export Award 2017 in the flat steel category
- Interim Dividend of PKR 1.5 per share paid in October

Q3

- Recorded the highest ever monthly sales in March
- Participated in "The Single Country Exhibition" in Colombo, Sri Lanka
- Participated in the "Pakistan Auto Show" in Lahore

Q4

- Announced successful deployment of the second Cold Rolling Mill (CRM), increasing installed capacity to 1 million metric tons annually.
Net Sales increased by 41% to PKR. 47.62 billion
- Participated in the "Pakistan HVACR Exhibition" in Islamabad
- Participated in the "Project Qatar Exhibition" in Doha, Qatar
- Second interim Dividend of PKR 3 per share paid in April
- Company awarded a rating of 'A+/A-1' (Single A Plus/A - One) by JCR-VIS Credit Rating Company

Geographical Presence



Code of Conduct

The Code of Conduct is equally applicable to the Board of Directors as well as all the employees of the Company. The salient features of the Code of Conduct are as follows:

A. BUSINESS ETHICS

- i). The company's policy is to conduct its business with honesty and integrity and be ethical in its dealings, showing respect for the interest of all stakeholders including its shareholders, employees, customers, suppliers and the society.
- ii). The company is dedicated to providing a safe and non-discriminatory working environment for all employees.
- iii). The company does not support any political party or contributes funds to groups whose activities promote political interests.
- iv). The company is committed to provide products which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations.
- v). The Board of Directors and the Management are both committed to ensure that the company is a responsible corporate citizen and the business shall be carried out in a sustainable manner.
- vi). The operations shall be carried out with minimum adverse effect on the environment and producing quality products in a healthy and safe working environment.
- vii). We, as a responsible corporate citizen shall promote our role towards betterment of the society in health and education sectors as a part of our Corporate Social Responsibility.

B. CONFLICTS OF INTEREST

- i. Every employee should conduct his/her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the company.

- ii. An employee should avoid any situation in which he or she, or a family member, might profit personally either (directly or indirectly), from the company's facilities, its products, or company's relationships with its vendors or customers.
- iii. An employee should not permit himself/herself (or members of his/her family) to be obligated (other than in the course of normal banking relationships) to any organization or individual with whom the company has a business relationship. However, business lunches, dinners or social invitations, nominal giveaways and attendance at conferences and seminars would not be considered a violation of this Code.
- iv. In case an employee is offered or receives something of value which he/she believes may be impermissible under this Code, he / she should disclose the matter.
- v. All employees shall avoid any kind of bribery, extortion and all other forms of corruption.
- vi. Conflict of interest shall be avoided and promptly disclosed where they exist and guidance should be sought from superiors.

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

- i. All books, records, accounts and statements should conform to generally accepted and applicable accounting principles and to all applicable laws and regulations and should be maintained accurately.
- ii. Employees are expected to sign only documents or records which they believe to be accurate and truthful.

D. ENVIRONMENT

- i. The company is committed to carry its business in an environmentally sound and sustainable manner and promote preservation and sustainability of the environment.
- ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact the company's operations.

E. REGULATORY COMPLIANCE

- i. The company is committed to make prompt public disclosure of "material information" regarding the company as prescribed in the Pakistan Stock Exchange Regulations, if required.
- ii. Where an employee is privy to the information, which is generally referred to as "material inside information", the same must be held in strict confidence by the employee involved until it is publicly released.
- iii. The employees shall abide by the appropriate Competition Laws and shall not enter into understandings, arrangements or agreements with competitors, which have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers.

F. PERSONAL CONDUCT

- i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on company business.
- ii. The employees shall be careful while dealing with personal or business associates and not disclose, divulge or provide any information regarding the company to anyone except where the same is used as a part of his/ her official

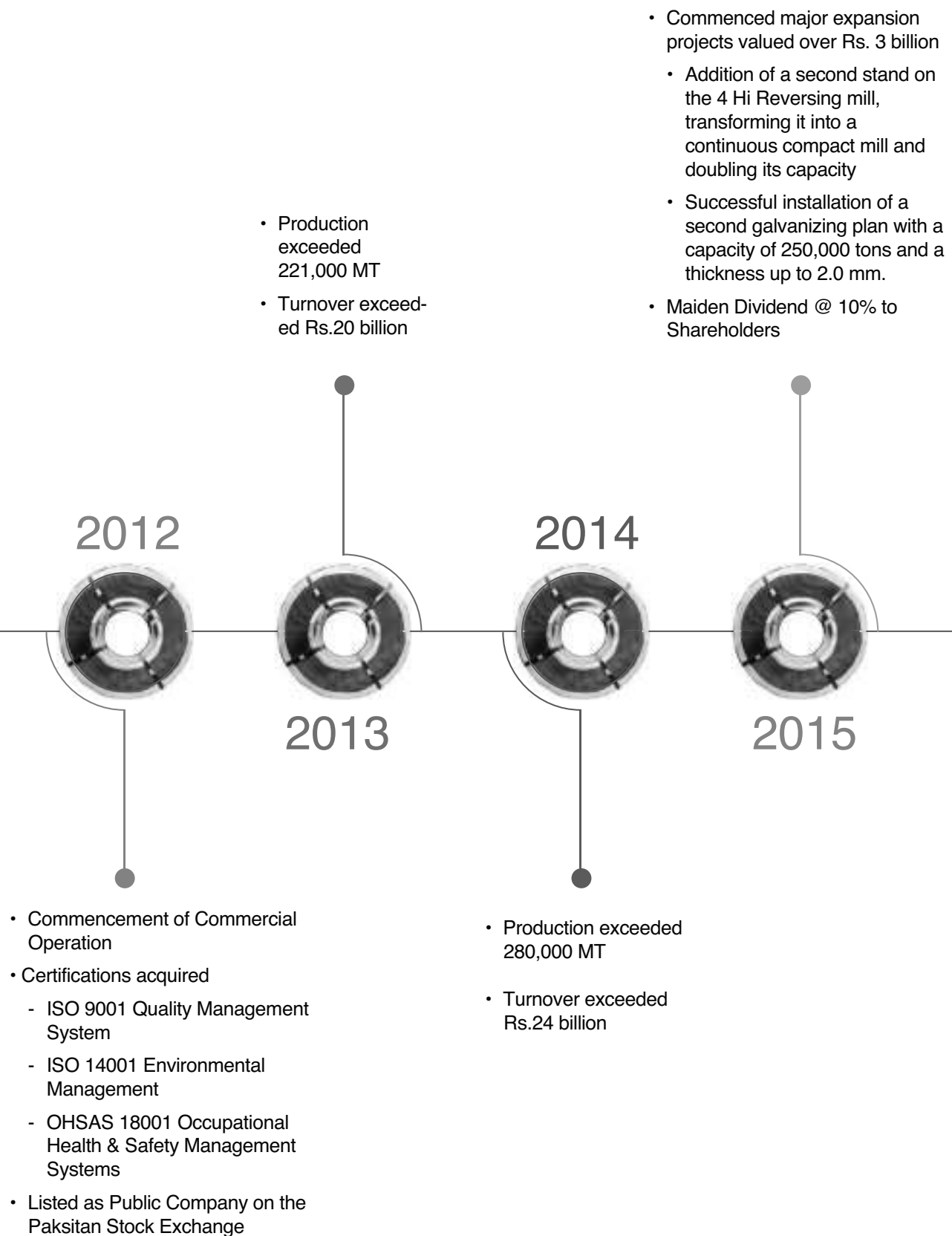
obligations and as required for official purpose and shall abide by the Closed Period announced by the company from time to time and also sign a Non-Disclosure Agreement if the need arises.

- iii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.
- iv. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.
- v. Any legally prohibited or controlled substances if found in the possession of any employee will be confiscated and where appropriate, turned over to the authorities.

G. MISCELLANEOUS

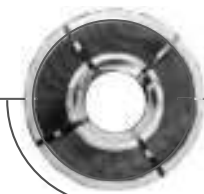
- i. All employees are required to comply with this code of conduct and are personally responsible for doing so. Employees must comply with any rules set out in this code of conduct. Breach of any principles within the code may result in disciplinary action and a serious breach – such as if any employee is found to be in wanton abuse of the code and their action cause reputational risk or damage or financial loss to the Company may amount to gross misconduct, which may result in summary dismissal. Further, the company reserves the right to seek redress and damages from such individuals.
- ii. Employees at all levels will be required to certify annually that they understand the code and that they are in full compliance with this code. The Board monitors the findings of this certification on annual basis.
- iii. The Company has in place a confidential "Whistle Blowing policy" as whistleblowing mechanism and process to encourage the reporting of any non-compliance with this code of conduct.

Milestones Achieved



- Production exceeded 465,000 MT
- Sales volume exceeded 490,000M
- Sales value of over Rs. 33 billion
- SNI Certification for Indonesia achieved
- Successful debottlenecking of Pickling line, increasing capacity from 450,000 MT to 600,000 MT
- Successful commissioning of additional Annealing capacity from 160,000 MT to approximately 200,000 MT
- ISL announced expansion of a new cold rolling mill increasing capacity to 1 million tons at an investment of Rs. 5.6 billion

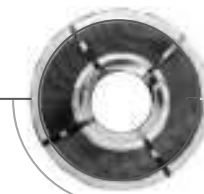
2016



2017



2018



- Production exceeded 380,000 MT
- Increase cold rolling mill capacity from 250,000 MT to 500,000 MT
- Added:
 - Second galvanizing line increasing galvanizing capacity from 150,000 MT to 450,000 MT
 - First ever color coating line in Pakistan
 - Electrolysis plant to produce hydrogen
 - New product by selling oxygen to the non-medical industry

- Commissioning of second Cold Rolling Mill (CRM) increases capacity to 1 million metric tons annually.
- Announced an investment of PKR 975 million for two new service centers and enhancement of annealing capacity
- Production exceeded 470,000 MT
- Sales Volume Exceeded 539,000 MT
- Sales Value of over Rs. 47.62 Billion
- Won the FPCCI Export Award 2017 in the category of flat steel
- Credit rating of 'A+/A-1' (Single A Plus / A - One) awarded by JCR-VIS Credit Rating Company
- ISL Artists in Residence Program wins the Corporate Art Award 2017 in Italy
- Pakistan Stock Exchange's status at Morgan Stanley Composite Index (MSCI) was upgraded to "Emerging Market" and International Steels Limited is proud to be listed in the MSCI



Chairman's Review

I am pleased to present the review for the year ended 30 June 2018 highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

The year 2017-2018 was another successful year for the Company in terms of financial performance in times of number of challenges emanating from economic and business front mainly exchange rate depreciation, legal challenges to anti-dumping duties and level playing field. The resilience and growth shown by your company in overcoming these challenges shows the strength of this Company. The salient financial achievements during the year are:

- Net Sales increased by 41% to Rs. 47.62 billion
- Gross Profit increased to Rs 7.57 billion
- Profit after tax increased by 43% to Rs. 4.36 billion
- Earnings per share increased to Rs. 10.03

In line with our commitment to cater for the growth in the manufacturing sector, the capacity expansion of the Compact Cold Rolling Mill came on line in June 2018. This will increase the cold rolling capacity to 1,000,000 tons / annum. The Continuous Pickling Line which will expand the pickling capacity is expected to commence production in Q1 2018-2019. The Company has already approved further expansion of additional annealing furnaces involving an investment of Rs. 290 million, which is expected to be commissioned in the Q3 2018-19. The Company will invest Rs 675 million in product service center in Karachi to increase its reach and provide value added products to fast growing automobile and home appliance sectors.

In line with the Company's vision and mission the focus of the Company's management will remain on delivery of quality products and sound business plans for the overall success of the Company. The Company is fueled by the confidence of its fundamental strengths, the quality of its devoted workforce, the production systems and effective supply chain management. I am confident that the Company will be successful in meeting the future challenges and targets.

The Board has performed its duties and responsibilities diligently and has contributed effectively in guiding the Company in all its strategic affairs. The Board also played a key role in monitoring of management performance and focus on major risk areas. The Board was fully involved in strategic planning process and enhancing the vision of the Company.

The Board recognizes that well defined corporate governance processes is vital in enhancing corporate accountability and is committed to ensure high standards of corporate governance to

preserve and maintain stakeholder value. All Directors including Independent Directors fully participated and contributed in decision making process of the Board.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensuring that the board hears from appropriate range of senior management. I will remain firmly committed to ensuring that your. Company complies with all relevant codes and regulations and ensuring that our management team continues to take decision that will create value for you in the short, medium and long term.

The Board carried out its annual self-evaluation in line with requirements of Code of Corporate Governance and found its performance to be most satisfactory and improved over previous years. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management. The Board intends to further improve its performance to be in line with global best practices.

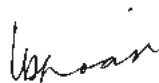
Apart from the Board Audit Committee (BAC) / Board Human Resource Committee (HRRC) meetings every quarter, the Board met seven (7) times during the year. The Board normally meets once every quarter to consider and approve financial and operating results and other meetings to consider and approve budget for the following year and one meeting is focused on strategy.

The Company has an independent Internal Audit department and follows a risk based audit methodology. Internal Audit reports are presented to Board Audit Committee on quarterly basis and areas for improvement are highlighted.

Your Company is continuously investing substantial resources to further improve working conditions for its employees to provide a safe, healthy and comfortable working environment.

On behalf of the Board, I wish to acknowledge the contributions of all our employees in the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers, business partners and other stakeholders for their confidence and support.

The Board looks forward towards the next year with greater confidence in meeting the challenges ahead.



Kemal Shoaib
Chairman

Karachi 15th August, 2018

چیمبر مین کا جائزہ

میں بمسرت 30 جون 2018 کو ختم ہونے والے سال کا جائزہ پیش کر رہا ہوں جس میں کمپنی کی کارکردگی اور تمام اسٹیک ہولڈرز کے فائدے کیلئے انتظامیہ کو ذمہ داریاں ادا کرنے میں رہنمائی کے سلسلے میں بورڈ آف ڈائریکٹرز کے کردار کو نمایاں کیا گیا ہے۔

کمپنی کی مالیاتی کارکردگی کے لحاظ سے 2017-2018 ایک اور کامیاب سال تھا اگرچہ اس میں کئی طرح کے چیلنجز کا سامنا کرنا پڑا تھا جس میں معاشی اور کاروباری محاذ پر سب سے بڑا چیلنج شرح مبادلہ مین کی، ذخیرہ اندوزی کی ڈیوٹیز کے خلاف قانونی چیلنج اور مسابقت کے میدان میں گنجائش کی کمی شامل ہے۔ ان چیلنجز پر قابو پانے کیلئے آپ کی کمپنی کی چلک اور آگے بڑھنے کے عمل سے کمپنی کی قوت کا بخوبی انداز ہوتا ہے۔ اس مالی سال کی خاص خاص کامیابیاں:

- خالص بیلر 41% اضافہ کے ساتھ 47.62 بلین روپے
- مجموعی منافع بڑھ کر 7.57 بلین روپے
- بعد از ٹیکس منافع 43% اضافہ کے ساتھ 4.36 بلین روپے
- فی شیئر منافع بڑھ کر 10.03 روپے

ہم نے مینوفیکچرنگ کے شعبہ میں ترقی کے عزم پر چلتے ہوئے Compact Cold Rolling Mill نے توسیع شدہ گنجائش کے ساتھ جون 2018 سے کام شروع کر دیا ہے۔ اس سے کوئلہ رولنگ کی گنجائش میں 1000,000 ٹن/سالانہ کا اضافہ ہوگا۔ اسی طرح Continuous Pickling Line میں pickling کی گنجائش کا اضافہ ہوگا اور توقع ہے کہ یہ 2018-2019 کی پہلی سہ ماہی سے اس نئی گنجائش کے ساتھ کام شروع کرے گی۔ کمپنی پہلے ہی اضافی ڈھلائی کی فرنسز میں مزید توسیع کی منظوری دے چکی ہے جس کیلئے 290 ملین روپے کی سرمایہ کاری کی جائے گی اور امید ہے کہ اس کا آغاز 2018-19 کی پہلی سہ ماہی سے ہو جائے گا۔ کمپنی کراچی میں پروڈکٹ سروس سینٹر میں 675 ملین روپے کی سرمایہ کاری کرے گی جس کا مقصد تیزی سے بڑھتے ہوئے آٹوموبائل اور ہوم اپلائنسز کے شعبہ میں زیادہ سے زیادہ رسائی اور ویلیو ایڈڈ پروڈکٹ پیش کرنا ہے۔

کمپنی کے وزن اور مشن کی پیروی میں کمپنی کی انتظامیہ مجموعی طور پر کامیابی کے حصول کیلئے معیاری پروڈکٹس اور ٹھوس کاروباری منصوبے پیش کرنے پر توجہ مرکوز رکھے گی۔ کمپنی کو اپنی بنیادی قوت، پر عزم کارکنوں کے معیار، پروڈکشن کے نظام اور موثر سپلائی چین منجھٹ پر بھرپور اعتماد ہے۔ مجھے یقین ہے کہ کمپنی مستقبل کے چیلنجز سے مقابلے اور اہداف کے حصول میں ضرور کامیاب ہوگی۔

بورڈ نے اپنے فرائض اور ذمہ داریوں کو احسن طریقے سے نبھایا ہے اور کمپنی کو حکمت عملی کے تمام معاملات میں موثر طور پر رہنمائی کی ہے۔ بورڈ نے انتظامیہ کی کارکردگی کا مانیٹر کرنے اور شدید رسک والے شعبہ جات پر پوری توجہ دی ہے۔ بورڈ حکمت عملی کی منصوبہ سازی کے طریقہ کار اور کمپنی کے وژن کو ابھارنے میں برابر کا شریک رہا ہے۔

بورڈ یہ تسلیم کرتا ہے کہ کڑے احتساب کیلئے ایک عمدہ کارپوریٹ گورننس کے طریقہ پر عمل کرنا لازمی ہے اور اسٹیک ہولڈرز کی اقدار کے تحفظ اور بقا کیلئے کارپوریٹ گورننس کے اعلیٰ ترین معیار کو یقینی بنانا لازمی

ہے۔ تمام ڈائریکٹرز بشمول انڈپنڈنٹ ڈائریکٹرز نے اجلاس میں بھرپور طریقے سے شرکت کی اور بورڈ کی فیصلہ سازی میں حصہ لیا۔

آپ کی کمپنی کے چیمبر مین کی حیثیت سے میں بورڈ کو کھلے پن اور تعمیری بحث و مباحثہ کے کلچر کو فروغ دینے میں اپنی ذمہ داریاں ادا کرتا رہوں گا جس میں تمام شرکاء کی رائے سنی جاتی ہے اور میں یقین دلاتا ہوں کہ بورڈ مینٹرنجمنٹ کے افراد کی باتیں بھی سنتا ہے۔

میں پر عزم ہوں کہ آپ کو یقین دلاؤں کہ آپ کی کمپنی متعلقہ کوڈز اور ضوابط پر عمل کرتی ہے اور اس بات کو یقینی بناتی ہے کہ ہماری انتظامیہ کی ٹیم جو فیصلے کرے گی جو کم مدت، درمیانی مدت اور طویل مدت کیلئے آپ کو قیمتی خدمات کی فراہمی کی غرض سے کرتی رہے گی۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کی شرائط کے مطابق اپنا سالانہ خود جانچ پڑتال کا انعقاد کیا اور کارکردگی کو انتہائی اطمینان بخش اور گزشتہ سالوں کے مقابلے میں بہتر پایا۔ اس میں اہم توجہ ترقی کی حکمت عملی، کاروباری مواقع، رسک منجھٹ، بورڈ کی تشکیل اور انتظامیہ کو کسی کوتاہی یا کمی سے آگاہ کرنے پر دی گئی۔ بورڈ کارکردگی کو بہترین عالمی معیارات کے معمولات کے مطابق بنانے کیلئے کارکردگی کو مزید بہتر بنانے میں کوشاں ہے۔

بورڈ آڈٹ کمیٹی (BAG) / بورڈ ہیومن ریسورس کمیٹی (HRRC) کی ہر سہ ماہی میٹنگ کے علاوہ بورڈ سال میں سات مرتبہ میٹنگ کرتا ہے بورڈ اپنی سہ ماہی میٹنگز میں عام طور پر فنانشل اور آپریٹنگ کے نتائج پر غور کرنے اور ان کی منظوری دینے کا عمل انجام دیتا ہے اور دوسری میٹنگز میں آنے والے سال کے لئے بجٹ پر غور اور منظوری دیتا ہے۔ ایک میٹنگ حکمت عملی پر غور و خوض کیا جاتا ہے۔

کمپنی کا ایک اندرونی خود مختار آڈٹ ڈیپارٹمنٹ ہے جو رسک پر مبنی آڈٹ کے طریقہ کار پر عمل کرتا ہے۔ اندرونی آڈٹ کی رپورٹس سہ ماہی کی بنیاد پر بورڈ آڈٹ کمیٹی کو پیش کی جاتی ہیں جن میں بہتری کی ضرورت کے مقامات کی نشاندہی کی جاتی ہے۔

آپ کی کمپنی اپنے ملازمین کیلئے کام کے ماحول کو مزید بہتر بنانے اور ایک محفوظ، صحت مند اور پرسکون کام کا ماحول فراہم کرنے کیلئے مسلسل سرمایہ کاری کر رہی ہے۔

بورڈ کی جانب سے میں کمپنی کی کامیابیوں میں تمام ملازمین کی شرکت کا اعتراف کرتا ہوں۔ میں اپنے شیئر ہولڈرز، صارفین، سپلائرز، مینکڑز بزنس پارٹنرز اور دیگر اسٹیک ہولڈرز کا ہم پر اعتماد کرنے اور تعاون پیش کرنے پر شکریہ ادا کرتا ہوں۔

بورڈ اگلے سال کے نئے چیلنجز کو بہتر طور پر مقابلہ کرنے کیلئے آپ کے بہتر اعتماد کا خواہاں ہے۔

سماعل شعیب

چیمبر مین

کراچی 15 اگست، 2018





Directors' Report

The Directors of International Steels Limited are pleased to present the 11th Annual Report accompanied by the audited financial statements for the year ended June 30, 2018.

Boards Composition & Remuneration

Composition of the Board and the names of Members of Board Sub-Committees may be referred at Page No. 42 & 56.

Furthermore, the Board of Directors have a formal policy and transparent procedures for remuneration of its Directors in accordance with the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017.

Global Steel Scenario

World crude steel production touched 1.69 billion metric tons during the year, whereas the demand grew by 1.8% compared to last year. This depicts a positive growth globally through investment expenditure in both developed and developing economies, specially the infrastructural works and real estate projects that has been on the boom around the developing countries. China consumed about half of global steel output and the demand remained flat during the year, due to the fact that China made a shift from investment to consumption led growth this year. However, consumption in China will remain strong for years to come. The government of United States imposed 25% duty on steel imports into United States under Section 232 of US Trade Expansion Act, 1962. It is likely to create significant exportable surplus in major steel producing countries and impact steel prices.

Pakistan's Economy

Despite the political situation, the country's economy maintained the growth momentum and achieved GDP growth of 5.8%. The reasons beneath the persistent growth remained the same including improved energy supply, investment related to the China-Pakistan Economic Corridor and strong credit growth. However, the projection for 2019 will moderate to 4.7% due to macroeconomic vulnerabilities and domestic policy slippages.

Industrial sector recorded a growth of 5.8% as compared to 5.02% last year. Large Scale Manufacturing (LSM) recorded a growth of 6.13% against 5.1% last year. This is the highest growth percentage in last ten years. The construction sector continued to raise its share in GDP to 2.74% from last year's 2.65% supporting other allied industries including the steel industry.

Steel demand gained traction from increase in automobile production, appliances and ongoing construction activities. Such strong was the demand for steel that even a sharp growth in domestic production was not enough to curtail imports. Robust construction activities mainly led to an increase in demand for steel and allied products. The improved energy supply as well as industry gained some comfort after recovery in global prices which provided room to local players to increase their prices which ultimately helped them to enhance their capacity utilization.

In order to deal with the emerging inflationary pressures mainly arising from a sharp increase in international oil prices, State Bank of Pakistan (SBP) increased the policy rate twice during the year bringing it to 6.5% as compared to the last year's rate of 5.75%. The rate has now hit a three-year high, depicting the adjustments in macro-economic fundamentals during the fiscal year; expected to continue in future as well. Adding to the worrying signals, the Pakistani Rupee experienced a worst fall ever against US dollar reaching at the historic level of Rs.128-130, eroding almost by 22% as compared to last year. Such an acute fall is owed to the constantly increasing current account deficit which shot up to 12 billion dollars during the first nine months of fiscal year and expected to cross US 15 billion dollars at the end of current fiscal year.

Manufacturing Operations

Current year production was 470,841 tons, reflecting an increase of 1.5% over the previous year. Various productivity based initiatives resulted in increased plant reliability and operational efficiencies.

Sales

The company maintained its growth momentum exhibited a substantial increase of 10% in volumes over the preceding financial year exceeding 540,000 metric tons of prime products comprising 346,000 metric tons of Galvanized and 194,000 metric tons of Cold Rolled Products despite the influx of low priced imports primarily from China and Russia. The net sales value also increased by 41.2% mainly due to increase in global steel prices during the year. The Company continued to consolidate and leverage its nation-wide dealer network, which has been integral in reaching smaller commercial as well as industrial end-consumers.

JCR-VIS Credit Rating

In 2018, the Company was awarded the rating of 'A+/A-1' (Single A Plus / A - One) by JCR-VIS Credit Rating Company Limited. Outlook assigned to the rating was 'Stable'.

Energy Management

Company's 19 MW power plant continued to operate satisfactorily and in line with our practice we continued to supply excess energy to K- Electric.

Health, Safety & Environment

Company believes in and is fully committed to improve Health, Safety and Environment standards to achieve sustainable HSE performance. Process Safety & Behavior Based Safety across the organization is ensured through HSE Management System integrated with the company's organization scheme and the Company is on track of continuous improvement with focus to achieve & sustain leading levels.

Implementation of rigorous safety and environmental standards and strong management focus, no major incident was reported and the on-going expansion project completed without a loss time incident. We ensured compliance with environmental standards, best practices for air emissions, noise, portable water and industrial effluent in line with the national environmental quality standards.

Human Resources

The Company maintained industrial peace and a positive and enabling work environment for all employees in the organization by promoting candor and fairness. The Company continues its efforts on development of personnel at all levels, proactively building capabilities and retaining talent for business continuity. Human Capital is governed under robust policies and procedures, overseen by a dedicated Human Resource department.

The Company has formulated a firm succession plan which includes performance evaluation and appropriate training requirements for development of potential future leaders. In 2017-18, the Company spent Rs. 2.76 million on various training programs involving 483 employees.

The Company successfully continued its operations with an optimal headcount. The headcount at year end 2017-18 was 673 compared with 567 of the previous year.

Corporate Social Responsibility

The Company has a policy to donate 1.5% of its profit after tax to charitable institutions. During the year, Company has donated Rs. 64 million to various nonprofit organizations.

Risk Management

The Risk Management infrastructure of the company is based upon Enterprise Risk Management methodology/framework addressing the major risk categories including Strategic, Operational, Compliance and Financial Reporting Risk. Adequate controls have been designed and communicated to the staff via various policy and procedural guidelines

which are executed and self-assessed by the process/control owners.

An independent Internal Audit Department, under direct reporting to the Board Audit Committee, evaluates and oversees the design and operating effectiveness of these controls.

More over the Board has an effective Internal Control framework which may be referred at page no. 50.

Business Review

In 2018 the Company posted highest ever production of and sales. The Company posted the revenue of Rs. 47.62 billion against Rs. 33.73 billion last year. The rolling production during the year was 470,841 tons against 464,023 tons last year. Whereas, the total saleable production was 540,000 tons as compared to 491,000 tons of last year. Lean management and rigorous effort towards cost optimization lead the Company to maintain remarkable gross profit of Rs. 7.57 billion and profit after tax of Rs. 4.36 billion against gross profit of Rs. 5.91 billion and profit after tax of Rs. 3.04 billion last year.

The Company successfully completed a project for a new Compact Cold Rolling Mill in June 2018, thereby taking cold rolling capacity to 1,000,000 tons which together with steel galvanizing capacity of 462,000 tons will enable the Company to cater to the whole national demand of flat steel products and will further strengthen the position of the Company as the leading manufacturer of flat steel products. In order to establish a strong international presence and brand identity the Company's export revenue stood at Rs. 4.22 billion as compared to Rs. 3.91 billion last year.

The National Tariff Commission (NTC) imposed Anti-Dumping Duties (ADD) on Pre-Painted Galvanized Iron (PPGI) from China and South Africa, effective from 13 June 2018. The duties for PPGI ranged from 5.36% - 14.24%. The company expects that the enforcement of Anti-Dumping duties on Cold Rolled, Galvanized and Pre-Painted Galvanized Iron will create a level playing field for local manufacturers. However, these duties have been consistently challenged in different courts impeding the primary purpose of such impositions. We expect these cases will be decided by the courts soon.

Financials

The Company continued its growth momentum in the current year collecting revenue of Rs. 47.6 billion, which is 41% higher than last year. The gross margins stood at 16% (Rs. 7.6 billion) compared with 17.5% (Rs. 5.9 billion) last year due to under invoiced and secondary grade materials being imported into the country.

Administrative expenses were well contained at Rs. 285 million whereas, selling and freight expenses were increased by 30%, which was in line with increased sales volume for the current year. Other

operating expenses at Rs. 661.6 million were significantly higher than last year, primarily due to higher WPPF and WWF charges (which were directly related to profit) and exchange loss. Financial charges recorded at Rs. 539 million depicted an increase of 18.4% mainly due to adverse exchange rate movement resulting in higher short-term borrowing as well as higher inventory holding.

Overall your Company posted a record profit before and after taxation of Rs. 5,803 million and Rs. 4,364 million respectively compared with Rs. 4,608 million and Rs. 3,044 million last year. Your Company is focused on improving working capital and cash flow management. During the year, the Company generated a net cash flow from operations of Rs. 294 million, a decrease of Rs. 1,275 million over last year, due to high volumes of stock in transit. An interim dividend of Rs. 652.5 million (Rs 1.5 per share) was paid during the year.

Appropriations

	2018	2017
	Rupees in '000	
Profit after tax for the year	4,364,978	3,044,022
Interim Dividend (2018 Rs. 1.5 per share; 2017 Rs. 2.5 per share)	(652,500)	(1,087,500)
Final Dividend (2018 Rs. 3 per share; 2017 Re. 1 per share)	(1,305,000)	(435,000)

Contribution to National Exchequer and the Economy

Your Company made a contribution of Rs. 11,328 million to the National Exchequer during the year by way of income tax, sales tax, custom duties and other levies.

Provident Fund & Gratuity Scheme

The Company provides retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities.

The values of the Provident Fund and the Gratuity Scheme at the year end were Rs. 129.5 million and Rs. 125.4 million

Future Prospects

The company announced commercial production of its cold rolling capacity by 500,000 tons to 1,000,000 tons. The project involves Compact Cold Rolling Mill, a continuous Pickling Line and an Acid regeneration

Information about the pattern of holding of the shares may be referred at Page No. 127.

Earnings per share

Earnings per share for the year ended June 30, 2018 was Rs. 10.03 compared with Rs. 7.00 per share last year.

Dividend

In view of the financial results of the Company for the year 2017-18, the Board of Directors of the Company has recommended a cash dividend of 30% i.e. Rs. 3.00 per share in addition to 15% interim cash dividend announced and paid, making a total dividend payout of Rs. 4.50 (45%) per share for the financial year ended June 30, 2018.

Recommendation of the Board Audit Committee for appointment of auditor

The recommendations of the Audit Committee for appointment of auditor may be referred at Page No. 61.

facility. The expanded capacity will cater for the robust growth in the industrial sector. The Company approved further expansion of Cold Rolling capacity by investing Rs. 290 million in additional annealing furnaces, expected to be commissioned in the Q3 of 2018-19. To serve the growing industrial customers in the country product service center will be established in Karachi by Q4 2018-19.

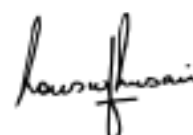
Acknowledgement

The Board would like to thank all of their stakeholders, employees, customers, suppliers, shareholders, bankers and any others for their support and loyalty. Such support is required to not only meet normal commercial challenges but also those posed by security issues and tough economic conditions. The confidence and goodwill of the stakeholders has allowed the Company to sustain and grow over the years.

We continue to pray to Allah for the success of the Company and for the benefit of all stakeholders, and the country in general.



Towfiq H. Chinoy
Executive Director / Advisor
Karachi: 15th August 2018



Yousuf H. Mirza
Chief Executive Officer

بورڈ آف آڈٹ کی سفارشات برائے تقرری اندرونی آڈٹ
بورڈ آف آڈٹ کی سفارشات برائے تقرری اندرونی آڈٹ کے بارے میں بورڈ آف آڈٹ کی
رپورٹ برائے کوڈ آف کارپوریٹ گورننس کے صفحہ نمبر 61 پر ملاحظہ کریں۔

تخصیص:

2017	2018
3,044,022	4,364,978

منافع بعد از ٹیکس

(1,087,500) (652,500)

عبوری ڈیویڈنڈ (2018: 1.5 روپے فی شیئر؛ 2017: 2.5 روپے فی شیئر)

(435,000) (1,305,000)

حتیٰ ڈیویڈنڈ برائے سال (2018: 3 روپے فی شیئر؛ 2017: 1 روپے فی شیئر)

اعتراف

بورڈ اپنے تمام اسٹیک ہولڈرز، کسٹمرز، سپلائرز، شیئرز، ہولڈرز، بینکرز کے تعاون اور وفاداری کا شکریہ ادا کرتا ہے۔ ایسا تعاون نہ صرف عام کرشیل چیلنجز کا سامنا کرنے بلکہ سیکورٹی کے مسائل اور سخت اقتصادی حالات کا مقابلہ کرنے کیلئے ضروری اور اہم ہے۔ اسٹیک ہولڈرز کی اچھی ساکھ اور اعتماد نے کمپنی کو سارا سال آگے بڑھنے کا حوصلہ دیا ہے۔ ہم ہمیشہ اللہ تعالیٰ سے کمپنی کی کامیابی اور اسٹیک ہولڈرز کے مفاد اور ملکی ترقی کیلئے دعا گو ہیں۔

قومی خزانے میں حصہ اور معیشت:

آپ کی کمپنی نے 11,328 ملین روپے انکم ٹیکس، سیلز ٹیکس، کسٹم ڈیوٹیز اور دیگر محصولات کے ذریعے قومی خزانے میں جمع کرائے۔

مستقبل کے امکانات:

کمپنی نے اپنی 500,000 ٹن سے 1,00,000 ٹن تک کی کولڈ رولنگ کی گنجائش کی تجارتی پیمانے پر پروڈکشن کا اعلان کیا ہے۔ پروڈکٹ میں کمپیکٹ کولڈ رولنگ مل، ایک مسلسل پکٹنگ لائن اور ایک یسڈری جزیشن کی سہولت شامل ہے۔ اس توسیع شدہ گنجائش سے صنعتی شعبہ کی بڑھتی ہوئی ضروریات پوری کرنے میں مدد ملے گی۔ کمپنی نے 2018-19 کی تیسری سہ ماہی میں لڈرولنگ کی استعداد کو مزید بڑھانے کیلئے 290 ملین روپے کی سرمایہ کاری سے آئینے دینے کی اضافی بھٹیوں کی منظوری دے دی ہے۔ ملک میں بڑھتے ہوئے صنعتی شعبہ کے لئے پروڈکٹ سروس سینٹر 2018-19 کے چوتھی سہ ماہی میں کراچی میں قائم کیا جائے گا۔



یوسف حسین مرزا

چیف ایگزیکٹو آفیسر

کراچی - 15 اگست 2018



توفیق انجم چٹائے

ایگزیکٹو ڈائریکٹر / ایڈوائزر

کمپنی نے صنعتی امن قائم رکھنے اور ادارے کے تمام ملازمین کیلئے کام پر سکون ماحول فراہم کرنے کیلئے صاف گوئی اور شفافیت کو فروغ دیا ہے۔ کمپنی ہر سطح پر اپنے عملے کی ترقی، ان کی صلاحیتوں کو اجاگر کرنے اور کاروبار کو روانی کے ساتھ جاری رکھنے کیلئے باصلاحیت افراد کو اپنے ساتھ رکھنے کیلئے کوشاں ہے۔ اس انفرادی سرمایہ کو بہترین پالیسیز اور طریقہ کار کے تحت منظم رکھا جاتا ہے جس کی نگرانی ہیومن ریسورسز ڈپارٹمنٹ کرتا ہے۔

کمپنی نے مضبوط جانچ پڑتال کا پلان تشکیل دیا ہے جس میں مستقبل کے متوقع قائدین کی تیاری کیلئے کارکردگی کی جانچ اور مناسب تربیت کی ضرورتوں کا خیال رکھا گیا ہے 18-2017 میں کمپنی نے مختلف تربیتی پروگراموں میں 2.76 ملین روپے خرچ کئے اور 483 ملازمین کو تربیت فراہم کی۔

اجتماعی سماجی ذمہ داری

کمپنی نے اپنے بعد از نیکیس منافع کا 1.5% فلاحی اداروں کو عطیہ دینے کی پالیسی اختیار کی ہے۔ اس سال کے دوران میں کمپنی نے مختلف غیر منافع بخش اداروں کو 64 ملین روپے عطیہ کئے۔

رسک منیجمنٹ

کمپنی کا رسک منیجمنٹ انفراسٹرکچر انٹرنل پرائز رسک منیجمنٹ کے طریقہ کار افریم ورک پر مبنی ہے جس میں بڑے درجے کے رسک کی اقسام کیلئے بچاؤ کے انتظامات کئے جاتے ہیں جس میں حکمت عملی، آپریشنل، عمل درآمد اور مالیاتی رپورٹنگ کے رسک شامل ہیں۔ اس پر قابو کا مناسب ترین ڈیزائن تیار کیا گیا ہے جو مختلف پالیسی اور طریقہ کار کی رہنمائی کے ذریعے اسٹاف تک پہنچایا جاتا ہے اور جو طریقہ کار کنٹرول رکھنے والے انخود جانچ کرتے ہیں اور ان پر عمل کرتے ہیں۔ ایک خود مختار اندرونی آڈٹ ڈپارٹمنٹ موجود ہے جو براہ راست بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے اور ان کنٹرولز کے ڈیزائن اور آپریشننگ کے موثر ہونے کی جانچ اور نگرانی کرتا ہے۔

کاروبار کا جائزہ

2018 میں کمپنی نے اب تک کا سب سے زیادہ پیداوار اور سٹیک ہولڈر کا ریکارڈ قائم کیا۔ کمپنی گزشتہ سال کی 33.73 ملین روپے کی آمدنی کے مقابلے میں اس سال 47.62 ملین روپے کی آمدنی حاصل ہوئی۔ اس مدت کے دوران میں رولنگ کی پروڈکشن 470,841 ٹن ہوئی جب کہ اس کے مقابلے میں گزشتہ سال 464,023 ملین ٹن ہوئی تھی۔ کل قابل سیل پروڈکشن 540,000 ٹن رہی جو کہ گزشتہ سال 491,000 ٹن تھی۔ لاگت پر کنٹرول کے سلسلے میں بہتر منیجمنٹ اور سخت کاوشوں کے باعث کمپنی نے 7.57 بلین روپے کا مجموعی منافع حاصل کیا اور بعد از نیکیس منافع 4.36 ملین روپے رہا جب کہ گزشتہ سال مجموعی منافع 5.91 ملین روپے اور بعد از نیکیس منافع 3.04 ملین روپے تھا۔

کمپنی نے جون 2018 میں نئے کمپیکٹ کولڈ رولنگ مل کا پروجیکٹ کامیابی کے ساتھ مکمل کر لیا جس سے کولڈ رولنگ کی گنجائش 1000,000 ٹن ہو گئی جو اسٹیل گیولڈنگ کی 462,000 کے ساتھ مل کر ملک بھر کی فلیٹ اسٹیل پروڈکشن کی طلب کو پورا کرنے کے قابل ہو جائے گی اور فلیٹ پروڈکشن کے سرفہرست منیوفیکچرر ہونے کی حیثیت میں کمپنی کی پوزیشن مزید مضبوط ہو جائے گی۔ بین الاقوامی سطح پر مستحکم موجودگی اور برانڈ کی شناخت کیلئے کمپنی کی برآمدات کی مالیت 4.22 ملین روپے رہی جو گزشتہ سال 3.91 ملین روپے تھی۔ (ہم نے اعداد و شمار کمپنی کے اس سال اور گزشتہ سال کی کل ایف ای بچت کے حصول کے طور پر دیئے ہیں)۔

نیشنل ٹیرف کمیشن (این ٹی سی) نے چین اور جنوبی افریقہ سے درآمد کی جانے والی پری پیینڈ گیولڈنگ ڈائریکٹ (پی جی ڈی) پر اینٹی ڈیپینڈنگ ڈیوٹی (اے ڈی ڈی) نافذ کر دی ہے جو 13 جون 2018 سے موثر ہے۔ پی جی ڈی ڈیوٹی کی رینج 14.24% - 5.36% تک ہے۔ کمپنی کو توقع ہے کہ کولڈ رولڈ، گیولڈنگ ڈائریکٹ اور پری پیینڈ گیولڈنگ ڈائریکٹ پر اینٹی ڈیپینڈنگ ڈیوٹی کے نفاذ سے مقامی مینوفیکچررز کو برابر کا موقع مل جائے گا۔ تاہم ان ڈیوٹیوں کو مختلف عدالتوں میں مسلسل چیلنج کیا گیا ہے جو ان کے نفاذ کے بنیادی مقاصد پر مزاحمت کیلئے ہے۔ ہمیں امید ہے کہ عدالتیں جلد ہی ان کا فیصلہ صادر کر دیں گی۔

فنانس

کمپنی نے سال رواں میں اپنی پیش رفت جاری رکھی اور 47.6 ملین روپے کی آمدنی حاصل کی جو گزشتہ سال سے 41% زیادہ ہے۔

مجموعی مارجن 16% (7.6 ملین روپے) رہا جو گزشتہ سال 17.5% (5.9 ملین روپے) تھا۔ اس کی وجہ انڈر انوائسنگ اور ملک میں دوسرے درجے کے میٹریل کی درآمد تھی۔

انتظامی اخراجات محض 285 ملین روپے رہے جب کہ فروخت اور ترسیل کے اخراجات میں 30% اضافہ ہوا جس کی وجہ اس سال سیل کی مقدار میں اضافہ تھی۔ آپرینٹنگ کے دیگر اخراجات 661.6 ملین روپے رہے جو گزشتہ سال کے مقابلے میں نمایاں طور پر زیادہ ہیں، اس کی وجہ ڈبلیو پی پی ایف اور ڈبلیو ایف ایف کے زیادہ چارجز (جس کا براہ راست تعلق منافع سے ہے) اور تبادلہ کا نقصان ہے۔

فنانس چارجز 539 ملین روپے ریکارڈ کئے گئے جو 18.4% زیادہ ہیں جس کی بڑی وجہ زرمبادلہ کے ریٹس کی کمی اور اس کے نتیجے میں بلند تر قلیل المدت قرضہ کے حصول کے ساتھ ساتھ زیادہ سامان کی ہولڈنگ تھی۔

مجموعی طور پر آپ کی کمپنی نے نیکیس کی ادائیگی سے قبل اور بعد بالترتیب 5,803 ملین روپے اور 4,364 ملین روپے منافع حاصل کیا جو گزشتہ سال کے مقابلے میں 4,608 ملین روپے اور 3,044 ملین روپے ہے۔ آپ کی کمپنی رواں سرمائے اور کیش فلو منیجمنٹ پر توجہ مرکوز کئے ہوئے ہے۔ سال کے دوران آپ ریشنز کے ذریعے 294 ملین روپے کا خالص کیش فلو پیدا کیا۔ یہ گزشتہ سال سے 1,275 ملین روپے کم ہے اس کی وجہ اسٹاک کی بڑی مقدار میں ٹرانزٹ میں ہونا ہے۔ سال کے دوران عبوری ڈیویڈنڈ کی مدد 652.5 ملین روپے (1.5 روپے فی شیئر) ادا کئے گئے۔

شیئر ہولڈنگ کے طرز کے بارے میں صفحہ نمبر 127 پر ملاحظہ فرمائیں۔

آمدنی فی شیئر

30 جون 2018 سال کے اختتام پر فی شیئر آمدنی 10.03 روپے رہی، ہتھابہ گزشتہ سال کے جو 7.00 فی شیئر تھی۔

منافع منقسمہ

کمپنی کے مالیاتی نتائج برائے سال 2018-2017 کے پیش نظر کمپنی کے بورڈ آف ڈائریکٹرز نے حتمی نقد منافع 30% کی شرح سے یعنی 3.00 روپے فی شیئر ادا کرنے کی سفارش کی ہے۔ جو پہلے سے ادا شدہ 15% عبوری منافع منقسمہ کے علاوہ ہے جس کو شامل کرتے ہوئے سال 2018-2017 کا کل منافع منقسمہ 45% یعنی 4.50 روپے فی شیئر بنتا ہے۔

ڈائریکٹرز کی رپورٹ

انٹرنیشنل اسٹیل لمیٹڈ کے ڈائریکٹرز ہمسرت 11 ویں سالانہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے برائے سال ختمہ 30 جون 2018 پیش کرتے ہیں۔

بورڈ کی تشکیل اور مشاہرہ

بورڈ کی تشکیل اور سب کمیٹی کے ممبران کے نام نمبر 56، 42 پر ملاحظہ کریں۔

اس کے علاوہ بورڈ آف ڈائریکٹرز کی شفاف پالیسی اور طریقہ کار موجود ہے جو کہ کمپنیز ایکٹ برائے لسٹڈ کمپنیز اور کوڈ آف کارپوریٹ گورننس کے مطابق ہے۔

عالمی اسٹیل منظر نامہ

سال کے دوران میں دنیا میں خام تیل کی پیداوار 1.69 بلین میٹرک ٹن کی حد کو چھو گئی جب کہ گزشتہ سال کے مقابلے میں اس کی طلب میں 1.8% اضافہ ہوا۔ اس سے عالمی سطح پر ترقی یافتہ اور ترقی پذیر معیشت دونوں میں سرمایہ کاری کے اخراجات سے مثبت ترقی کا پتہ چلتا ہے، جو خاص طور پر انفراسٹرکچر کے کاموں اور ریل اسٹیل کے منصوبوں میں کی گئی ہے اور ترقی پذیر ممالک میں عروج پر نظر آتی ہے۔ چین نے دنیا بھر میں پیدا ہونے والے اسٹیل کا تقریباً نصف استعمال کیا اور سال کے دوران میں اس کی طلب یکساں رہی۔ اس کی وجہ یہ تھی کہ چین نے اس سال سرمایہ کاری کی بجائے استعمال کے ذریعہ ترقی کا راستہ اپنایا۔ تاہم آنے والے سالوں میں چین میں استعمال کا عمل مضبوط رہے گا۔ یونائیٹڈ اسٹیل کی حکومت نے یو ایس ٹریڈ کمیشن ایکٹ 1962 کے سیکشن 232 کے تحت امریکہ میں اسٹیل کی درآمد پر 25% ڈیوٹی نافذ کر دی ہے۔ اس سے اسٹیل پیدا کرنے والے بڑے ممالک میں برآمد کے قابل اسٹیل کے اضافی ہونے اور اس کی قیمت میں اضافے کا امکان ہے۔

پاکستان کی معیشت

سیاسی صورتحال کے باوجود، ملک کی معیشت میں ترقی کا سفر جاری رہا اور مجموعی قومی پیداوار کیلئے 5.8% کا ہدف حاصل ہو گیا۔ اس مستقل ترقی کے سفر کی وجوہات میں توانائی کی بہتر فراہمی، چائنا پاکستان اکنامک کوریڈور سے متعلق سرمایہ کاری اور کریڈٹ میں مضبوط اضافہ شامل ہیں۔ تاہم 2019 کیلئے 4.7% کا معتدل ہدف رہنے کے آثار نظر آتے ہیں جس کی وجہ میکر و اکنامکس کے بارے میں خدشات اور ملکی پالیسی میں انحطاط کا رجحان ہے۔

صنعتی شعبہ میں گزشتہ سال کے 5.2% کے مقابلے میں اس سال 5.8% اضافہ ریکارڈ کیا گیا۔ بڑے پیمانے پر پیداوار (LSM) میں گزشتہ سال کے 5.1% کے مقابلے میں اس سال 6.13% کا اضافہ دیکھنے میں آیا۔ یہ گزشتہ دس سالوں میں ہونے والا سب سے زیادہ اضافہ ہے۔ تعمیراتی شعبہ کا مجموعی قومی پیداوار میں 2.74% حصہ رہا جب کہ گزشتہ سال یہ 2.65% تھا جس نے دوسری متعلقہ صنعتوں بشمول اسٹیل کی صنعت کو سپورٹ کیا۔

اسٹیل کی طلب میں اضافہ کا بڑا سبب، آٹو موبائل پروڈکشن، اپلائنسز اور جاری تعمیراتی سرگرمیاں تھیں۔ اسٹیل کی طلب اتنی شدید تھی کہ ملکی پیداوار میں خاصہ اضافہ بھی اس کی برآمد کو کم کرنے کیلئے کافی نہیں تھا۔ بے پناہ تعمیراتی سرگرمیوں نے اسٹیل اور اس سے متعلق پروڈکٹس کی طلب کو بڑھا دیا۔

توانائی کی بہتر فراہمی کے علاوہ عالمی سطح پر قیمتوں کی بحالی سے اس صنعت کو فائدہ پہنچا جس سے مقامی تاجروں کو قیمتیں بڑھانے کا موقع مل گیا جس کے نتیجے میں ان کی پیداواری گنجائش کو بھی زیادہ سے زیادہ استعمال کرنے میں مدد ملی۔

عالمی سطح پر تیل کی قیمتوں کے خاطر خواہ اضافے سے افراط زر کے بڑھتے ہوئے دباؤ سے مقابلے کیلئے

اسٹیل بینک آف پاکستان (ایس بی پی) نے سال کے دوران میں دومرتبہ پالیسی ریش میں اضافہ کیا جو گزشتہ سال کے 5.75% کے ریش کے مقابلے میں بڑھ کر 6.5% ہو گئے۔ یہ ریش گزشتہ تین سال میں سب سے زیادہ ہیں جس سے مالی سال کے دوران میں میکرو اکنامک کی بنیادی ضروریات کو ایڈجسٹ کرنے کا اظہار ہوتا ہے اور توقع ہے کہ یہ آئندہ سال بھی جاری رہے گا۔ ان تشویشناک علامات میں ایک اور اضافہ یو ایس ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں بدترین کمی آنا تھی جو تاریخی طور پر 130-128 روپے تک پہنچ گیا جو گزشتہ سال کے مقابلے میں تقریباً 22% زیادہ ہے۔ اس قدر شدید کمی کی بڑی وجہ کرنٹ اکاؤنٹ کے خسارے میں مستقل اضافہ تھی جو مالی سال کے پہلے نو ماہ میں 12 بلین ڈالر کی بلند ترین سطح تک پہنچ گیا اور توقع کی جارہی تھی کہ مالی سال کے آخر تک یہ 15 بلین ڈالر تک ہو جائے گا۔

پیداواری عمل

اس سال کی پیداوار 470,841 ٹن رہی جو گزشتہ سال کے مقابلے میں 1.5% زیادہ ہے۔ پیداواریت پر مبنی کئی اقدامات سے پلانٹ کی گنجائش اور عمل کی استعداد میں اضافہ ہوا۔

سیلو

کمپنی نے اپنی ترقی کی رفتار برقرار رکھی اور گزشتہ مالی سال کے مقابلے میں 10% کے خاطر خواہ اضافے کے ساتھ پرائم مصنوعات کی سیل 540,000 میٹرک ٹن سے زیادہ ہوئی جو 346,000 میٹرک ٹن گیلونا نرڈ اور 194,000 میٹرک ٹن کوئلڈ رولڈ پر مشتمل ہے اس کے باوجود کہ ابتدائی طور پر چین اور روس سے کم قیمت کی پروڈکٹ کی درآمد مسلسل جاری رہی۔ خالص سیل کی قدر میں بھی 41.2% کا اضافہ ہوا جس کا بڑا سبب سال کے دوران میں عالمی سطح پر اسٹیل کی قیمتوں میں اضافہ تھا۔ کمپنی نے ملک بھر میں اپنے نیٹ ورک کو مربوط کرنے اور توسیع دینے کا عمل جاری رکھا جو نہ صرف چھوٹے تاجروں بلکہ صنعتی صارفین تک رسائی کیلئے لازمی ہے۔

JCR-VIS کرڈٹ ریٹنگ

2018 میں کمپنی کو JCR-VIS کرڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے A+/A-1 (Single A Plus/A - One) کی ریٹنگ اپوارڈ کی۔ آؤٹ لک میں Stable کی ریٹنگ تفویض کی گئی۔

توانائی کی منجھٹ

کمپنی کا 19 MW کا پلانٹ تسلی بخش طور پر کام کرتا رہا اور ہم عہد کے مطابق کے اضافی توانائی کے الیکٹرک "کو فراہم کرتے رہے۔

صحت، تحفظ اور ماحولیات

کمپنی صحت، تحفظ اور ماحولیات کے معیار کو بہتر سے بہتر بنا کر پائیدار HSE کارکردگی کا ہدف حاصل کرنے پر یقین رکھتی ہے اور اس کیلئے پرعزم ہے۔ پورے ادارے میں HSE منجھٹ سسٹم کے ذریعہ پروسس اور رویوں پر مبنی تحفظ کو یقینی بنایا جاتا ہے جو کمپنی کی انتظامی اسکیم کا لازمی حصہ ہے اور کمپنی اس کو اعلیٰ سطح تک پہنچانے اور قائم رکھنے کیلئے بھرپور توجہ کے ساتھ اس میں مسلسل بہتری لارہی ہے۔ تحفظ اور ماحولیات پر سختی سے عمل درآمد اور کڑی انتظامی نگرانی کے باعث کوئی حادثہ پیش نہیں آیا اور جاری توسیعی منصوبہ بناوٹ ضائع کئے مکمل ہو گیا۔ ہم ماحولیات کے معیارات پر عمل درآمد، ہوا کے بہترین طریقے پر اخراج، شور، پورٹیل پانی اور صنعتی فضلہ کا قومی ماحولیاتی معیار کے مطابق بندوبست کیا جاتا ہے۔





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Corporate Governance

Profile of the Board of Directors

Mr. Kemal Shoaib

Chairman (Non-Executive)

Since: 22nd November 2010

Mr. Kemal Shoaib was a Whitney Fellow at M.I.T., Cambridge, Massachusetts, where he received an M.S. degree in Chemical Engineering. He has been a professional Executive for some 55 years in Banking and Industrial Organizations in several countries including UK and USA. He was Chairman and Chief Executive of Independence Bank, California. He is a founder member and has served as the Chief Executive Officer of Public Interest Law Association of Pakistan (PILAP), an organization dedicated to protecting and defending human rights in Pakistan. He has been associated as a Senior Executive with prestigious organizations such as Wyeth Laboratories (Pakistan) Ltd., Chemical Consultants (Pakistan) Ltd., Commerce Bank Limited Pakistan, Bank of Credit and Commerce International S.A. London and Indus Bank Ltd. He has served as a Consultant/ Adviser to a number of Financial Sector organizations in Pakistan and abroad, including National Development Finance Corporation, NIT and NBP Fullerton Asset Management Ltd (NAFA). He has been a consultant on the capital markets and in that capacity has advised numerous organizations in Pakistan. He is presently a director on the Board of several companies including Century Paper & Mills Ltd., ZIL Ltd., Al-Aman Holdings (Pvt.) Ltd. and is a trustee of Mind Sports Association of Pakistan. He is also a member of International Steel Limited's Board HRRC. He has represented Pakistan in Table Tennis

Mr. Tawfiq H. Chinoy

Executive Director / Advisor

Since: 3rd September 2007

Mr. Tawfiq Habib Chinoy, is an Advisor / Director with extensive professional experience and significant executive leadership accomplishments in business and philanthropy and is also known as a pioneer in the steel industry and has been associated with International Industries Limited (IIL), since 1964 from where he retired in August 2011, after having served as its Managing Director for thirty-seven (37) years, thus, laying a strong foundation and impeccable ethical reputation for IIL in the steel industry. He founded International Steel Limited (ISL) in 2007, where he served as

Managing Director until 2015, which is a state of the art modern automated factory and is currently serving as an Executive Director on ISL's board since 22nd November 2011 and as Advisor to both, IIL & ISL. His contribution to all companies on whose boards he serves is that he possesses strong diplomatic skills and a natural affinity for cultivating relationships and persuading conveying facilitating and building consensus among diverse individuals. Over his long career has applied qualities of integrity credibility and a passion for progress to strategic governance efforts. He is currently serving as a non-executive Chairman of both Jubilee General Insurance Company Ltd., and Packages Ltd. He is also a director of the Pakistan Business Council since 8th February 2016. Mr. Chinoy has served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority -Government of Pakistan. He has also been Chairman of Pakistan Cables Ltd and PICIC Commercial Bank Ltd and a Director of National Refinery Ltd., Linde Pakistan Ltd and Jubilee Life Insurance Co. Ltd and Pakistan Centre for Philanthropy. He continues to remain a Trustee of the Mohatta Palace Gallery Trust and Habib University Foundation and the President of Beaumont Plaza Owners / Occupants Welfare Association.

Mr. Yousuf H. Mirza

Chief Executive Officer

Since: 14th August 2015

Mr. Yousuf Husain Mirza was appointed as the Chief Executive Officer w.e.f. 14th August 2015. Before appointment as CEO, he was the Chief Operating Officer of International Steels Limited since August 2013. Prior to joining ISL, he served as Managing Director of Linde Pakistan Limited, and served in various senior management assignments with group subsidiaries in the Philippines, Malaysia and South East Asia for over ten years. He has a graduate degree in Mechanical Engineering from NED University of Technology and also has an MBA from the Institute of Business Administration Karachi. He has also attended management development programs at Said Business School, University of Oxford, INSEAD and at NanYang Technological University, Singapore. Currently he is Director of Pakistan Japan Business Forum.

Mr. Kamal A. Chinoy

Non-Executive Director

Since: 3rd September 2007

Mr. Kamal A. Chinoy is Chief Executive of Pakistan Cables Ltd. He graduated from the Wharton School, University of Pennsylvania, USA. He serves on the Board of Directors of Askari Bank Ltd., ICI Pakistan Ltd, International Industries Ltd., International Steels Ltd, NBP Fund Management Ltd and Atlas Power Ltd. & is Chairman of Jubilee Life Insurance Co. Ltd. He is also Honorary Consul General of the Republic of Cyprus. Mr. Kamal A. Chinoy is a member of the Executive Committee of the International Chamber of Commerce (ICC) Pakistan and Past President of the Management Association of Pakistan (MAP).

He has previously served as the Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank. He has also served on the Undergraduate Admissions Committee of the Aga Khan University and the University of Pennsylvania Alumni Committee for Pakistan. He has also served on the Board of Governors of Army Burn Hall Institutions. He is a "Certified Director" having been certified by the Pakistan Institute of Corporate Governance.

Mr. Tariq Iqbal Khan

Independent Director

Since: 22nd November 2010

Mr. Tariq Iqbal Khan is a fellow of the Institute of Chartered Accountants, Pakistan, with diversified experience of more than 40 years. He was pivotal in founding Islamabad Stock Exchange where he subsequently served as President as well. He has also served as the Member Tax Policy & Co-ordination in the Central Board of Revenue, followed by being appointed as Commissioner SECP, where he was instrumental in restructuring the SECP. He also held the charge of Chairman SECP (acting) for a brief period. He has served on prominent national level committees like Chairman of Committee for formulation of Take Over law. CLA Committee for review of Security and Exchange Ordinance 1969, Committee for formulation of CDC law and regulations and Prime Minister's Committee for Revival of Stock Market. He served

as the Chairman and MD of NIT for more than 8 years, which played the role of a catalyst in establishing, strengthening and stabilizing the capital markets. Additionally, during this period, he held the charge of Chairman & MD of ICP, for almost 5 years. He has served on Boards of the top companies like CDC, Faysal Bank, Bank Al Habib, Askari Bank GSK, Sanofi Aventis, ICI, BOC, PSO, OGDC, Mari Petroleum, SSGC, Siemens, Gillette Pakistan Limited, PICIC Insurance Co., and remained Chairman of SNGPL and ARL etc. Presently he is a member of the Boards of eminent listed companies including International Steels Limited, Lucky Cement Limited, National Refinery Limited, Attock Refinery Limited, Pakistan Oil Fields Limited, Packages Limited and Silk Bank Limited, while the non-listed companies include FFC Energy (Pvt.) Limited, and CAS Management (Pvt.) Ltd. He is trustee in Islamic International Medical Trust, High Altitude Sustainability Trust, Pakistan Engineering Academy Endowment Fund, Human Element Foundation.

Mr. Kamran Y. Mirza

Independent Director

Since: 22nd November 2010

Mr. Kamran Y. Mirza is a qualified Chartered Accountant (Nov. 1968) from United Kingdom and started his career in Pakistan as an auditor with A.F. Ferguson & Co. Mr. Mirza then made a career move in December 1970 and joined Abbott Laboratories (Pakistan) Limited, a multinational Pharmaceutical cum health care company as Chief Financial Officer. He became one of the youngest Managing Director's of his time in the year 1977 and remained in that position, i.e. Managing Director Abbott Pakistan, for 29 years.

Mr. Mirza held the position of Chairman Export Processing Zones Authority from February 2007 to March 2009 and then joined PBC (Pakistan Business Council) as its Chief Executive Officer, a position he held till December 2015. PBC is a Think Tank cum Business Policy Advocacy Forum.

He is the Chairman of – Philip Morris (Pakistan) Ltd. and Unilever Pakistan Foods Ltd. (UPFL), as well as Karwan-e-Hayat (NGO). He is also serving as Director on the Boards of Abbott Laboratories, International Steel (ISL), Safari Club Ltd. and Education Fund for Sindh (EFS), of which he was the Chairman from Dec. 2012 to Oct. 2016.

Previously, he served as Chairman of Pakistan Mercantile Exchange Ltd. (PMEX) – formerly National Commodity Exchange Ltd. (NCEL), Chairman of Karachi Stock Exchange (KSE), President of Overseas Chamber of Commerce & Industry (OICCI), President of American Business Council (ABC), and Chairman of Pharma Bureau – (Association of Pharmaceutical Multinationals).

He served as Director on the Boards of Bank Alfalah Limited, State Bank of Pakistan (SBP), Pakistan State Oil (PSO), Pakistan Steel (PS), and National Bank of Pakistan (NBP), Pakistan Textile City Limited, Competitiveness Support Fund (CSF), Genco Holding Company and NAVTEC. Further, he represented PBC on the Board of BOI (Board of Investment) and other Government Bodies / Institutions.

Mr. Mirza has also been a past Chairman of a Task Force set up by Planning Commission on Pharmaceutical Industry, a member of the Economic Advisory Board of the Federal Government and Sindh Wild Life Board. He has served as a Member on Quality Control Board of Institute of Chartered Accountants of Pakistan. He also lectures regularly at the Pakistan Institute of Corporate Governance (PICG).

Syed Salim Raza

Independent Director

Since: 22nd November 2010

Syed Salim Raza served as Governor of the State Bank of Pakistan from January, 2009 to June, 2010. From February 2006 to January 2009, Mr. Raza has been the Chief Executive Officer of Pakistan Business Council (PBC) which is an organization established by some of Pakistan's largest business houses focusing on expanding the capacity of Pakistan's businesses through development of Corporate Law, Capital Markets and Business Practice Infrastructure. He had spent 36 years with Citibank in positions that included Country and Regional Management, across the Middle East, Africa and the UK, Central and Eastern Europe, based in London from 1989 to 2006. His business experience covers Credit and Corporate Finance, Real Estate and Global Asset (Bonds & Equities) Management. Mr. Raza was Country Head for Citibank in Pakistan from 1983 -1987. Currently he is serving as the Director of Tameer Micro Finance Bank Ltd. and as Trustee of Indus Earth (NGO), Layton Rehmatullah Benevolent Trust (LRBT).

Syed Hyder Ali

Non-Executive Director

Since: 20th January 2011

Syed Hyder Ali is a Chemical Engineer from University of Michigan, after which he has done his M.S in Paper Technology from the Institute of Paper Chemistry, Appleton, Wisconsin, USA and subsequently also attended the Program for Management Development from Harvard Business School, Boston, MA, USA. In 1995 he joined IGI Insurance as Managing Director where he served for 10 years. He then became the Managing Director and CEO of Packages Ltd. in 2005, a position which is held by him till to-date. He is also a co-author of two USA patents for recycling of milk cartons and drink boxes as well as being the Honorary Consul-General of Sweden in Lahore since 1998. He is also member of the Boards of IGI Insurance, IGI Life, Nestle Pakistan Limited, Sanofi Aventis Pakistan Limited, Tetra Pak Limited, Tri Pack Films Ltd., Packages Lanka (Pvt.) Ltd., KSB Pumps Company Ltd., and Bulleh Shah Packaging (Pvt.) Ltd. He is also a trustee on the Pakistan Center for Philanthropy, Syed Maratib Ali Religious & Charitable Trust Society, Ali Institute of Education, Lahore University of Managements Sciences (LUMS) and is a member of the International Chamber of Pakistan and Pakistan Business Council.

Mr. Riyaz T. Chinoy

Non-Executive Director

Since: 27th September 2016

Mr. Riyaz T. Chinoy took over as CEO on 12th August 2011, after serving in the Company since 1992 and growing through various positions. A qualified engineer by profession with a B.Sc. in Industrial Engineering from Case Western Reserve University, USA. He is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance.

He has had extensive experience of production operations, procurement and all project and development activity at IIL. He was previously employed by Pakistan Cables Limited as Commercial Projects Manager and prior to that, as Project Engineer. He has served as Chairman of the Landhi Association of Trade and Industry and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, Pak-Australia Business Forum, The Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of IIL Australia Pty Limited, a fully owned subsidiary of

IIL. Lastly, he is also a director of the Citizens Trust against Crime (CTAC), a member of LITE Development and Management Company and is also the Chairman of the Pakistan Institute of Corporate Governance (PICG) and is also the Treasurer Management Association of Pakistan.

Mr. Samir M. Chinoy

Executive Director

Since: 27th September 2016

Mr. Samir M. Chinoy is Director Sales & Marketing International Steels Ltd. He is a graduate of Babson College, USA with a Bachelor's of Science in Finance and Entrepreneurship and a minor in Human Communication. Prior to International Steels Limited Mr. Chinoy worked at Pakistan Cables, Deloitte & Touché, New York and Foothill Capital (A Wells Fargo Company), Boston. Mr. Chinoy has served on the management committee of Landhi Association of Trade and Industry and has held the position of Vice Chairman in addition to being the Chairman of the Amir Sultan Chinoy Foundation he is a director of Mirpurkhas Sugar Mills Ltd. and IIL Australia Pty Ltd. Mr. Chinoy is a certified Director from the Pakistan Institute of Corporate Governance.

Mr. Kazuteru Mihara

Non-Executive Director

Since: 13th April 2016

Mr. Kazuteru Mihara is presently the General Manager of International Steel Sheet & Slab Business Department of Sumitomo Corporation, Tokyo Japan and has 25 years of diversified experience in working in Metal Product Business Divisions including international trading of steel sheet & strip and management in Steel Service Centers. He has also held international assignments in Malaysia, Singapore and China, representing Sumitomo Corporation.

List of Other Directorships

Present name and surname in full	Business occupation and directorship (if any)
Mr. Towfiq H. Chinoy	International Steels Limited
	Jubilee General Insurance Co. Limited
	Packages Limited
	Pakistan Business Council
	Mohatta Palace Gallery Trust
	Habib University Foundation
	Beaumont Plaza Owners / Occupants Welfare Association
Mr. Yousuf H. Mirza	International Steels Limited
	Pakistan Japan Business Forum
Mr. Kemal Shoaib	International Steels Limited
	Century Paper & Board Mills Limited
	ZIL Limited
	Al-Aman Holdings (Pvt) Limited
	Mind Sports Association of Pakistan
Mr. Tariq Iqbal Khan	International Steels Limited
	Packages Limited
	Lucky Cement Limited
	National Refinery Limited
	Attock Refinery Limited
	Silk Bank Limited
	Pakistan Oilfields Limited
	FFC Energy Limited
	CAS Management (Pvt) Limited
	Islamic International Medical Trust
	High Altitude Sustainability Trust
	Pakistan Engineering Academy Endowment Fund
	Human Element Foundation
Mr. Kamran Y. Mirza	International Steels Limited
	Abbott Laboratories (Pak) Limited
	Unilever Pakistan Foods Limited
	Philip Morris (Pakistan) Limited
	Education Fund for Sindh (EFS)
	Karwan-e-Hayat
	Safari & Outdoor Club of Pakistan
Mr. Kamal A. Chinoy	International Steels Limited
	International Industries Limited
	Pakistan Cables Limited
	Jubilee Life Insurance Co. Limited
	ICI Pakistan Limited
	Atlas Power Limited
	NBP Fullerton Assets Management Limited
	Askari Bank Limited

Present name and surname in full	Business occupation and directorship (if any)
Syed Hyder Ali	International Steels Limited
	IGI Life Insurance Company Limited
	Babar Ali Foundation
	Bulleh Shah Packaging (Pvt) Limited
	IGI Insurance Limited
	KSB Pumps Company Limited
	National Management Foundation (NMF)
	Nestle Pakistan Limited
	Packages Lanka (Pvt) Limited
	Packages Limited
	Pakistan Business Council
	Pakistan Centre for Philanthropy (PCP)
	Sanofi-Aventis Pakistan Limited
	Syed Maratib Ali Religious & Charitable Trust Society
	Tetra Pak Pakistan Limited
	Tri-Pack Films Limited
	Ali Institute of Education
	International Chamber of Commerce, Pakistan
	Lahore University of Management Sciences (LUMS)
Syed Salim Raza	International Steels Limited
	Tamer Bank
	Indus Earth – NGO
	Layton Rahmatullah Benevolent Fund (LRBT)
Mr. Riyaz T. Chinoy	International Steels Limited
	International Industries Limited
	IIL Australia PTY Limited
	Citizens Trust Against Crime
	Pakistan Institute of Corporate Governance
	LITE Development and Management Company
	Management Association of Pakistan
Mr. Samir M. Chinoy	International Steels Limited
	Mirpurkhas Sugar Mills
	IIL Australia PTY Limited
	Amir Sultan Chinoy Foundation
	Landhi Association of Trade & Industries (LATI)
	Intermark (Pvt) Limited
Mr. Kazuteru Mihara	International Steels Limited

Governance Framework

The main philosophy of business followed by the sponsors of International Steels Limited for the last many decades has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board implemented throughout the company to enhance the economic and social values of all stakeholders of the company.

Our Governance strategy is to ensure that the Company follows the direction defined by its core values, current regulatory framework and global best practices. The Board, discharges its responsibilities as defined by the Companies act 2017, Code of Corporate Governance Regulation 2017, listing requirements of Pakistan Stock Exchange Limited and the Corporate Financial Reporting Framework of Securities & Exchange Commission of Pakistan. Our approach towards corporate governance ensures ethical behavior, transparency, accountability in all that we do and to attaining a fair value for the shareholders.

Compliance Statement

Living up to its standards the Board of Directors has, throughout the year 2017-18, complied with the Code of Corporate Governance, the listing requirements of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following has been complied:

- a) The financial statements have been prepared which fairly represent the state of affairs of the company, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.

- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The Internal Audit function is led by the Chief Internal Auditor supported by in-house staff.
- f) There are no significant doubts upon the company's ability to continue as a going concern.
- g) There is no material departure from the best practices of corporate governance as per regulations.

The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by Mr. Kemal Shoaib, a Non- Executive Chairman; out of 11 Directors, 3 are Independent Directors. The current Board composition reflects a good mix of experience, diversity in backgrounds, skills and qualifications. All Directors have many years of experience and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present eight (8) Directors have acquired the formal Directors Training Certificates, while all the other Directors possess sufficient skills and experience of the Board room as described in the Code of Corporate Governance. The Board also has plans to induct a Female Director in due course of time.

In the year 2017-18, an awareness session on the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017 was organized for Directors in order to bring them up to speed with amendments in the law.

To further its role of providing oversight and strategic guidelines to the company, the Board has formulated a Board Charter to define its role of strategic leadership and provide oversight to the management. The Board has constituted an Audit Committee, HR&R Committee, Strategic Planning Committee and Treasury Committee. The composition, role and responsibilities of the Committees are clearly defined in their respective Terms of References.

A Board Meeting Calendar is issued annually to reflect the dates planned for the Audit Committee, HR&R Committee, Strategic Planning Committee and Treasury Committee Meetings. All the Board members are given appropriate documents in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval.

During the year 2017-18, the Board had seven (7) meetings during this year, out of which four (4) were held to review the quarterly results, while one (1) was held to consider strategy and other two (2) were to approve budget for the ensuing year. The average attendance of the directors in Board meetings during the year was 83%.

The Board of Directors has complied with the Code of Corporate Governance, the listing requirements of Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan.

Changes in the Board

During the financial year 2017-18, there were no changes in the Board.

Board Meetings Outside Pakistan

During the year 2017-18, no Board Meetings were held outside Pakistan

Roles and Responsibilities of the Chairman and Chief Executive

The Board of Directors provides the overall direction for the Company operations and

provides oversight for various policies and monitors the management in the light of operational and financial plans. The roles of Board and the Chief Executive Officer have been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business.

The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested in him under the Code of Corporate Governance and presides over all Board Meetings. The Chief Executive performs his duties under the powers vested by the law and the Board and recommends and implements the business plans and is responsible for overall control and operation of the Company.

Business Philosophy & Best Corporate Practices

We believe in ethical practices, sustainable manufacturing processes, transparent reporting to the shareholders and in the best practices of Corporate Governance to ensure success and better results for all stakeholders.

The Board Charter defines the scope of the Board's activities in setting the tone at the top, formulating strategies and providing oversight to the management for sustainable growth of the business.

The Board members actively participate in the meetings to provide guidance concerning the company's business activities, operational plans, review corporate operations and formulate and review all significant policies. The Board firmly adheres to the best ethical practices and fully recognizes its responsibilities for protection and efficient utilization of company assets for legitimate business objectives and compliance with laws and regulations. The Chairman ensures that the discussions held during the Board Meetings and the consequent decisions arising are duly recorded and circulated to all the directors within fourteen (14) days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance.

All periodic financial statements and other working papers for the consideration of the Board/ committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held seven (7) meetings, agendas of which were duly circulated at least a week before the meetings.

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within forty-five (45) days from the close of the financial year. Additionally, all important disclosures, including the financial statement, were also made on the Company's website to keep the stakeholders duly informed.

Board Evaluation

The Board of Directors has formulated a policy to evaluate its own performance, the salient features of which are as follows:

1. The Board Evaluation Methodology to be adopted as self-evaluation of the Board as a whole through an agreed questionnaire.
2. The evaluation exercise is to be carried out every year.
3. The evaluation system is designed to address areas of critical importance and should include, but not be limited to, the following:
 - a) Appraising the basic organization of the Board of Directors;
 - b) The effectiveness and efficiency of the operation of the Board and its sub committees;
 - c) Assess the Board's overall scope of responsibilities;
 - d) Evaluate the flow of information; and

- e) Validate the support and information provided by management.

4. The Board would review the results and suggest measures to improve the areas identified for improvement.

The Board is continuing its Self-Evaluation since many years and has identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management.

Risk Management

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, to economically minimize, monitor and control the impact of such risks and maximize the realization of opportunities. Management periodically reviews major financial and operating risks faced by the business.

For more details on risk & opportunity management, please refer to the Directors Report on Page No. 33.

Internal Control Framework

The Company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are documented in manuals. The Board establishes corporate strategy and the Company's business objectives.

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls. The Audit Committee receives the Audit reports by the Internal and External auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the Board of Directors. The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices for the purpose of achieving clear and quantifiable commitments. The Company has a Chartered Accountant posted as Head of Internal Audit, who is being assisted by in house executives to carry out the Internal Control functions.

The Management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate these risks.

Risk and Opportunity

Pakistan's per capita steel consumption is still way low as per world standards, hence there is a potential for growth in domestic market as well as regional markets. During the year the Board focused on future business strategy to assess the opportunities and evaluated all significant risks attached with the business proposals and decided to move towards its Vision of being the premium manufacturer of Flat Steel Products in Pakistan. In continuation of its strategy, the Company commenced addition of manufacturing facilities by addition of Cold Rolling Mill, a pickling line and related facilities at a cost of Rs.5.6 billion. On implementation of this expansion, the Cold Rolling Capacity will be enhanced to 1,000,000 tons per annum. After the expansion the Country will have a capacity sufficient to meet most of the Domestic demand of Cold Rolled and Galvanized Sheets and Coils.

The un-predictable exchange rates is the most significant risk factors for any manufacturing industry based on imported raw material. The management is however mitigating the challenge by trying to buy raw material at the right time and price, keeping other costs low and improving operating efficiencies and efficacies. The Company anticipates growth in domestic market in 2018-19. The Company expects increase in demand as a result of opportunities emerging from The China Pakistan Economic Corridor (CPEC).

Disclosure of Conflict of Interest

The Company has taken measures to prevent conflict of interests between directors, employees and the Company. In this regard, a clear policy on conflict of interests is contained in the Code of Conduct duly approved by the Board of Directors which is placed on Page No. 24.

As per the Code of Corporate Governance, the Company annually circulates and obtains a signed copy of code of conduct from all employees and directors. Further, the directors

and key employees are reminded of insider trading and avoiding dealing in shares during closed period.

Every director is required to bring to the attention of the board complete details regarding any material transaction which has a conflict of interest for prior approval of the Board. The interested directors neither participate in discussions nor vote on such matters.

The complete details of all transaction with related parties are provided to the Board for approval. These transactions are also fully disclosed in the annual financial statement of the company.

Corporate Social Responsibility

The Company has implemented comprehensive policies on "Occupational Health, Safety & Environment" and "Donations, Charities and Contributions" to meet its Corporate Social Responsibilities.

The social and environmental responsibility reflects the company's recognition that there is as strong positive correlation between financial performance and corporate, social and environmental responsibility. Social and environment responsibility include the following:

1. Community investment and welfare schemes.
2. Environmental protection measures.
3. Occupational health and safety.
4. Business ethics and anti-corruption measures.
5. Energy conservation.
6. Industrial relations.
7. National cause donations.
8. Contribution to national exchequer.
9. Consumer protection measures.

Our role as a corporate citizen is as important to us as satisfaction of our customers and earning a fair return for our shareholders. We are committed to work for the betterment and prosperity of our stakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions which are safe and healthy for our employees, vendors, contractors, suppliers and customers.

We are committed to providing better educational and health facilities to the less

fortunate people especially to our stakeholders. In line with our philosophy of CSR we regularly maintain and support TCF school – Amir Sultan Chinoy Campus in the vicinity of Landhi along with offering need based scholarships to NED University students for a better tomorrow of our younger generation. We also support NGOs like SIUT, LRBT, Kidney Center and Amir Sultan Chinoy Foundation to help the deserving patients for their treatment.

Sustainability Measures

All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behavior, and energy conservation are an integral part of our business model.

We also believe that employees are most critical in the progress, growth and sustainability of any organization.

For more details, please refer to our Group Sustainability report which has been circulated and is available on our website (www.isl.com.pk)

Engaging Stakeholders & Transparency

Development of stakeholders' relationship is of significant importance for the company. Building "stakeholder's engagement", compliance with regulatory requirements and terms and conditions are one of the main business principles by which we abide.

To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to all stakeholders by various announcements on its website, to the Stock Exchange and other sources available to help investors to make informed decisions. It encourages full participation of the members in the General Meetings by sending corporate results and sufficient information following the prescribed timeline so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors.

Our stakeholders include but are not limited to customers, employees, government, shareholders, suppliers, local communities and bankers.

Policy for Investor Grievances

The Company has an "Investor Relation Policy" that sets out the principles in providing the shareholders and prospective investors with necessary information to make well informed investment decisions and to ensure a level playing field.

Investor grievances and complaints are very important and are properly reviewed to minimize the recurrence of similar issues in future. The following principles are adhered to with regards to investor grievances:

1. Investors are treated fairly at all times.
2. Complaints raised are dealt with in a courteous and timely manner.
3. Various mode
4. Queries and complaints are treated fairly and efficiently.
5. Employees work in good faith and without prejudice towards the interest of the creditors.

Detailed company information regarding financial highlights, investor information, and other requisite information specified under the relevant regulations has been placed on the corporate website of the company which is updated on regular basis.

Safety of Company Records

International Steels Limited has a firm "Document & Record Control Policy" for establishing, approving, reviewing, changing, maintaining, replacing, retrieving, retaining, distributing and administering control of all documents and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records and creating a paperless environment.

- All important documents such as, minutes and proceedings of the Board & its sub-committees, Annual General Meeting, statutory certificates, title documents of the Company property and all other important communications and records are digitally scanned and archived on secured Company servers.

- All important original documents are placed at a neutral, secured and well known vault.
- Record keeping of accounting books is being arranged at a separate location.

Human Resources Management Policies and Succession Planning

A comprehensive set of policies has been well implemented to cover all aspects related to HR. The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company. In order to maintain continuity of the business operations, particularly at senior management and key managerial levels, a well-defined Succession Policy is in practice.

Group Information Technology Policy

A well-defined Group Information Technology Policy is in place to help achieve efficient and effective use of I.T resources for the Group companies so as to establish priorities, strategy delivery, increase productivity and deliver right services to users.

The I.T Steering Committee comprising of CEO, CFO and HoD IT are responsible for taking major I.T decisions. The Group I.T Head is responsible for ensuring communication of I.T security policies to all users of Group Companies. Further, Internal Audit is responsible for monitoring compliance of I.T policies.

The Policy on Information Technology is focused upon information security, human resource security, access control, information system acquisition development and maintenance, business continuity management, incident management, website and ERP.

Whistleblowing Policy

We are committed to creating an atmosphere in which our people can freely communicate their concerns to their supervisors and Functional Heads. Our Whistleblowing Policy has been in place as ISL's 'whistle-blowing' system to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes.

Policy of security clearance of Foreign Directors

Committed to the well-being of our Board, the Company has in place various protocols and procedures to ensure the safety and security of its Board including Foreign Directors.

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 10th Annual General Meeting of the Company held on 26th September, 2017, no significant issues were raised.

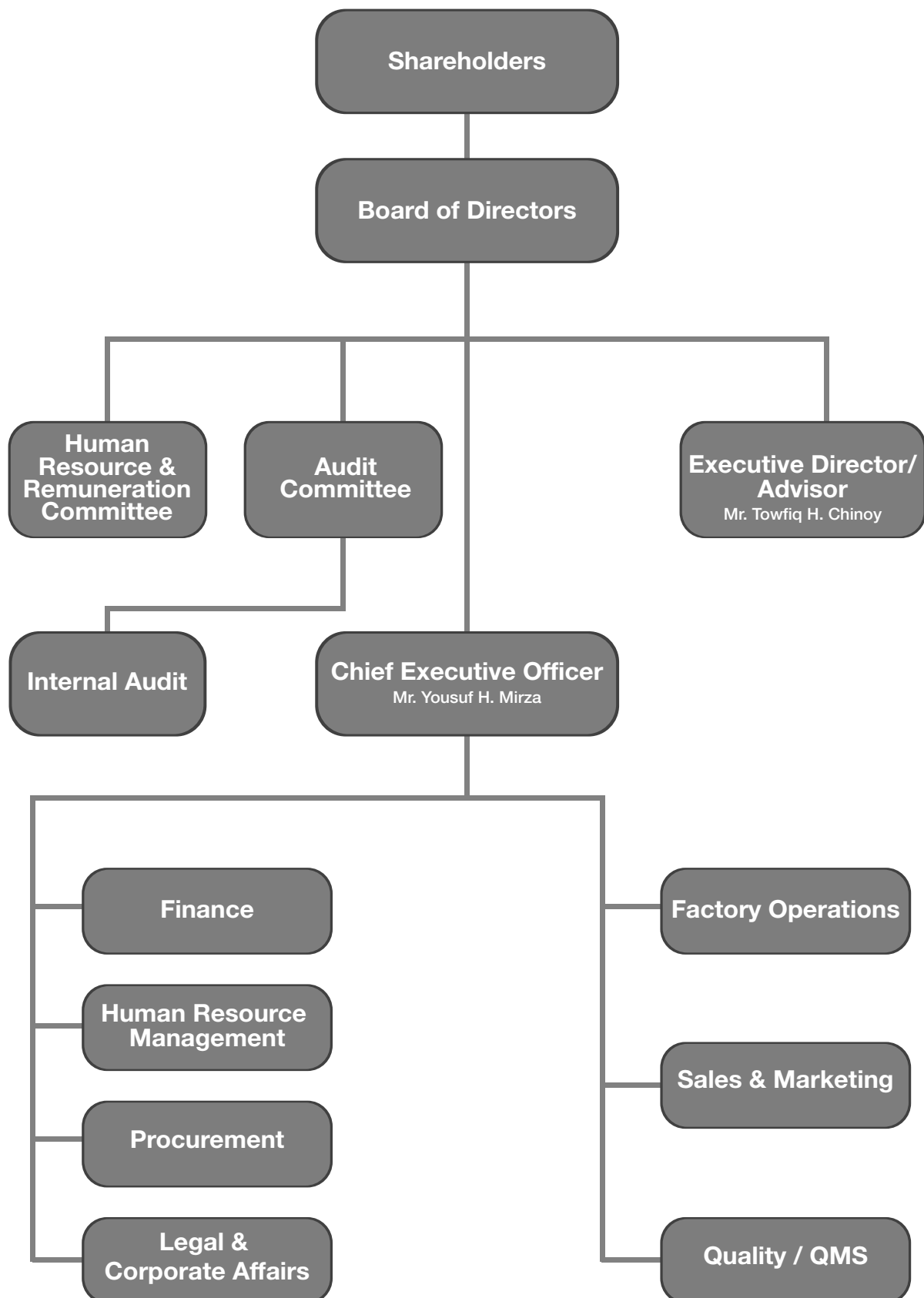
Dividend to Shareholders

During the year, the Company paid an interim dividend of 15% per share to all eligible shareholders and the Board of Directors is recommending a final dividend of 30% per share, making a total of 45% in respect of the financial year ended 30th June, 2018 which is subject to shareholder approval.

Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on 30th June, 2018 is placed on Page No. 128.

Organization Chart



Mechanism for Providing Information

FORMAL REPORTING LINE

The current organization/structure of the Company consists of various departments/divisions, each of which is led by a divisional head. These divisional heads are responsible for the reforms of their respective divisions and the Board can then have access to them.

EMPLOYEES

Employees are encouraged to express their views and forward their suggestions. We follow an open door policy and employees are free to send emails, phone or even talk directly to the CEO. The employees can give suggestions, grievances and concerns or raise any matter related to the Company. In case the matter is of significant nature, the same is addressed in the meetings of the Managing Committee, the Board of Directors or the relevant Board committee.

The Company also has a Whistle Blowing Policy to enable employees to raise serious concerns to the Management regarding the business or Company without fear and repercussions.

The CEO also meets the entire Managing Committee at least once every quarter through which they are provided an opportunity to express their concerns and suggestions directly to the CEO. These meeting are aimed at capturing free and first hand suggestions.

SHAREHOLDERS

Every year the Annual General Meeting of shareholders is held in accordance with the requirements of the Companies' Act 2017, which is attended by the Board, CEO, Company Secretary, CFO and the senior management of the Company. The interactive session with the shareholders allows the shareholders to ask questions on financial, economic, social and other issues and also give suggestions and recommendations. The CEO responds to all questions.

The Company has also provided contact details of all relevant personals for general and specific queries on its website.

Board Committees

The Board is assisted by four Committees, namely the Audit Committee, the Human Resource & Remuneration Committee, Strategic Planning Committee and Treasury Committee to support its decision making in their respective domains.

a. Board Audit Committee

The Audit Committee comprises of the following:

- | | |
|------------------------|---------------------------------------|
| • Mr. Tariq Iqbal Khan | Chairman - Independent Director |
| • Mr. Tawfiq H. Chinoy | Member - Executive Director / Advisor |
| • Mr. Kamal A. Chinoy | Member - Non-Executive Director |
| • Mr. Kamran Y. Mirza | Member - Independent Director |
| • Ms. Asema Tapal | Secretary - Chief Internal Auditor |

The Audit Committee comprises of four (4) Directors, out of which two (2) are independent. The Chief Financial Officer and the Chief Internal Auditor attend the BAC meetings, while the Chief Executive Officer is invited to attend the meetings. The Audit Committee also separately meets the internal and external auditors at least once in a year without the presence of the management.

Meetings of the Audit Committee are held at least once every quarter, the recommendations of the Audit Committee are then submitted for approval of financial results of the company by the Board. During the year 2017-18, the Audit Committee held four (4) meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, directors and the Chief Financial Officer. The Chief Internal Auditor meets the Audit Committee without the presence of the management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and corrective actions are then implemented.

Terms of Reference of the Audit Committee

The Audit Committee is mainly responsible for reviewing the financial statements, ensuring proper internal controls to align operations in accordance with the mission, vision and business plans and monitoring compliance with all applicable laws and regulations and accounting and financial reporting standards. The salient features of terms of reference of the Audit Committee are as follows:

- i) Recommending to the Board the appointment of internal and external auditors.
- ii) Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.
- iii) Determination of appropriate measures to safeguard the company's assets.
- iv) Review of preliminary announcements of results prior to publication.
- v) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.
- vi) Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).
- vii) Review of the Management Letter issued by external auditors and the management's response thereto.

- viii) Ensuring coordination between the internal and external auditors of the company.
- ix) Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced and placed within the organization.
- x) Consideration of major findings of internal investigations and the management's response thereto.
- xi) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- xii) Review of company's statement on internal control systems prior to endorsement by the Board.
- xiii) Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
- xiv) Determination of compliance with relevant statutory requirements review of periodic financial statements and preliminary announcements of results prior to the external communication and publication with a view to highlight.
- xv) Monitoring compliance together with the external auditors and internal audit with the best practices of corporate governance and identification of significant violations such as fraud, corruption, and abuse of power thereof.
- xvi) Consideration of any other issue or matter as may be assigned by the Board.
- xvii) The Board Audit Committee has completed its independent evaluation.

b. Human Resources & Remuneration Committee

- **Mr. Kamran Y. Mirza**
Chairman- Independent Director
- **Mr. Kemal Shoaib**
Member- Independent Director
- **Mr. Towfiq. H. Chinoy**
Member - Executive Director / Advisor
- **Mr. Kamal A. Chinoy**
Member – Non-Executive Director
- **Syed Hyder Ali**
Member - Non-Executive Director
- **Mr. Yousuf H. Mirza**
Member – Chief Executive Officer
- **Mr. Bilal Khawar**
Secretary – General Manager HR

The Committee comprises of six (6) members. The Chairman is an independent director. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. Head of Human Resources, is the Secretary of the Committee. The Committee held four (4) meetings during the year.

Terms of Reference of Human Resource & Remuneration Committee

The Committee defines the HR policy framework and makes recommendations to the Board in the evaluation and approval of employee benefit plans and succession planning.

The Committee defines the HR policy framework and makes recommendations to the Board in the evaluation and approval of employee benefit plans and succession planning.

The salient features of the Terms of Reference of HR&RC are as follows:

1. Major HR Policy / frameworks including compensation.
2. Overall organizational structure.
3. Organization model and periodically seek assessment of the same.
4. Succession planning for key executives, including the CEO.

5. Recruitment, remuneration and evaluation of the CEO and his direct reports, including CFO, Group Chief Internal Auditor and the Group Company Secretary & Head of Legal.
6. The CEO, being a member of the HR&RC shall not be a part of Committee meetings, if his / her compensation/ performance is being discussed /evaluated.
7. Charter of demands and negotiated settlements with CBA.
8. Compensation of the non-executive directors.
9. Board Remuneration Policy & Procedure
10. Board Evaluation Policy and Procedure for the Board as a Whole and for the Individual Directors.

c. Strategic Planning Committee

The Strategic Committee of the Board is as follows:

- **Syed Salim Raza**
Chairman- Independent Director
- **Mr. Towfiq. H. Chinoy**
Member- Executive Director / Advisor
- **Mr. Yousuf H. Mirza**
Member– Chief Executive Officer
- **Mr. Riyaz T. Chinoy**
Member - Non-Executive Director

The Committee comprises of four (4) members. The Chairman is an independent director. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. The strategic guideline is discussed in the Board Meetings frequently.

d. Treasury Committee

The Treasury Committee of the Board is as follows:

- **Syed Salim Raza**
Chairman - Independent Director
- **Mr. Towfiq. H. Chinoy**
Member - Executive Director / Advisor
- **Mr. Yousuf H. Mirza**
Member – Chief Executive Officer

The Committee comprises of three (3) members. The Chairman is an independent director. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine.

The objective of the Committee is to set treasury related policies within the overall policy framework established by the Board. The formation of Treasury committee does not impair or limit the management of day to day treasury operations and routine activities. Any deviation arising due to special circumstances or financial market behavior shall be placed in subsequent Committee meeting for ratification. The Committee shall aim to meet each quarter but it is required that a majority of the Committee members shall meet at least two times each financial year and also at other times as the Chairman of the Committee shall require. The Committee shall carry out the following:

- (a) Will present to the Board, on at least on annual basis, the Treasury Policy Statements (the “Policy”), for approval.
- (b) The Committee shall review, supervise and oversee of Treasury activities in implementing the policies approved by the Board or the Committee.
- (c) The Committee shall review, supervise, consider and as appropriate approve, or where it considers appropriate, propose to the Board for the Board’s approval, revisions to the planned strategies, in relation to inter alia:
 1. Treasury’s role and objectives
 2. Treasury Policies
 - 2.1 Borrowing Policy
 - 2.2 Investment Policy
 3. Corporate Funding
 4. Cash Management & Liquidity
 - 4.1 Liquidity and Cash Forecasts
 - 4.2 Cash Management
 - 4.3 Counterparty Risk
 5. Currency/ Commodity Transaction Risk
 6. Foreign Exchange Risk
 7. Interest Rate Risk
 8. Relationship with banks and allocation of business
 9. Treasury Internal Controls - Evaluation and risk mitigation strategies

The Meetings of this Committee take place as and when the Board desires a focused strategic oversight.

DIRECTORS' PARTICIPATION IN BOARD AND SUB-COMMITTEE MEETINGS

Board /Sub Committee	Board Meeting	Audit Committee Meetings	Human Resource & Remuneration Committee	Treasury Committee	Strategic Planning Committee
Meetings held during the FY 2017-18	7	4	4	1	1
Mr. Kemal Shoaib	7/7		4/4		
Mr. Towfiq H. Chinoy	7/7	4/4	4/4	1/1	1/1
Mr. Yousuf H. Mirza	7/7		4/4	1/1	1/1
Mr. Kamal A. Chinoy	4/7	2/4	1/4		
Mr. Tariq Iqbal Khan	6/7	4/4			
Syed Salim Raza	7/7			1/1	1/1
Mr. Kamran Y. Mirza	7/7	4/4	- *		
Syed Hyder Ali	2/7		2/4		
Mr. Riyaz T. Chinoy	6/7				1/1
Mr. Samir M. Chinoy	7/7				
Mr. Kazuteru Mihara	4/7				

*Mr. Kamran Y. Mirza was appointed as Chairman HR&RC on 25th June 2018, after which no HR&RC has been held.

Management Team

Good corporate governance is the basis of our decision making and control processes. The management's decision making is based on long term strategic objectives in which the Board, provides strategic oversight and guidance to the management and monitors the performance of the company regarding business objectives, shareholders' interests and regulatory compliance.

The Management Committee is headed by the Chief Executive Officer and the Functional Heads are:

- Mr. Yousuf H. Mirza Chief Executive Officer
- Mr. Samir M. Chinoy Director Sales & Marketing
- Mr. Mujtaba Hussain Chief Financial Officer
- Khawaja Wasif Mehmood Technical Director, Manufacturing
- Mr. Bilal Khawar General Manager, Human Resources
- Mr. Sohail Jilani General Manager, Supply Chain
- Mr. Ibrahim Memon General Manager, Information Technology

Ownership

On 30th June, 2018 there were 5011 members on the record of the company's ordinary shares.

Dividend Payment

The Board of Directors of the company has recommended 30% final dividend for the year as per the Profit Appropriation Policy. The proposal shall be placed before the shareholders of the company in the Annual General Meeting for their consideration and approval on 25th September 2018. The dividend warrants, if approved by the shareholders, shall be directly credited to their designated banks to the shareholders listed in the company's share register at the close of business on 12th September, 2018 and shall be subject to the Zakat and Tax deductions as per law.

Financial Calendar

RESULTS

Year ended 30th June 2018	Approved & Announced on	15th August 2018
Third quarter ended 31st March 2018	Approved & Announced on	17th April 2018
Half year ended 31st December 2017	Approved & Announced on	23rd January 2018
First quarter ended 30th September 2017	Approved & Announced on	17th October 2017

DIVIDEND

Interim – Cash (2018)	Approved on	23rd January 2018
	Entitlement date	14th March 2018
	Statutory limit upto which payable	3rd April 2018
	Paid on	2nd April 2018
Final – Cash (2017)	Approved on	15th August 2017
	Entitlement date	16th September 2017
	Statutory limit upto which payable	25th October 2017
	Paid on	18th October 2017
Interim – Cash (2017)	Approved on	2nd June 2017
	Entitlement date	16th June 2017
	Statutory limit upto which payable	15th July 2017
	Paid on	23rd June 2017
LATEST ANNUAL REPORT ISSUED ON	3rd September 2018	
11TH ANNUAL GENERAL MEETING	25th September 2018	

TENTATIVE DATES OF FINANCIAL RESULTS 2018-19

For the period	To be announced on
1st Quarter	16-10-2018
2nd Quarter	25-01-2019
3rd Quarter	16-04-2019
Annual Accounts	19-08-2019

Report of the Board Audit Committee on Adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended 30th June 2018 and reports that:

- The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange, Code of Corporate Governance, Company's Code of Conduct and Values and the international best practices of governance throughout the year.
- The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.
- Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended 30th June 2018, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman & Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.
- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Act 2017.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

INTERNAL AUDIT FUNCTION

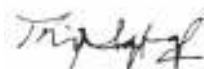
- The internal control framework was effectively implemented through outsourcing the internal audit function to M/s EY Ford Rhodes, Chartered Accountants, for the last many years. Presently the Company's internal Audit function is being looked after by the Chief Internal Auditor in compliance of

the Code of Corporate Governance, who is assisted by in-house staff. The Chief Internal Auditor reports directly to the Chairman of the Board Audit Committee.

- The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory auditors of the company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30th June 2018 and shall retire on the conclusion of the 11th Annual General Meeting.
- The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.
- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30th June 2019 on terms & remuneration negotiated by the Chief Executive Officer.



Tariq Iqbal Khan
Chairman-Board Audit Committee

Karachi

Dated: 8th August 2018

Statement of Compliance

with Listed Companies (Code Of Corporate Governance) Regulations, 2017

International Steels Limited Year Ending 30th June, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 11 as per the following:
 - a. Male: Eleven (11)
 - b. Female: -

2. The composition of board is as follows:

Category	Names
Independent Directors	Mr. Tariq Iqbal Khan Mr. Kamran Y. Mirza Syed Salim Raza
Other Non-Executive Directors	Mr. Kemal Shoaib Mr. Kamal A. Chinoy Syed Hyder Ali Mr. Riyaz T. Chinoy Mr. Kazuteru Mihara
Executive Directors	Mr. Towfiq H. Chinoy Mr. Yousuf H. Mirza Mr. Samir M. Chinoy

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable), with the exception of one Director who have subsequent to year end voluntary resigned from the Board.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board of Directors of the Company consist of 11 eminent directors, out of which eight (8) directors are already certified under the Directors Training Program, Therefore, the Company is compliant with Regulation 20 of the Code of Corporate Governance, 2017.
10. The Board has approved appointment of CFO, Group Company Secretary and Group Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The Board has formed committees comprising of members given below:

a) Board Audit Committee

1. Mr. Tariq Iqbal Khan - Chairman
Independent Director
2. Mr. Kamran Y. Mirza - Member
Independent Director
3. Mr. Kamal A. Chinoy - Member
Non - Executive Director
4. Mr. Towfiq H. Chinoy - Member
Executive Director / Advisor

b) Human Resource and Remuneration Committee

1. Mr. Kamran Y. Mirza - Chairman
Independent Director
2. Mr. Kemal Shoaib - Member
Non- Executive Director
3. Mr. Towfiq H. Chinoy - Member
Executive Director / Advisor
4. Mr. Kamal A. Chinoy - Member
Non - Executive Director
5. Syed Hyder Ali - Member
Non - Executive Director
6. Mr. Yousuf H. Mirza - Member
Chief Executive Officer

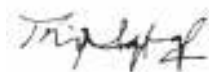
c) Strategic Planning Committee

1. Syed Salim Raza - Chairman
Independent Director
2. Mr. Towfiq H. Chinoy - Member
Executive Director / Advisor
3. Mr. Yousuf H. Mirza - Member
Chief Executive Officer
4. Mr. Riyaz T. Chinoy - Member
Non-Executive Director

c) Treasury Committee

1. Syed Salim Raza - Chairman
Independent Director
2. Mr. Towfiq H. Chinoy - Member
Executive Director / Advisor
3. Mr. Yousuf H. Mirza - Member
Chief Executive Officer

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.



Mr. Tariq Iqbal Khan
Chairman - Board Audit Committee
International Steels Limited

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee may be referred at Page No. 59.

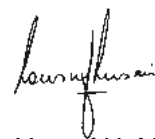
15. The board has set up an effective internal audit function supervised by a qualified Chartered Accountant, who is being assisted by in house executives to carry out the Internal Control functions. The Head of Internal Audit is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

We confirm that all other requirements of the Regulations have been complied with.



Mr. Yousuf H. Mirza
Chief Executive Officer
International Steels Limited

Review Report on Statement of Compliance

contained in Listed Companies (Code of Corporate Governance)
Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of International Steels Limited ("the Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Karachi
15th August 2018


KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Financial Summary

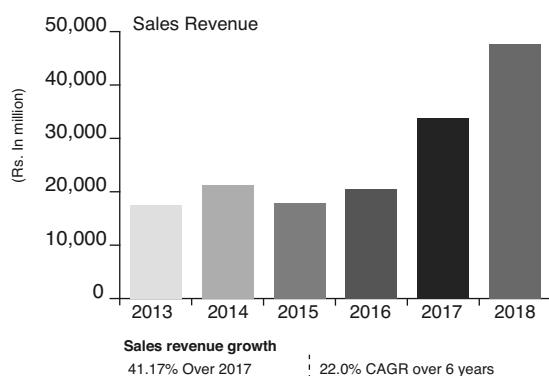


Financial Highlights

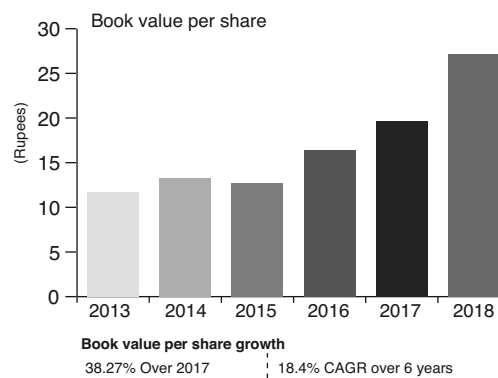
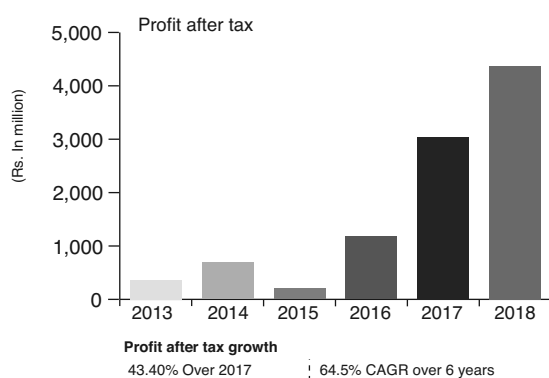
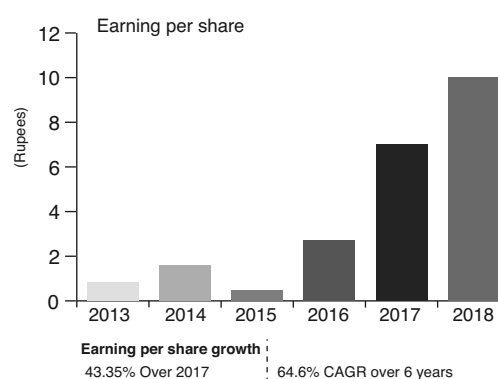
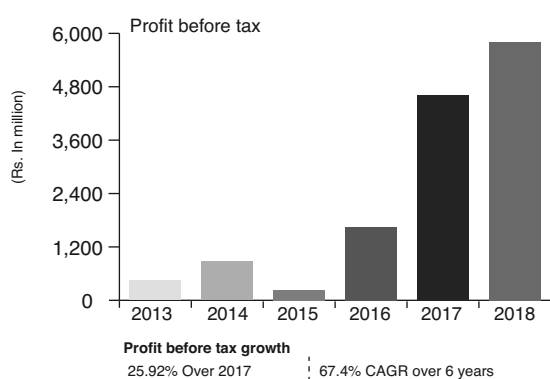
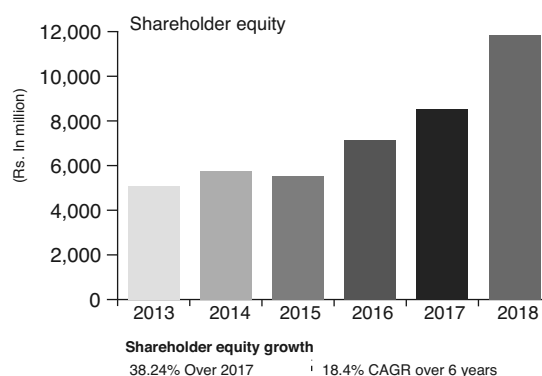
Sales	
Gross profit	
Operating profit	
Profit before tax	
Profit after tax	
Earning per share - Basic & Diluted (Rupees)	
Shareholders equity	
Property, Plant & Equipment	
Book Value per share (Rupees)	

2018	2017	%
Rupees in '000		
47,620,719	33,732,622	41.2%
7,573,055	5,906,117	28.2%
6,342,428	5,064,274	25.2%
5,803,312	4,608,774	25.9%
4,364,958	3,044,022	43.4%
10.03	7.00	43.3%
11,825,000	8,554,249	38.2%
18,262,610	13,639,451	33.9%
27.18	19.66	38.3%

Business Growth



Shareholder Value Accretion



Analysis of Financial Statements

Statement of Financial Position

	2018	2017	2016	2015	2014	2013
	Rupees in '000					
Property, plant and equipment	18,262,610	13,639,451	12,620,022	12,332,043	9,771,509	9,952,234
Intangible Assets	2,565	3,903	-	551	3,821	8,067
Other non current assets	100	100	100	100	100	100
Current assets	17,327,314	12,727,641	8,364,006	6,742,081	7,103,076	4,800,832
Total assets	35,592,589	26,371,095	20,984,128	19,074,775	16,878,506	14,761,233
Shareholders' equity	11,825,008	8,554,247	7,142,626	5,529,942	5,769,740	5,080,979
Non current liabilities	8,476,513	5,101,271	4,880,217	6,132,696	3,381,168	3,597,048
Current portion of long term financing	1,201,679	1,197,073	699,016	849,878	749,877	783,285
Short term borrowings	8,462,310	5,039,236	3,523,755	4,069,462	4,876,307	4,121,378
Other current liabilities	5,627,079	6,479,268	4,738,514	2,492,797	2,101,414	1,178,543
Total equity and liabilities	35,592,589	26,371,095	20,984,128	19,074,775	16,878,506	14,761,092

Vertical Analysis

	Percentage					
Property, plant and equipment	51.3	51.7	60.1	64.7	57.9	67.4
Intangible Assets	0.0	0.0	-	0.0	0.0	0.1
Other non current assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	48.7	48.3	39.9	35.3	42.1	32.5
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	33.2	32.4	34.0	29.0	34.2	34.4
Non current liabilities	23.8	19.3	23.3	32.2	20.0	24.4
Current portion of long term financing	3.4	4.5	3.3	4.5	4.4	5.3
Short term borrowings	23.8	19.1	16.8	21.3	28.9	27.9
Other current liabilities	15.8	24.6	22.6	13.1	12.5	8.0
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis

	Percentage					
Property, plant and equipment	33.9	8.1	2.3	26.2	(1.8)	11.5
Intangible Assets	(34.3)	-	(100.0)	(85.6)	(52.6)	(39.9)
Other non current assets	-	-	-	-	-	-
Current assets	36.1	52.2	24.1	(5.1)	48.0	(30.3)
Total assets	35.0	25.7	10.0	13.0	14.3	(6.8)
Shareholders' equity	38.2	19.8	29.2	(4.2)	13.6	22.5
Non current liabilities	66.2	4.5	(20.4)	81.4	(6.0)	(8.2)
Current portion of long term financing	0.4	71.3	(17.8)	13.3	(4.3)	22.6
Short term borrowings	67.9	43.0	(13.4)	(16.5)	18.3	(36.1)
Other current liabilities	(13.2)	36.7	90.1	18.6	78.3	73.5
Total equity and liabilities	35.0	25.7	10.0	13.0	14.3	(6.8)

Analysis of Financial Statements

Profit & Loss Account

	2018	2017	2016	2015	2014	2013
	Rupees in '000					
Sales - Net	47,620,719	33,732,622	20,492,097	17,938,077	21,291,115	17,602,670
Cost of sales	(40,047,664)	(27,826,505)	(17,585,833)	(16,452,775)	(19,043,439)	(15,997,025)
Gross profit	7,573,055	5,906,117	2,906,264	1,485,302	2,247,676	1,605,645
Administrative, Selling and Distribution expenses	(719,689)	(548,670)	(368,341)	(335,729)	(277,628)	(196,943)
Other operating expenses	(661,595)	(424,951)	(264,675)	(22,119)	(186,177)	(43,546)
Other operating income	150,657	131,778	112,773	136,368	71,825	68,970
Operating Profit before finance costs	6,342,428	5,064,274	2,386,021	1,263,822	1,855,696	1,434,126
Finance costs	(539,116)	(455,500)	(731,525)	(1,028,277)	(981,530)	(992,695)
Profit before taxation	5,803,312	4,608,774	1,654,496	235,545	874,166	441,431
Taxation	(1,438,354)	(1,564,752)	(575,532)	(33,765)	(184,431)	(78,865)
Profit after taxation	4,364,958	3,044,022	1,078,964	201,780	689,735	362,566

Vertical Analysis

	Percentage					
Sales - Net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(84.1)	(82.5)	(85.8)	(91.7)	(89.4)	(90.9)
Gross profit	15.9	17.5	14.2	8.3	10.6	9.1
Administrative, Selling and Distribution expenses	(1.5)	(1.6)	(1.8)	(1.9)	(1.3)	(1.1)
Other operating expenses	(1.4)	(1.3)	(1.3)	(0.1)	(0.9)	(0.2)
Other operating income	0.3	0.4	0.6	0.8	0.3	0.4
Operating Profit before finance costs	13.3	15.0	11.6	7.0	8.7	8.1
Finance costs	(1.1)	(1.4)	(3.6)	(5.7)	(4.6)	(5.6)
Profit before taxation	12.2	13.7	8.1	1.3	4.1	2.5
Taxation	(3.0)	(4.6)	(2.8)	(0.2)	(0.9)	(0.4)
Profit after taxation	9.2	9.0	5.3	1.1	3.2	2.1

Horizontal Analysis

	Percentage					
Sales - Net	41.2	64.6	14.2	(15.7)	21.0	32.9
Cost of sales	43.9	58.2	6.9	(13.6)	19.0	32.8
Gross profit	28.2	103.2	95.7	(33.9)	40.0	33.1
Administrative, Selling and Distribution expenses	31.2	49.0	9.7	20.9	41.0	31.1
Other operating expenses	55.7	60.6	1,096.6	(88.1)	327.5	(59.1)
Other operating income	14.3	16.9	(17.3)	89.9	4.1	(30.4)
Operating Profit before finance costs	25.2	112.2	88.8	(31.9)	29.4	36.8
Finance costs	18.4	(37.7)	(28.9)	4.8	(1.1)	(15.1)
Profit before taxation	25.9	178.6	602.4	(73.1)	98.0	(466.4)
Taxation	(8.1)	171.9	1,604.5	(81.7)	133.9	(592.3)
Profit after taxation	43.4	182.1	434.7	(70.7)	90.2	(447.1)

Analysis of Financial Statements

Statement of Cash Flows

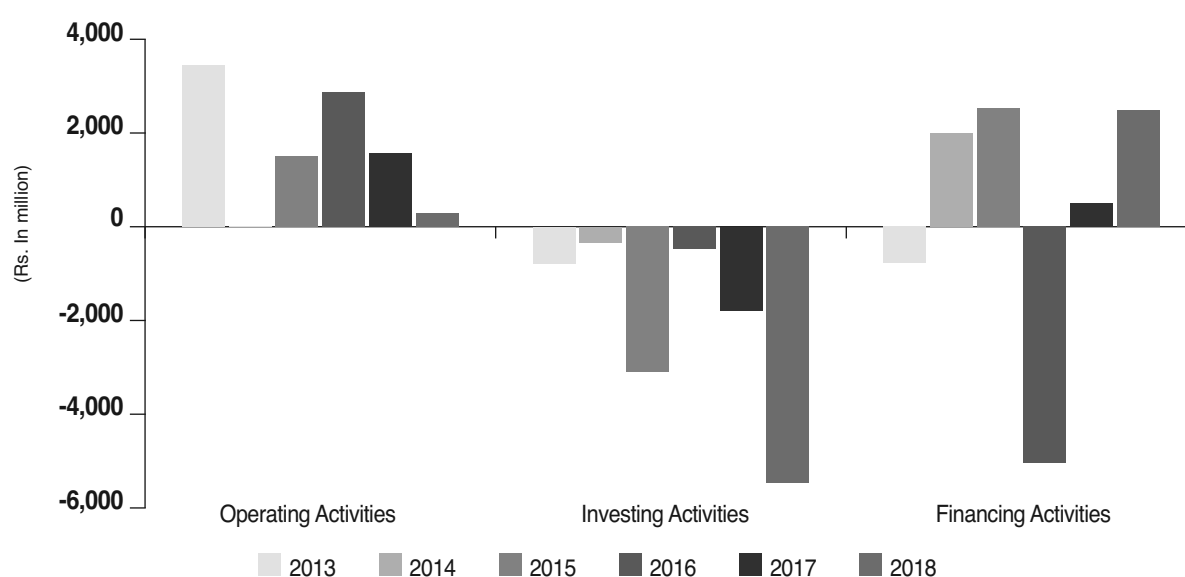
	2018	2017	2016	2015	2014	2013
Rupees in '000						
Net cash generated from/ (used in) operating activities	293,548	1,568,756	2,871,600	1,498,302	6,867	3,448,979
Net cash outflows from investing activities	(5,470,778)	(1,787,168)	(479,346)	(3,095,455)	(334,652)	(782,285)
Net cash (outflows)/inflows from financing activities	2,479,575	505,738	(5,038,790)	2,521,336	1,997,272	(775,311)
Net increase/ (decrease) in cash and cash equivalents	(2,697,655)	287,326	(2,646,536)	924,183	1,669,487	1,891,383

Vertical Analysis

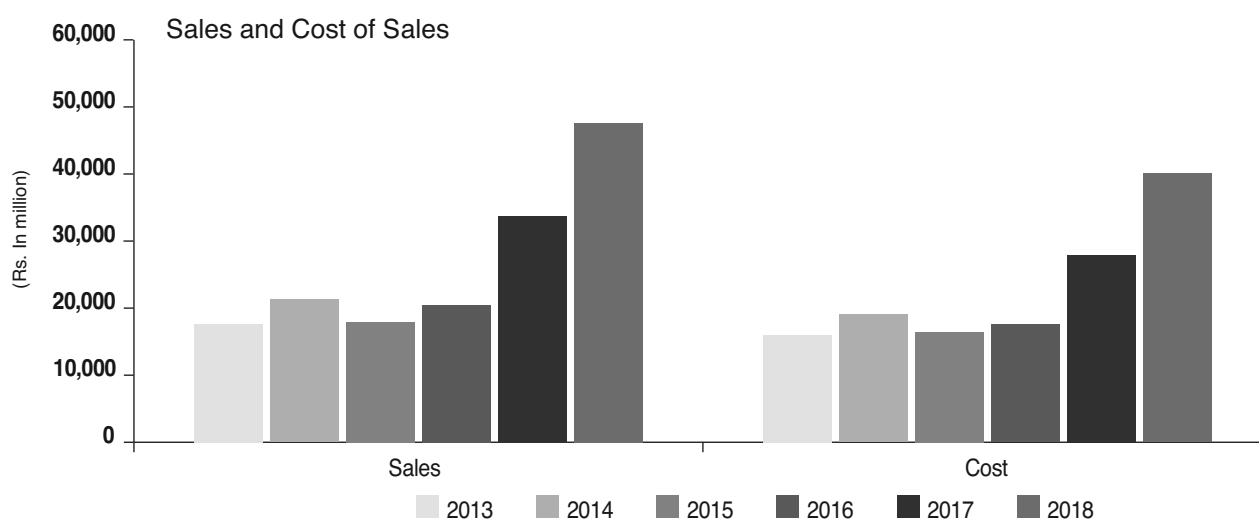
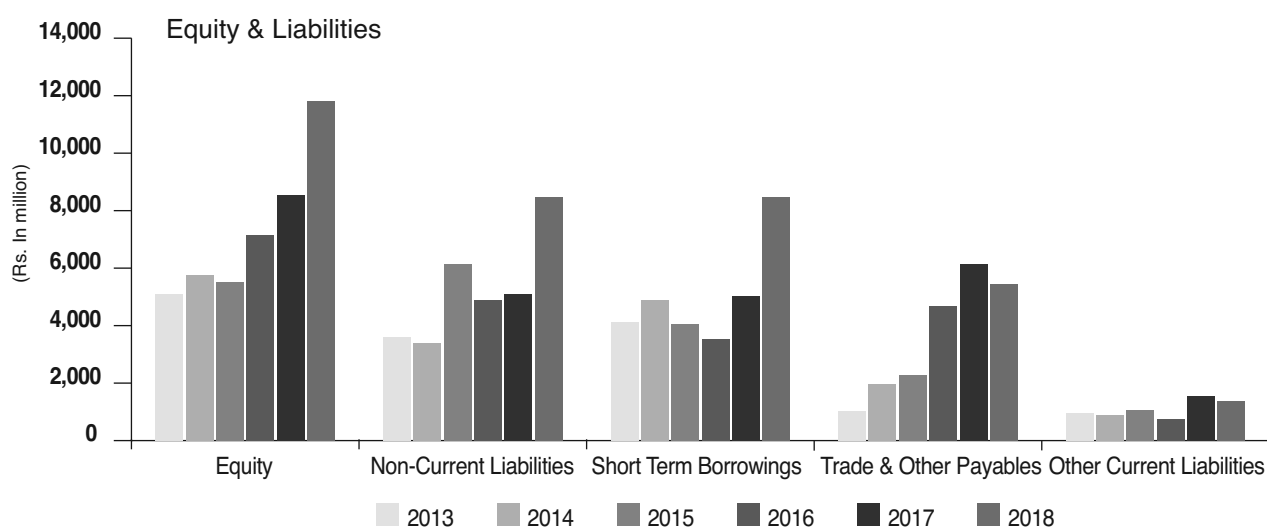
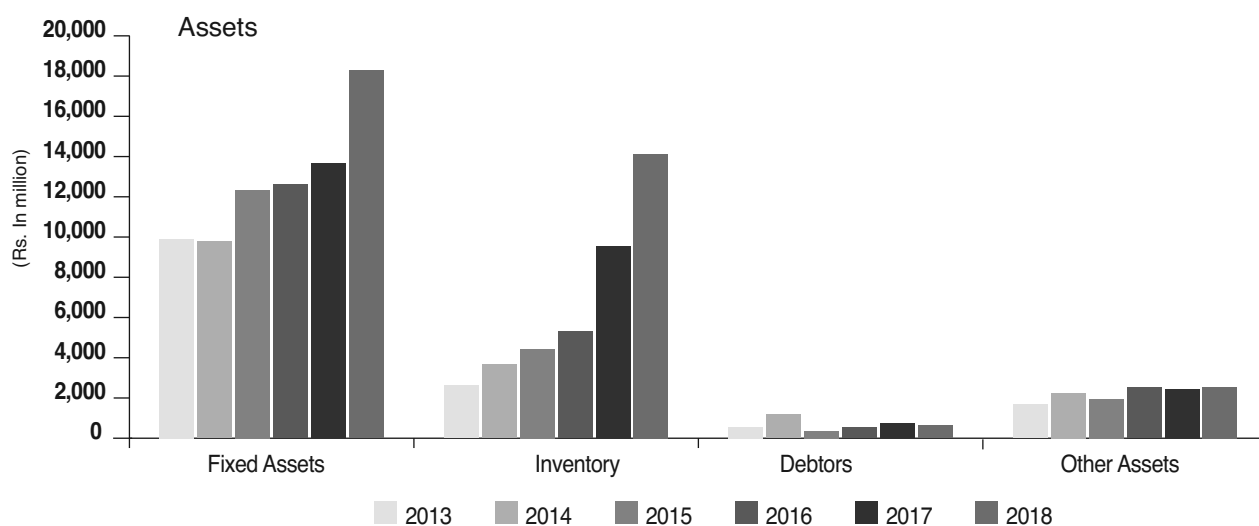
	Percentage					
Net cash generated from operating activities	10.9	546.0	108.5	162.1	0.4	182.4
Net cash outflows from investing activities	(202.8)	(622.0)	(18.1)	(334.9)	(20.0)	(41.4)
Net cash (outflows)/inflows from financing activities	91.9	176.0	(190.4)	272.8	119.6	(41.0)
Net increase/ (decrease) in cash and cash equivalents	(100.0)	100.0	(100.0)	100.0	100.0	100.0

Horizontal Analysis

	Percentage					
Net cash generated from operating activities	(81.3)	(45.4)	91.7	21,718.9	(99.8)	422.6
Net cash outflows from investing activities	(206.1)	(272.8)	84.5	(825.0)	57.2	(67.9)
Net cash (outflows)/inflows from financing activities	390.3	110.0	(299.8)	26.2	357.6	(585.7)
Net increase/ (decrease) in cash and cash equivalents	(1,038.9)	110.9	(386.4)	(44.6)	(11.7)	214.8



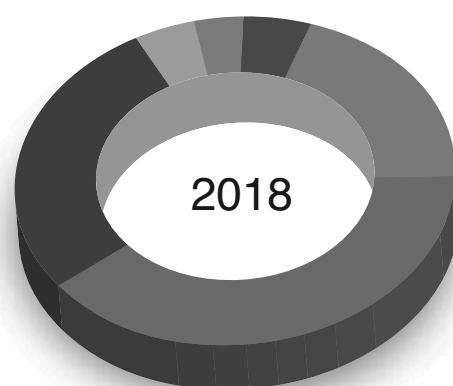
Analysis of Statement of Financial Position and Profit & Loss Account



Key Financial Indicators



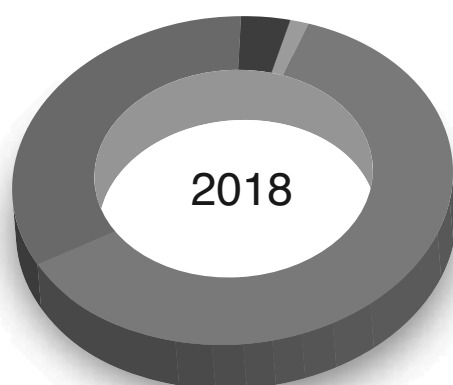
Conversion Cost



	2017	2018
	Rs in Million	Rs in Million
Salaries, wages and benefits	402	541
Electricity, gas and water	976	1,076
Depreciation and amortisation	711	762
Stores and spares consumed	87	118
Repairs and maintenance	81	98
Others	391	133
Total	2,647	2,727

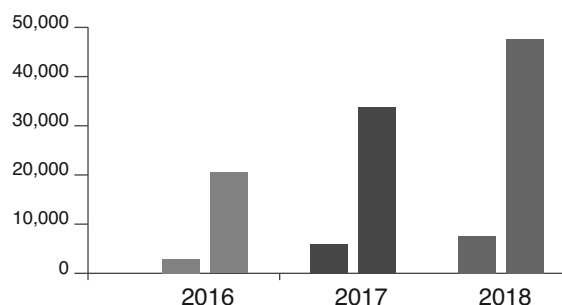


Product Wise Sales Break Up



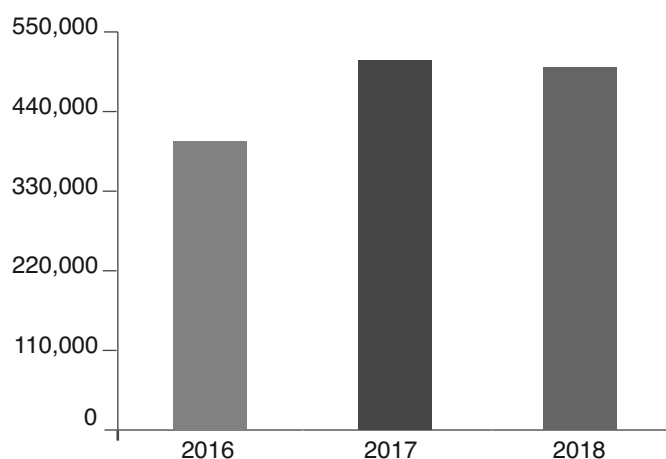
	2017	2018
	Rs in Million	Rs in Million
Galvanized Coils	20,928	29,400
Cold rolled Coils	11,758	15,854
Colored Coils	786	1,769
Bi-Products	261	598
TOTAL	33,733	47,621

Key Financial Indicators



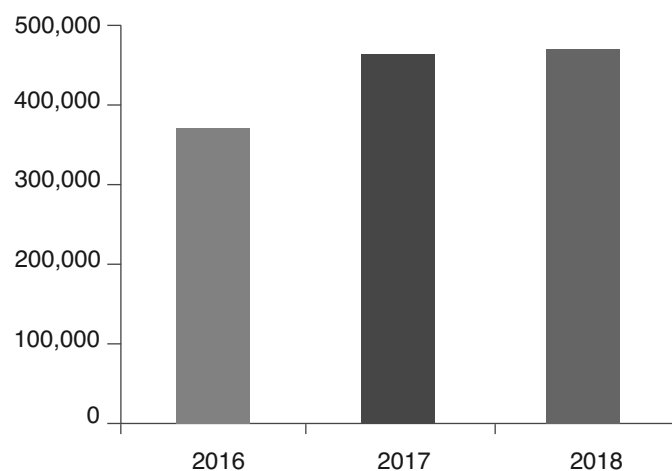
Net sales /
gross profit

	2018	2017	2016
Rs in Million			
Net sales	47,621	33,733	20,492
Gross profit	7,573	5,906	2,906



Raw material
purchases
(in tons)

	2018	2017	2016
Tons	501,482	510,410	398,266



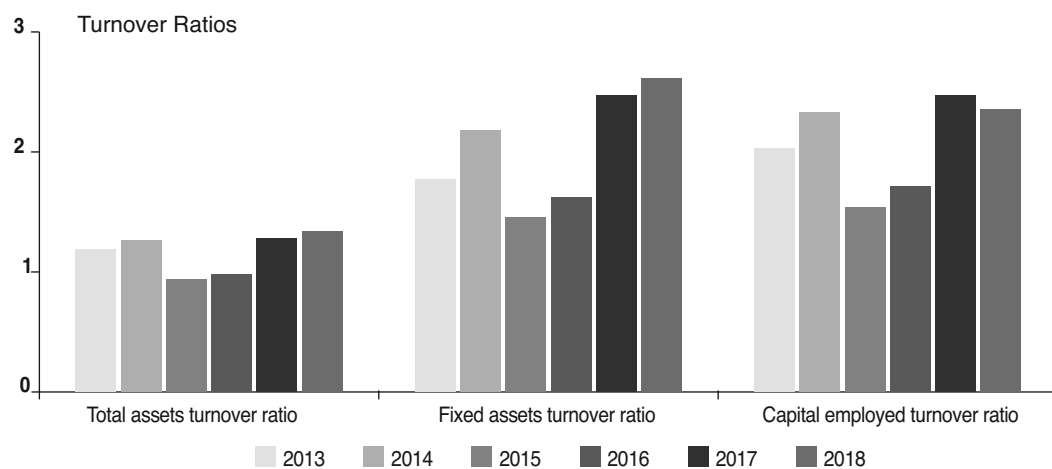
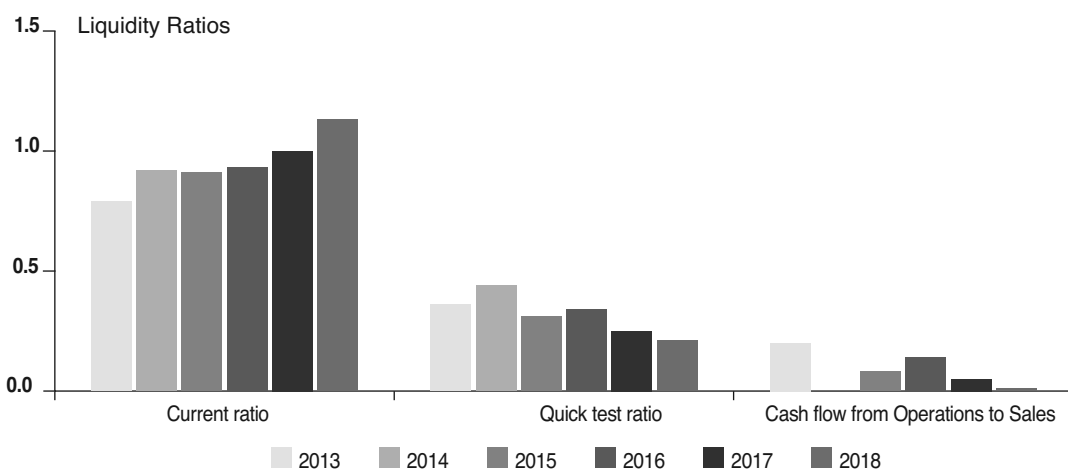
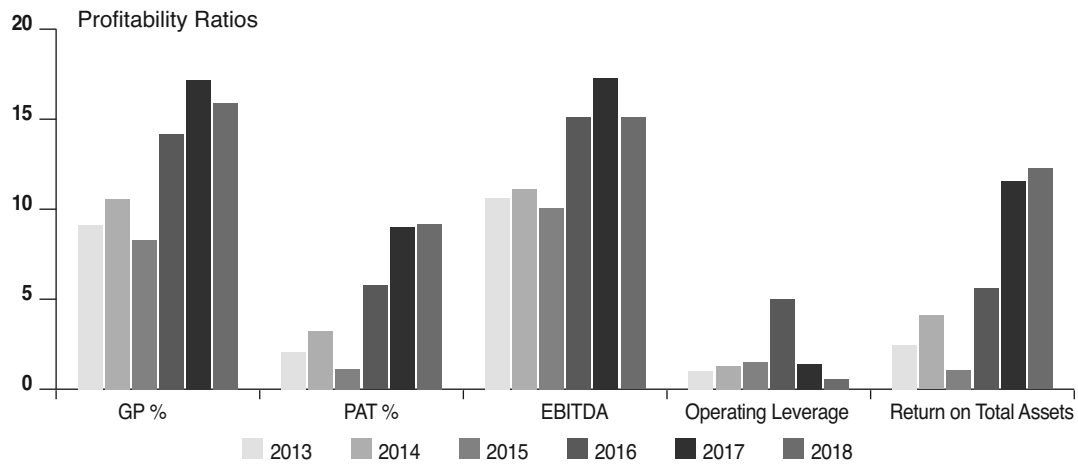
Production
(in tons)

	2018	2017	2016
Tons	470,841	464,023	370,811

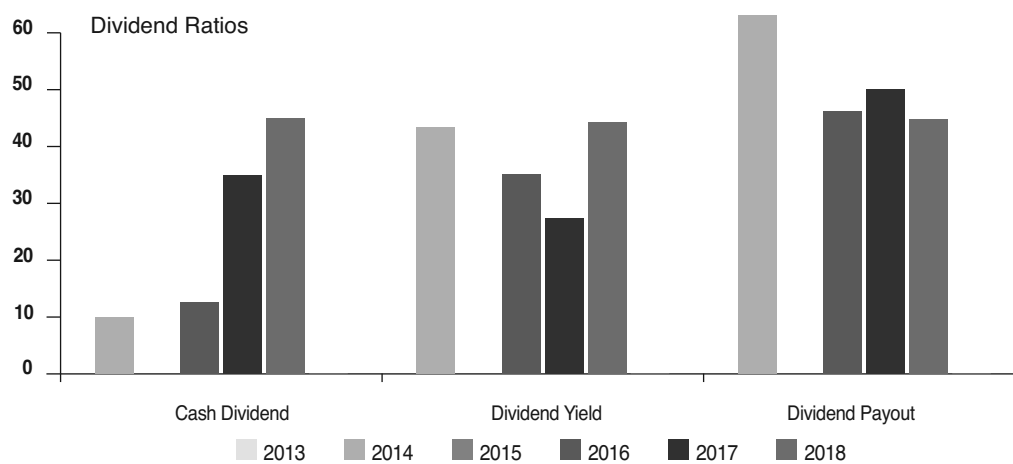
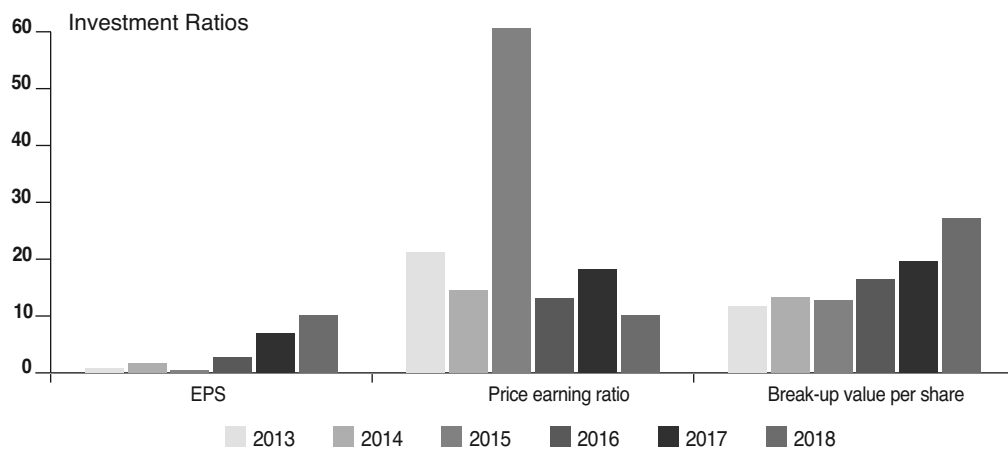
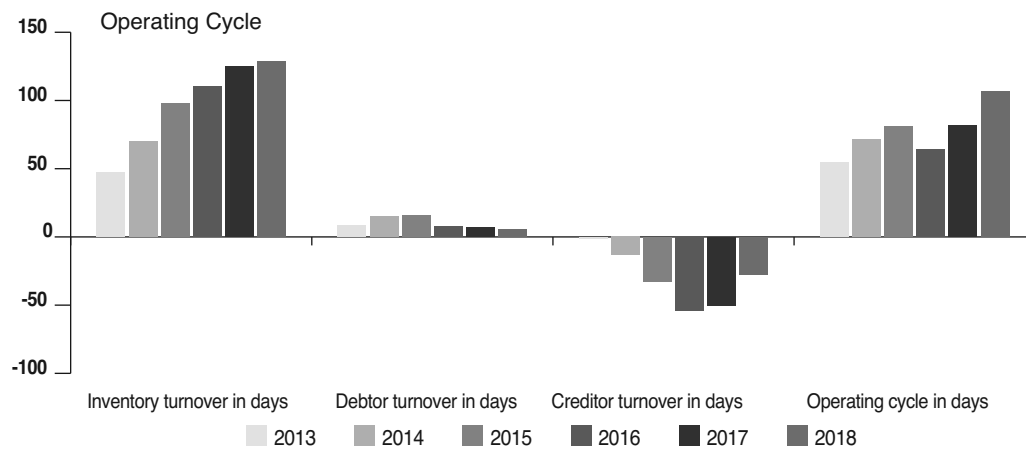
Six Years at a Glance

		2018	2017	2016	2015	2014	2013
KEY INDICATORS							
Profitability Ratios							
Gross profit ratio	%	15.90	17.51	14.18	8.28	10.56	9.12
Profit before tax to sales	%	12.19	13.66	8.07	1.32	4.11	2.51
Profit after tax to sales	%	9.17	9.02	5.75	1.12	3.24	2.06
EBITDA Margin to Sales	%	15.09	17.29	15.11	10.07	11.13	10.61
Operating Leverage	%	0.56	1.37	5.02	1.51	1.28	1.00
Return on Shareholders' Equity	%	36.91	35.58	16.51	3.65	11.96	7.14
Operating profit on Capital Employed	%	33.76	39.23	21.11	9.86	21.53	16.23
Return on Total Assets	%	12.26	11.54	5.62	1.06	4.09	2.46
Liquidity Ratios							
Current ratio	times	1.13	1.00	0.93	0.91	0.92	0.79
Quick / Acid test ratio	times	0.21	0.25	0.34	0.31	0.44	0.36
Cash to Current Liabilities	(x)	0.007	0.004	0.004	0.005	0.005	0.002
Cash flow from Operations to Sales	(x)	0.01	0.05	0.14	0.08	0.00	0.20
Turnover Ratios							
Inventory turnover ratio	times	2.83	2.92	3.31	3.71	5.19	6.11
Debtor turnover ratio (KE)	times	15.08	11.51	12.83	9.87	11.29	14.81
Debtor turnover in days (KE)	days	24	32	28	37	32	25
Debtor turnover ratio	times	67.60	52.51	46.40	23.17	24.52	41.99
Creditor turnover ratio	times	13.10	7.22	6.72	11.10	27.65	337.33
Total assets turnover ratio	times	1.34	1.28	0.98	0.94	1.26	1.19
Fixed assets turnover ratio	times	2.61	2.47	1.62	1.45	2.18	1.77
Capital employed turnover ratio	times	2.35	2.47	1.71	1.54	2.33	2.03
Operating Cycle							
Inventory turnover in days	days	129	125	110	98	70	47
Debtor turnover in days	days	5	7	8	16	15	9
Creditor turnover in days	days	(28)	(51)	(54)	(33)	(13)	(1)
Operating cycle in days	days	106	81	64	81	72	55
Investment / Market Ratios							
Earnings / (Loss) per share - basic and diluted	Rs	10.03	7.00	2.71	0.46	1.59	0.83
Price earning ratio	times	10.14	18.28	13.14	60.58	14.54	21.22
Market value per share at the end of the year	Rs	101.70	127.89	35.62	28.10	23.05	17.69
Market value per share high during the year	Rs	149.75	167.80	45.00	32.24	26.00	19.35
Market value per share low during the year	Rs	86.00	35.89	22.80	21.75	15.30	11.25
Break-up value per share	Rs	27.18	19.66	16.42	12.71	13.26	11.68
Cash Dividend	%	45.00	35.00	12.50	-	10.00	-
Dividend Yield	%	44.25	27.37	35.09	-	43.38	-
Dividend Cover	times	2.23	2.00	2.17	-	1.59	-
Dividend Payout	%	44.85	50.02	46.12	-	63.07	-
Dividend per share	Rs	4.50	3.50	1.25	-	1.00	-
Capital Structure Ratios							
Financial leverage ratio	(x)	1.39	1.15	1.16	1.93	1.50	1.63
Total Debt : Equity ratio	(x)	58:42	54:46	54:46	66:34	60:40	62:38
Interest cover	times	12.00	11.32	3.53	1.27	1.94	1.47

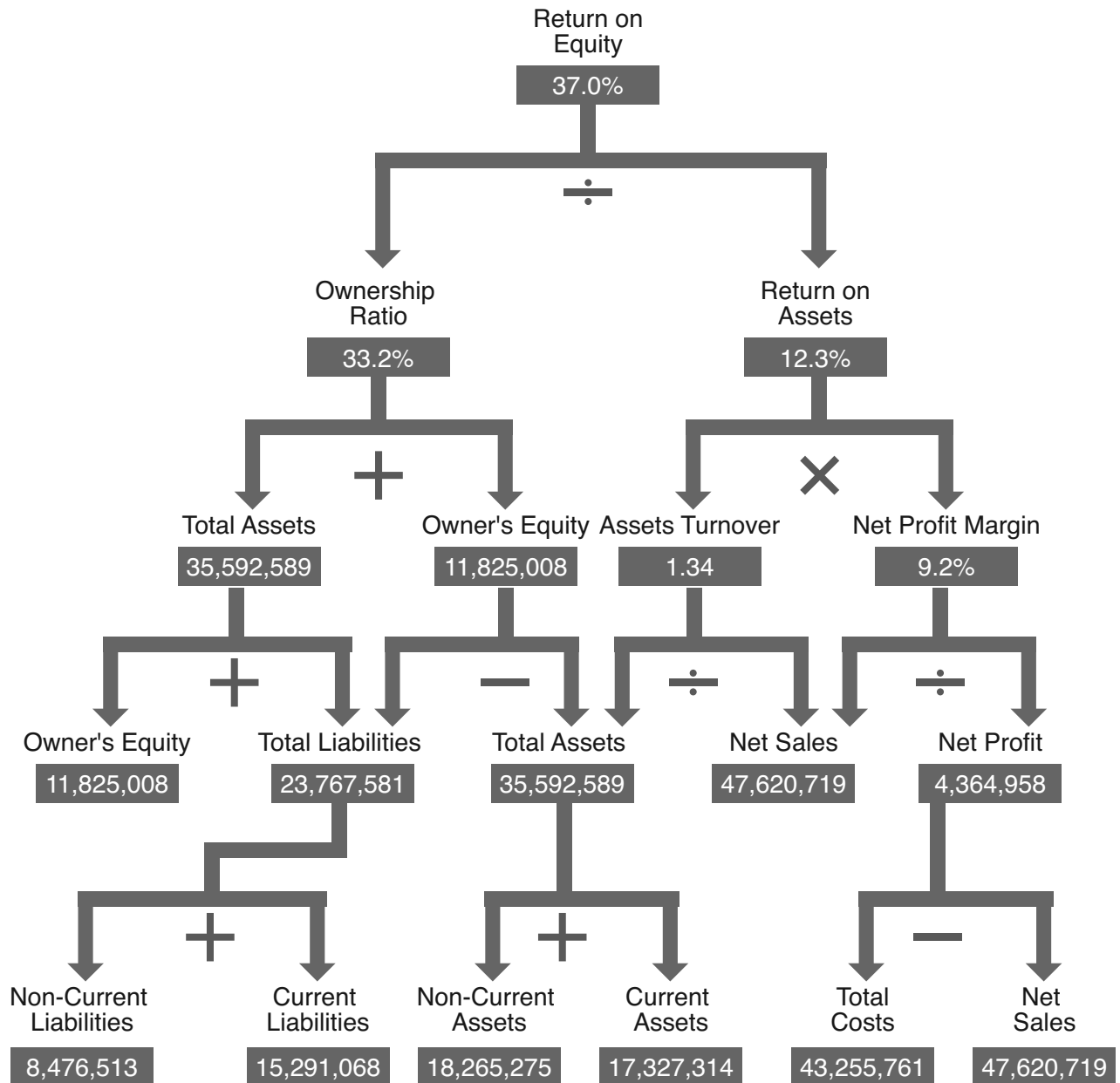
Six Years at a Glance



Six Years at a Glance

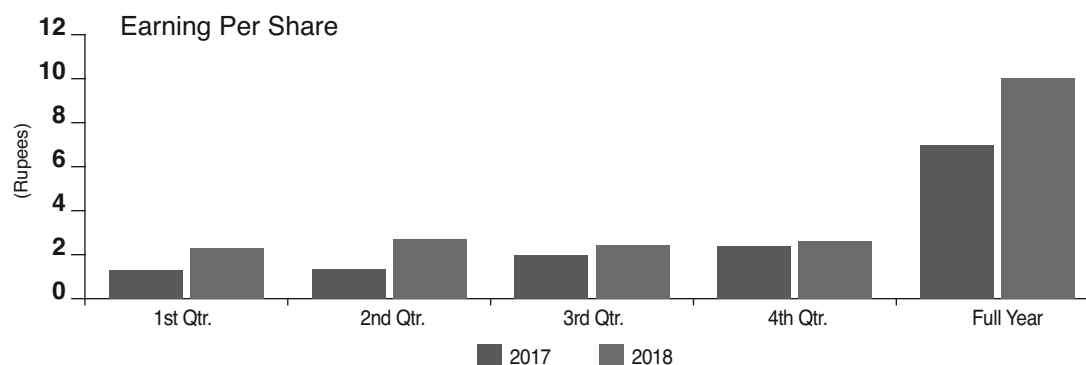
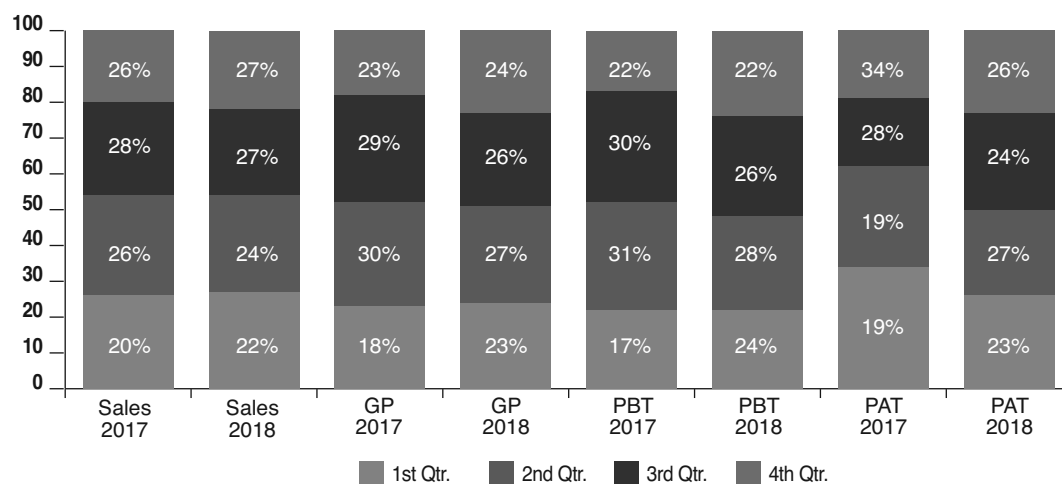


DuPont Analysis



Quarterly Performance Analysis

	2018									
	Q 1		Q 2		Q 3		Q 4		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Rupees in million										
Revenue	10,708	100.00	11,482	100.00	12,628	100.00	12,803	100.00	47,621	100.00
Cost of sales	(8,939)	(83.48)	(9,478)	(82.55)	(10,632)	(84.19)	(10,999)	(85.91)	(40,048)	(84.10)
Gross Profit	1,769	16.52	2,004	17.45	1,996	15.81	1,804	14.09	7,573	15.90
Selling and distribution cost	(104)	(0.97)	(103)	(0.89)	(111)	(0.88)	(117)	(0.92)	(434)	(0.91)
Administration cost	(54)	(0.50)	(63)	(0.55)	(51)	(0.40)	(118)	(0.92)	(285)	(0.60)
Operating Profit	1,611	15.05	1,838	16.01	1,835	14.53	1,569	12.26	6,853	14.39
Other expenses	(127)	(1.19)	(125)	(1.09)	(263)	(2.09)	(146)	(1.14)	(662)	(1.39)
Other income	26	0.24	49	0.43	33	0.26	42	0.33	151	0.32
EBIT	1,510	14.10	1,762	15.35	1,605	12.71	1,465	11.45	6,342	13.32
Finance cost	(113)	(1.05)	(119)	(1.04)	(126)	(0.99)	(181)	(1.42)	(539)	(1.13)
PBT	1,397	13.05	1,643	14.31	1,479	11.71	1,284	10.03	5,803	12.19
Taxation	(394)	(3.68)	(465)	(4.05)	(426)	(3.38)	(153)	(1.20)	(1,438)	(3.02)
PAT	1,003	9.37	1,178	10.26	1,053	8.34	1,131	8.83	4,365	9.17
EPS (Rupees)	2.31		2.71		2.42		2.60		10.03	



Statement of Value Addition

Wealth Generated

Sales including sales tax
Other operating income

Wealth Distributed

Cost of material & services

To Employees

Salaries & other related cost

To Government

Taxes
Worker Profit Participation Fund
Workers Welfare Fund

To Providers of Capital

Dividend to Shareholders
Finance cost

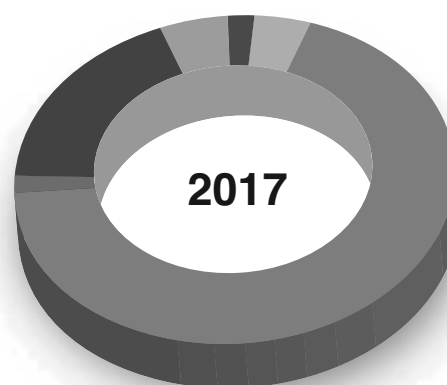
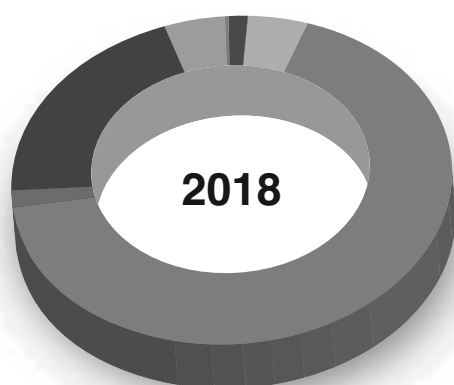
To Society

Donation

Retained in the business

For replacement of fixed assets
Depreciation & Amortization
To provide for growth: Retained profit

2018		2017	
Rupees in '000	%	Rupees in '000	%
55,356,368	99.7%	39,093,904	99.7%
150,657	0.3%	131,778	0.3%
55,507,025	100%	39,225,682	100%
37,578,717	67.7%	27,117,715	69.1%
839,627	1.5%	620,164	1.6%
10,890,590	19.6%	6,872,780	17.5%
312,226	0.6%	247,788	0.6%
124,890	0.2%	99,115	0.3%
11,327,706	20.4%	7,219,683	18.4%
1,957,500	3.5%	1,522,500	3.9%
539,116	1.0%	455,500	1.2%
2,496,616	4.5%	1,978,000	5.0%
64,000	0.1%	44,459	0.1%
856,901	1.5%	768,598	2.0%
2,407,458	4.3%	1,521,522	3.9%
3,264,359	5.9%	2,290,120	5.8%
55,507,025	100.0%	39,225,682	100.0%



	2018	2017
Cost of material & services	67.7%	69.1%
To Employees	1.5%	1.6%
To Government	20.4%	18.4%
To Providers of Capital	4.5%	5.0%
To Society	0.1%	0.1%
Depreciation & Amortization	1.5%	2.0%
Retained profit	4.3%	3.9%



Financial Statements

80	Auditors' Report to the Members
84	Statement of Financial Position
85	Profit and Loss Account
86	Statement of Comprehensive Income
87	Statement of Cash Flows
88	Statement of Changes in Equity
89	Notes to the Financial Statements



Auditors' Report to the Members

We have audited the annexed financial statements of International Steels Limited (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S No. Key audit matters

1. Revenue recognition

Refer notes 4.9, 21, 38 and 36.1 to the financial statements.

The Company generates revenue from sale of goods to domestic as well as export customers. Export sales and sales to related parties represent 8% and 22% of total sales respectively.

We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not being recognized in the appropriate period.

How the matters were addressed in our audit

Our audit procedures to assess the recognition of revenue, amongst others, included the following:

- obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;
- assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;

- comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and
- inspecting credit notes issued to record sales returns subsequent to year end, if any.

2. Valuation of stock in trade

Refer note 4.5, 9, 22 and 36.1 to the financial statements.

Inventory forms a significant part of the Company's assets. During the year 67% of raw materials were purchased by the Company from a related party.

We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.

Our audit procedures to assess the valuation of stock in trade, amongst others, included the following:

- obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;
- comparing on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if any.
- comparing calculations of the allocation of directly attributable costs with the underlying supporting documents;
- obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete

work-in-progress and costs necessary to make the sales and their basis; and

- comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.

3. Capitalization of Property, Plant and Equipment

Refer notes 2(a), 4.1.1 and 6 to the financial statements.

The Company has made significant capital expenditure on expansion of manufacturing facilities as explained in aforementioned notes.

We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on capitalization of borrowing costs and depreciation charge for the year. Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:

- understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;
- testing, on sample basis, the costs incurred on projects with supporting documentation and contracts;
- assessing the nature of costs incurred including borrowing costs for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and

- inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs including borrowing cost ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and

are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi
15th August 2018

Statement of Financial Position

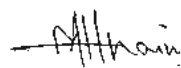
As at 30 June 2018

	Note	30 June 2018	30 June 2017	01 July 2016
ASSETS				
Non-current assets				
Property, plant and equipment	6	18,262,610	13,639,451	12,620,022
Intangible assets	7	2,565	3,903	-
Long term deposit with Central Depository Company of Pakistan Limited		100	100	100
		18,265,275	13,643,454	12,620,122
Current Assets				
Stores and spares	8	438,997	507,696	442,597
Stock-in-trade	9	14,132,742	9,537,846	5,314,131
Trade debts - considered good	10	644,790	764,043	520,801
Receivable from K-Electric Limited (KE) - unsecured, considered good		32,663	42,987	40,513
Advances, trade deposits and short-term prepayments	11	65,761	70,996	47,393
Sales tax receivable		1,485,402	1,134,288	410,259
Taxation	12	427,137	616,557	1,550,697
Cash and bank balances	13	99,822	53,228	37,615
		17,327,314	12,727,641	8,364,006
TOTAL ASSETS		35,592,589	26,371,095	20,984,128
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital 500,000,000 (2017: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000	5,000,000
Share capital Issued, subscribed and paid-up capital	14	4,350,000	4,350,000	4,350,000
Revenue reserve Unappropriated profit		6,532,704	3,246,005	1,813,959
Capital Reserve Revaluation surplus on property, plant and equipment	15	942,304	958,242	978,667
Total Shareholders' equity		11,825,008	8,554,247	7,142,626
LIABILITIES				
Non-current liabilities				
Long term financing - secured	16	6,768,281	3,621,272	4,044,973
Staff retirement benefits	31	-	23,578	24,496
Deferred taxation	17	1,708,232	1,456,421	810,748
		8,476,513	5,101,271	4,880,217
Current liabilities				
Trade and other payables	18	5,458,133	6,134,306	4,694,416
Short term borrowings - secured	19	8,462,310	5,039,236	3,523,755
Unpaid dividend		9,540	275,166	-
Unclaimed dividend		2,917	656	384
Current portion of long term financing - secured	16	1,201,679	1,197,073	699,016
Accrued markup		156,489	69,140	43,714
		15,291,068	12,715,577	8,961,285
Total liabilities		23,767,581	17,816,848	13,841,502
Contingencies and Commitments	20			
TOTAL EQUITY AND LIABILITIES		35,592,589	26,371,095	20,984,128

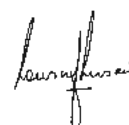
The annexed notes from 1 to 41 form an integral part of these financial statements.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Profit and Loss Account

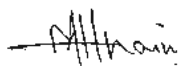
For the year ended 30 June 2018

	Note	2018	2017
		(Rupees in '000)	
Net Sales	21	47,620,719	33,732,622
Cost of sales	22	(40,047,664)	(27,826,505)
Gross profit		7,573,055	5,906,117
Selling and distribution expenses	23	(434,292)	(333,794)
Administrative expenses	24	(285,397)	(214,876)
		(719,689)	(548,670)
Finance cost	25	(539,116)	(455,500)
Other operating charges	26	(661,595)	(424,951)
		(1,200,711)	(880,451)
Other income	27	150,657	131,778
Profit before taxation		5,803,312	4,608,774
Taxation	28	(1,438,354)	(1,564,752)
Profit after taxation for the year		4,364,958	3,044,022
		(Rupees)	
Earnings per share - basic and diluted	29	10.03	7.00

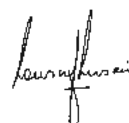
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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Comprehensive Income

For the year ended 30 June 2018

Profit for the year

Other comprehensive income

Items that will not be subsequently reclassified to profit and loss account

Remeasurements of net defined benefit liability

Related tax

Other comprehensive income for the year - net of tax

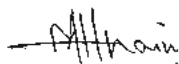
Total comprehensive income for the year

2018	2017
(Rupees in '000)	
4,364,958	3,044,022
(9,432)	(1,645)
2,735	494
(6,697)	(1,151)
4,358,261	3,042,871

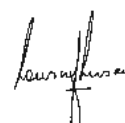
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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Cash Flows

For the year ended 30 June 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation

Adjustments for:

Depreciation

Amortization

Gain on disposal of property, plant and equipment

Provision for obsolescence against spares

Provision for staff gratuity

Provision for compensated absences

Income on bank deposit

Finance cost

Changes in working capital

Cash generated from operations

Finance cost paid

Income on bank deposits received

Payment for staff gratuity

Compensated absences paid

Income tax (paid) / refund

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property, plant and equipment

Acquisition of intangible asset

Proceeds from disposal of property, plant and equipment

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long term financing

Repayment of long term financing

Proceeds from / (repayments of) short term borrowings - net

Dividend paid

Net cash generated from financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

CASH AND CASH EQUIVALENTS COMPRISE OF:

Cash and bank balances

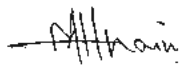
Short term borrowings - running finance (secured)

Note	2018	2017
	(Rupees in '000)	
	5,803,312	4,608,774
6.2	856,901	768,598
7	1,338	112
27	(9,282)	(4,874)
22	19,553	-
31	17,700	16,226
18	12,749	9,219
27	(1,040)	(1,508)
25	539,116	455,500
	1,437,035	1,243,273
30	(5,444,225)	(3,844,200)
	1,796,122	2,007,847
	(451,767)	(430,074)
	1,040	1,508
	(50,710)	(18,789)
	(6,749)	(7,291)
	(994,388)	15,555
	(1,502,574)	(439,091)
	293,548	1,568,756
	(5,491,890)	(1,807,858)
	-	(4,015)
	21,112	24,705
	(5,470,778)	(1,787,168)
	4,300,000	1,000,000
	(1,148,385)	(925,644)
	678,825	1,787,194
	(1,350,865)	(1,355,812)
	2,479,575	505,738
	(2,697,655)	287,326
	(2,378,005)	(2,665,331)
	(5,075,660)	(2,378,005)
	99,822	53,228
	(5,175,482)	(2,431,233)
	(5,075,660)	(2,378,005)

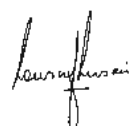
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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Changes in Equity

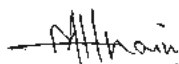
For the year ended 30 June 2018

Note	Issued, subscribed & paid up capital	Revenue reserve - unappropriated profit / (loss)	Capital Reserve - Revaluation surplus on property, plant and equipment	Total
(Rupees in '000)				
Balance as at 01 July 2016 - as previously reported	4,350,000	1,818,328	-	6,168,328
Impact of change in accounting policy - net of tax	5			
Revaluation surplus on property, plant and equipment included in equity		-	974,298	974,298
Deficit on revaluation charged to profit and loss - net of tax		-	4,369	-
		(4,369)	978,667	974,298
Balance as at 01 July 2016 - as restated	4,350,000	1,813,959	978,667	7,142,626
Profit for the year	-	3,044,022	-	3,044,022
Other comprehensive income for the year	-	(1,151)	-	(1,151)
Total comprehensive income for the year	-	3,042,871	-	3,042,871
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 12.50% (Rs. 1.25 per share) for the year ended 30 June 2016	-	(543,750)	-	(543,750)
- Interim dividend @ 25% (Rs. 2.5 per share) for the year ended 30 June 2017	-	(1,087,500)	-	(1,087,500)
Total transactions with owners of the Company - distributions	-	(1,631,250)	-	(1,631,250)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	20,425	(20,425)	-
Balance as at 30 June 2017 - restated	4,350,000	3,246,005	958,242	8,554,247
Balance as at 01 July 2017	4,350,000	3,246,005	958,242	8,554,247
Profit for the year	-	4,364,958	-	4,364,958
Other comprehensive income for the year	-	(6,697)	-	(6,697)
Total comprehensive income for the year	-	4,358,261	-	4,358,261
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)
- Interim dividend @ 15% (Rs. 1.50 per share) for the year ended 30 June 2018	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(1,087,500)	-	(1,087,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	15,938	(15,938)	-
Balance as at 30 June 2018	4,350,000	6,532,704	942,304	11,825,008

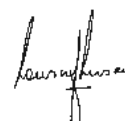
The annexed notes from 1 to 41 form an integral part of these financial statements.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Notes to the Financial Statements

For the year ended 30 June 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 subsidiary of International Industries Limited (Holding Company) which holds 245,055,543 (2017: 245,055,543 shares) shares of the Company as at 30 June 2018 representing 56.3% (2017: 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. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- a) The Company has expanded its manufacturing facilities by addition of Cold Rolling Mill, Pickling line and related facilities. The Company has incurred capital expenditure amounting to Rs. 5,445.1 million in aggregate (including capitalization of borrowing cost). The Company's state of the art rolling mill commenced production during the year ended 30 June 2018 and related amount have been transferred from CWIP to related operating fixed assets. This addition has increased the rolling capacity of the Company to 1 million metric ton per annum. The Company has financed the expansion through long term loan from islamic window of commercial bank. The borrowing cost incurred on loan have been capitalized as detailed in note 6.1.1 to these financial statements.
- b) Due to the first time application of financial reporting requirements under the Companies Act, 2017 (the Act) including disclosure and presentation requirements of the fourth schedule of the Act, some of the amounts reported for the previous period have been reclassified as detailed in note 40 to these financial statements.
- c) The accounting policy relating to revaluation of property, plant and equipment changed during the year as detailed in note 5 to these financial statements.
- d) For detailed discussion about the Company's performance please refer to the Directors' report accompanied in the annual report of the Company for the year ended 30 June 2018.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards 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 from IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

3.2 Basis of measurement

These 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.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3.4 Use of significant estimates and judgments

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

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about the judgments made by the management in the application of the accounting policies, that have the most significant effect on the amount recognized in these financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of assets and liabilities in the next year are described in the following notes:

- Property, plant and equipment and intangible assets (notes 4.1 and 4.2).
- Trade debts (note 4.3.1.1)
- Derivative financial instruments (note 4.3.3 and 4.3.4)
- Stores and spares (note 4.4)
- Stock-in-trade (note 4.5)
- Taxation (note 4.6)
- Staff retirement benefits (note 4.7)
- Impairment (note 4.11)
- Provisions and contingent liabilities (note 4.12 and 4.13)

3.5 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

- 'IAS 7, 'Statement of Cash Flows' amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these financial statements (Refer note 33.4 to these financial statements).

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation of operating fixed assets as more fully explained in note 5, change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of significant additional disclosures which have been included in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'-effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity

shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting any impact of the standard on Company's financial reporting.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements except as disclosed in note 5 to these financial statements:

4.1 Property, plant and equipment

4.1.1 Operating assets and depreciation

Initial Recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land are stated at revalued amounts and buildings on freehold land are stated at revalued amounts less accumulated depreciation. The costs of property, plant and equipment include:

- (a) its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates; and
- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

Expenditure incurred to replace a significant component of an item of plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the profit and loss account as an expense when it is incurred.

Depreciation

Depreciation on all items except for freehold land is charged on straight line method at the rates specified in respective note to the financial statements and is generally recognised in profit and loss account.

Depreciation on addition is charged from the month the asset is available for use up to the month prior to disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

Revaluation surplus

Revaluation of freehold land and building on freehold land is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of freehold land and building on freehold land is recognized, net of tax, in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment" except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognised in profit and loss account, in which case the increase is first recognized in profit and loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit and loss account. The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus to retained earnings.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation of property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of the repealed Companies Ordinance 1984. Those provisions and resultant previous policy of the Company were not in alignment with the accounting treatment and presentation of revaluation of property, plant and equipment as prescribed in IAS 16 'Property, Plant and Equipment'. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation of property, plant and equipment, accordingly the Company has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 5 to these financial statements.

Gains and losses on disposal

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings.

4.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any and consists of expenditure incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding, beyond one year, are recognised as an intangible asset.

Infinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

- a) These are stated at cost less accumulated amortisation and impairment, if any.
- b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 7).
- c) Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed-off.

4.3 Financial Instruments

4.3.1 Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets

comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.3.1.1 Trade debts, advances and other receivables

Trade debts, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written-off.

4.3.1.2 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and short term borrowings availed by the Company, which are repayable on demand and form an integral part of the Company's cash management.

4.3.2 Financial Liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

4.3.2.1 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset.

4.3.2.2 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

4.3.3 Derivative financial instruments - other than hedging

Derivatives that do not qualify for hedge accounting are recognized in the statement of financial position at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.3.4 Derivative financial instruments - 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 removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

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.

4.3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

4.4 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision is made for obsolete and slow moving spares older than one year and is recognized in the profit and loss account.

4.5 Stock-in-trade

These are valued at lower of cost and net realizable value. Cost is determined under the weighted average basis. Cost comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of the business less net estimated cost of completion and selling expenses. Scrap and by-product is valued at estimated realizable value.

4.6 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Provisions for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime and / or minimum tax liability or alternate corporate tax as applicable, after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.7 Staff retirement benefits

4.7.1 Defined benefit plan

The Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year (except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at one month's basic salary (eligible salary) for each completed year of service. For executives and officers having total service of less than twenty years, the benefit is available at half month's basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at one month's gross salary less conditional allowances (eligible salary) for each completed year of service. The Company's obligation is determined through actuarial valuations carried out under the 'Projected Unit Credit Method'. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognised in profit and loss account. The latest Actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

4.7.2 Defined contribution plan

The Company provides provident fund benefits to all its officers. Equal contributions are made, both by the Company and the employees, at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the profit and loss account.

4.7.3 Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences.

4.8 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the reporting date. Exchange differences are included in the profit and loss account currently.

4.9 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.
- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides either with date of shipping bill or upon delivery to customer or its representative, based on terms of arrangement.
- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited.
- Toll manufacturing / partial manufacturing income is recognised when related services are rendered.

4.10 Income on bank deposits and finance cost

The Company's finance income and finance cost includes income on bank deposits and finance cost. Income or expense is recognized using the effective interest method.

4.11 Impairment

4.11.1 Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

4.11.2 Non-Financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

4.12 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre-tax rate reflects current market assessment of the time value of money and the risk specific to the obligation. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.13 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.14 Segment reporting

Segment results that are reported to the Company's Chief Executive Officer ('CEO') - the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, comprise mainly corporate assets, head office expenses, and tax assets and liabilities. Management has determined that the Company has a single reportable segment and therefore it has only presented entity wide disclosures.

4.15 Dividend and appropriations

Dividend distribution to the Company's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

5 CHANGE IN ACCOUNTING POLICY

Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to the revaluation of property, plant and equipment which

was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment' as applicable in Pakistan. Consequently, the Company changed its accounting policy for revaluation of property, plant and equipment in accordance with the requirement of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for revaluation of property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation of property, plant and equipment have been changed to bring it in conformity with the requirement of IAS 16 "Property, Plant and Equipment" as explained in note 4.1 to these financial statements. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', the above explained changes in accounting policy have been accounted for retrospectively, with the restatement of the comparative information. As a result, a third statement of financial position as at the beginning of the preceding period is presented (i.e. 1 July 2016).

Statement of Financial Position

Retrospective impact of change in accounting policy

	As at 1 July 2016			As at 30 June 2017		
	As previously reported on 30 June 2016	Adjustments Increase/ (Decrease)	As restated on 01 July 2016	As previously reported on 30 June 2017	Adjustments Increase/ (Decrease)	As restated on 01 July 2017
(Rupees in '000)						
Revaluation surplus on property, plant and equipment (within equity)	-	978,667	978,667	-	958,242	958,242
Unappropriated profit	1,818,328	(4,369)	1,813,959	3,250,374	(4,369)	3,246,005
Net impact on equity	1,818,328	974,298	2,792,626	3,250,374	953,873	4,204,247
Revaluation surplus on property, plant and equipment (below equity)	974,298	(974,298)	-	953,873	(953,873)	-
	974,298	(974,298)	-	953,873	(953,873)	-

The effect of the change is the recognition and presentation of Rs. 942.304 million for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of revaluation surplus on property, plant and equipment of Rs. 942.304 million, previously presented below equity in the statement of financial position as at 30 June 2018.

There was no change in the reported amount of profit and loss account and other comprehensive income, except the retrospective effect stated above for the year ended 30 June 2018. There was no cash flow impact as a result of the retrospective application of change in accounting policy and no impact on basic and diluted earnings per share for the year ended 30 June 2017 and 30 June 2018.

6 PROPERTY, PLANT AND EQUIPMENT

		2018	2017
		(Rupees in '000)	
Operating assets	6.1	14,711,281	12,549,357
Capital work-in-progress	6.7	3,551,329	1,090,094
		18,262,610	13,639,451

6.1 Operating assets

	2018									
	Cost / Revaluation				Depreciation				Net book value as at 30 June 2018	Rate %
	As at 01 July 2017	Additions/ transfers	(Disposals)	As at 30 June 2018	As at 01 July 2017	For the year	(Disposals)	As at 30 June 2018		
	(Rupees in '000)									
Freehold land	1,460,250	-	-	1,460,250	-	-	-	-	1,460,250	-
Buildings on freehold land	1,473,571	-	-	1,473,571	84,619	85,095	-	169,714	1,303,857	3% - 5%
Plant and machinery*	12,680,608	2,973,335	-	15,653,943	3,073,394	742,983	-	3,816,377	11,837,566	3% - 33%
Furniture, fixture, computer and office equipment	72,717	11,394	(182)	83,929	38,016	8,983	(149)	46,850	37,079	10% - 33%
Vehicles	93,553	45,926	(26,217)	113,262	35,313	19,840	(14,420)	40,733	72,529	20%
	15,780,699	3,030,655	(26,399)	18,784,955	3,231,342	856,901	(14,569)	4,073,674	14,711,281	

	2017									
	Cost / Revaluation				Depreciation				Net book value as at 30 June 2017	Rate %
	As at 01 July 2016	Additions/ transfers	(Disposals)	As at 30 June 2017	As at 01 July 2016	For the year	(Disposals)	As at 30 June 2017		
	(Rupees in '000)									
Free hold land	1,460,250	-	-	1,460,250	-	-	-	-	1,460,250	-
Buildings on freehold land	1,450,725	22,846	-	1,473,571	-	84,619	-	84,619	1,388,952	3% - 5%
Plant and machinery *	11,884,236	802,589	(6,217)	12,680,608	2,414,477	660,812	(1,895)	3,073,394	9,607,214	3% - 33%
Furniture, fixture, computer and office equipment	44,911	27,806	-	72,717	32,389	5,627	-	38,016	34,701	10% - 33%
Vehicles	96,224	38,164	(40,835)	93,553	43,099	17,540	(25,326)	35,313	58,240	20%
	14,936,346	891,405	(47,052)	15,780,699	2,489,965	768,598	(27,221)	3,231,342	12,549,357	

*Includes capital spares having cost of Rs. 406 million (2017: Rs. 143 million) and net book value of Rs. 341 million (2017: Rs 93 million).

6.1.1 Additions to plant and machinery include borrowing cost capitalized incurred on loan obtained for expansion project amounting to Rs. 82.6 million (2017: Rs. Nil). Rate of mark-up capitalisation ranges from 6.56% to 7.12% per annum (2017: Nil).

6.2 The depreciation charge for the year has been allocated as follows:

	Note	2018	2017
		(Rupees in '000)	
Cost of sales	22	762,089	710,769
Administrative expenses	24	5,827	5,527
Selling and distribution expenses	23	6,654	4,030
Income from power generation	27.1	82,331	48,272
		856,901	768,598

6.3 The revaluation of freehold land and buildings thereon was carried out as of 30 June 2016 by MYK Associates (Private) Limited (an independent valuer who is located in Karachi) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus amounting to Rs. 267.69 million which was incorporated in the books of the Company as at 30 June 2016.

The Company commissioned independent valuation of freehold land and buildings thereon during the years ended 30 June 2013 and 30 June 2016.

The carrying amount of the aforementioned assets as at 30 June 2018, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	836,599	-	836,599
Buildings on freehold land	1,239,880	378,113	861,767
As at 30 June 2018	2,076,479	378,113	1,698,366
As at 30 June 2017	2,076,479	322,673	1,753,806

6.4 Forced sales value of freehold land and building on freehold land is Rs. 1,287.9 million and 1,162.4 million respectively.

6.5 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Particulars	Location	Total Area
Freehold Land (Manufacturing plant)	Survey Nos.399-405, Deh Sharabi, Landhi Town, City District Government, Karachi	157,058 Sq. Yd
Office Premises	Office No.203, 2nd Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	1,794.37 Sq. Ft

6.6 Details of property, plant and equipment disposed off, having net book value each in excess of Rs. 500,000 each are as follows:

	Original cost	Accumulated depreciation	Book value	Sale Proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser	Relationship with purchaser
	(Rupees in '000)							
Vehicles								
Suzuki Cultus	1,129	132	997	1,075	78	Negotiation	Mr. Shaikh Muhammad Sajid	None
Toyota Corolla	1,864	124	1,740	1,930	190	Negotiation	Mr. Mubashir Ahmed	None
Toyota Corolla	1,828	731	1,097	1,740	643	Negotiation	Mr. Shahzad Butt	None
Toyota Corolla	1,863	435	1,428	1,875	447	Negotiation	Syed Riaz Ahmed	None
Honda City	1,663	832	832	1,500	668	As per Company Policy	Mr. Kashan Mansoori	Ex-Employee
Mercedes	3,043	609	2,434	3,529	1,095	Negotiation	Syed Riaz Ahmed	None
Total	11,390	2,863	8,528	11,649	3,121			

6.7 Capital Work-In-Progress

	2018				2017			
	Cost As at 01 July 2017	Additions	(Transfers)	As at 30 June 2018	Cost As at 01 July 2016	Additions	(Transfers)	As at 30 June 2017
	(Rupees in '000)							
Land	-	61,250	-	61,250	-	-	-	-
Building	-	696,439	-	696,439	-	22,846	(22,846)	-
Plant and machinery	1,080,004	4,412,140	(2,710,105)	2,782,039	172,138	1,673,118	(765,252)	1,080,004
Furniture, fixture, computer and office equipment	2,318	17,224	(11,394)	8,148	-	30,124	(27,806)	2,318
Vehicles	7,772	41,607	(45,926)	3,453	1,503	44,433	(38,164)	7,772
	1,090,094	5,228,660	(2,767,425)	3,551,329	173,641	1,770,521	(854,068)	1,090,094

7 INTANGIBLE ASSETS

Computer software	2018							
	Cost			Amortisation			Net book value as at 30 June 2018	Rate %
	As at 01 July 2017	Additions	As at 30 June 2018	As at 01 July 2017	For the year	As at 30 June 2018		
	(Rupees in '000)							
	21,706	-	21,706	17,803	1,338	19,141	2,565	
2017								
Computer software	Cost			Amortisation			Net book value as at 30 June 2017	Rate %
	As at 01 July 2016	Additions	As at 30 June 2017	As at 01 July 2016	For the year	As at 30 June 2017		
	(Rupees in '000)							
	17,691	4,015	21,706	17,691	112	17,803	3,903	

7.1 Total amount of amortisation has been charged to cost of sales in these financial statements.

8 STORES AND SPARES

Note	2018	2017
	(Rupees in '000)	
Stores	175,113	64,722
Spares	275,850	437,447
Loose tools	7,587	5,527
	458,550	507,696
Less: Provision for obsolescence against spares	(19,553)	-
	438,997	507,696

9 STOCK-IN-TRADE

Raw material - in hand	5,930,245	3,028,194
Raw material - in transit	4,453,970	1,813,193
Work-in-process	1,187,243	1,190,872
Finished goods	2,504,609	3,434,583
By Products	7,292	10,181
Scrap Material	49,383	60,823
	14,132,742	9,537,846

10 TRADE DEBTS - considered good

- Secured	10.1	183,933	274,168
- Unsecured		460,857	489,875
		644,790	764,043

10.1 This represents trade debts arising on account of export sales of Rs. 141.86 million (2017: Rs. 183.52 million) which are secured by way of Export Letters of Credit and Rs. 42.07 million (2017: Rs. 90.65 million) arising on account of domestic sales which are secured by way of Inland Letters of Credit.

10.2 Trade debts includes Rs. 43.32 million (2017: Rs. 9.56 million) receivable from related party. The balance is receivable from M/s. Sumitomo Corporation and is not over due as at 30 June 2018.

10.2.1 The maximum aggregate amount due from the related party at the end of any month during the year was Rs. 233.99 million (2017: Rs. 144.87 million).

11 ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Note	2018	2017
	(Rupees in '000)	
Advances to suppliers - considered good	29,629	48,463
Trade deposits	10,904	7,894
Margin against shipping guarantee	13,949	-
Short term prepayments	11,279	14,639
	65,761	70,996

11.1 These advances and trade deposits are non-interest bearing.

12 TAXATION

Tax receivable as at 01 July	616,557	1,550,697
Tax payments / adjustments made during the year	994,388	237,357
Refund received during the year	-	(252,912)
	1,610,945	1,535,142
Less: Provision for tax - current year	28 (1,183,808)	(918,585)
Tax receivable as at 30 June	427,137	616,557

13 CASH AND BANK BALANCES

Cash in hand	10	84
Cash at bank - in current accounts in local currency	7,738	38,130
Cash at bank - in deposit accounts in foreign currency	13.1 92,074	15,014
	99,822	53,228

13.1 Mark-up rate on bank accounts ranges from 4.5% to 4.75% per annum (2017: 4% to 4.75% per annum). The deposits account are placed with bank under conventional banking arrangements.

14 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
30,000	30,000	Fully paid ordinary shares of Rs. 10 each issued for cash	300	300
417,716,700	417,716,700	Fully paid ordinary shares of Rs. 10 each issued against transfer of net assets	4,177,167	4,177,167
17,253,300	17,253,300	Fully paid ordinary shares of Rs. 10 each issued as right shares	172,533	172,533
435,000,000	435,000,000		4,350,000	4,350,000

14.1 As at 30 June 2018, the Holding Company and associated companies held 245,055,543 (2017: 245,055,543) and 39,477,659 (2017: 39,477,659) ordinary shares respectively of Rs. 10 each.

14.2 Sumitomo Corporation incorporated in Japan and holds 9% ordinary shares in the Company. The registered address of the associated concern is at 8-11, Harumi 1 - Chome, Chuo-Ku, Tokyo, Japan. The President of Sumitomo Corporation is Masayuki Hyodu. As per the latest available financial statements which are prepared on going concern basis, the auditors have expressed an unmodified opinion.

15 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in '000)	
Freehold land			
Balance as at 01 July		623,651	623,651
Revaluation during the year		-	-
Balance as at 30 June		623,651	623,651
Buildings on freehold land			
Balance as at 01 July		477,987	507,166
Revaluation during the year		-	-
Transferred to retained earnings in respect of incremental depreciation charged during the year		(29,179)	(29,179)
Balance as at 30 June		448,808	477,987
Related deferred tax liability	17	(130,155)	(143,396)
Balance as at 30 June - net of deferred tax		942,304	958,242

15.1 The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders of the company in accordance with section 241 of the Companies Act, 2017.

15.2 Movement in related deferred tax liability

Balance as at 01 July	143,396	152,150
Effect of change in tax rates	(4,487)	-
Tax effect on incremental depreciation transferred to retained earnings	(8,754)	(8,754)
Deferred tax liability as at 30 June	130,155	143,396

16 LONG TERM FINANCING - secured

Long-term financing utilised under mark-up arrangements	16.1	7,969,960	4,818,345
Current portion of long term financing shown under current liabilities		(1,201,679)	(1,197,073)
		6,768,281	3,621,272

16.1 Long term financing utilised under mark-up arrangements

		Sale price	Purchase price	Number of instalments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2018	2017
		(Rupees in '000)					(Rupees in '000)	
i)	Conventional Long Term Finance Facility (LTFF) - Local currency							
	Bank Al Habib Limited							
	Assistance for plant and machinery	1,000,000	4,675,000	32 quarterly instalments 16 October 2016	11 November 2026	1.00% over SBP Refinance rate		
	United Bank Limited							
	Assistance for plant and machinery	1,000,000	2,501,562	16 half yearly instalments 12 December 2016	28 November 2026	1.00% over SBP Refinance rate		
ii)	Long Term Finance - Local currency							
	MCB Bank Limited							
	Assistance for plant and machinery	800,000	1,112,512	18 quarterly instalments 30 June 2016	01 September 2020	0.15% over 03 months KIBOR	444,445	577,778

	Sale price	Purchase price	Number of instalments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2018	2017
	(Rupees in '000)					(Rupees in '000)	
iii)	Long Term Finance - Local currency						
	Bank Al Habib Limited						
	Assistance for plant and machinery	1,000,000	1,610,411	60 equal monthly instalments 28 July 2016	28 June 2021 0.15% over 03 months KIBOR	100,000	800,000
iv)	Long Term Finance - Local currency						
	Meezan Bank Limited						
	Assistance for plant and machinery	1,000,000	1,743,300	01 half yearly & 14 quarterly instalments 26 December 2016	26 June 2020 0.20% over 03 months KIBOR	500,000	750,000
v)	Long Term Finance - Local currency						
	Standard Chartered Bank (Pakistan) Limited						
	Assistance for plant and machinery	1,000,000	1,098,867	36 equal monthly instalments 1 October 2016	01 September 2019 0.20% over 01 months KIBOR	416,667	750,000
vi)	Long Term Finance - Local currency						
	Habib Bank Limited						
	Assistance for plant and machinery	4,300,000	5,640,228	10 half yearly instalments 28 February 2020	24 February 2025 0.10% over 06 months KIBOR	4,300,000	-
vii)	Long Term Finance - Local currency						
	Bank Al Habib Limited						
	Assistance for plant and machinery	500,000	575,512	30 equal monthly instalments 28 December 2018	28 June 2021 0.15% over 03 months KIBOR	500,000	-
						7,969,960	4,818,345

16.1.1 The above loans are secured against joint pari passu charge over fixed assets of the Company (such as land, building, plant and machinery etc.) with aggregate carrying amount of Rs. 14,671 million.

16.1.2 In relation to above borrowings, the Company needs to observe certain financial covenants (such as debt servicing ratio, current ratio, debt equity ratio etc.) and other non financial covenants as specified in the agreement with respective lenders which are complied with as of the reporting date.

17 DEFERRED TAXATION

Deferred tax liability comprises of (deductible) / taxable temporary differences in respect of the following:

	Note	2018	2017
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		1,709,462	1,713,356
Revaluation surplus on buildings	15	130,155	143,396
Deductible temporary differences			
Provision for compensated absences		(3,154)	(1,573)
Staff retirement benefits		-	(6,499)
Unrealised exchange losses		5,784	(292)
Provision for infrastructure cess and government levies		(128,845)	(61,427)
Provision for obsolescence against spares		(5,170)	-
Alternate corporate taxation		-	(330,540)
		1,708,232	1,456,421

18 TRADE AND OTHER PAYABLES

Note	2018	2017
	(Rupees in '000)	
Trade creditors	2,029,925	4,081,902
Payable to provident fund	3,164	1,229
Sales commission payable	60,868	52,509
Accrued expenses	1,360,709	935,228
Advances from customers	893,511	390,740
Provision for infrastructure cess	774,813	519,204
Provision for government levies	230	257
Short term compensated absences	11,928	5,928
Workers' Profit Participation Fund	24,171	-
Workers' Welfare Fund	265,342	140,452
Others	33,472	6,857
	5,458,133	6,134,306

- 18.1** Trade creditors includes Rs. 1,072.79 million (2017: Rs. 3,011.88 million) payable to a related party.
- 18.2** The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the conditions specified thereunder.
- 18.3** Advances from customers are unsecured and includes Rs. 0.18 million (2017: Rs. 0.15 million) received from a related party for supply of finished goods.
- 18.4** This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 20.1.1).

Opening balance	519,204	362,076
Provided during the year	255,609	157,128
Closing balance	774,813	519,204

18.5 Provision for government levies

Opening balance	257	409
Payment during the year	(27)	(152)
Closing balance	230	257

18.6 Workers' Profit Participation Fund

Opening balance	-	13,817
Allocation for the year	312,226	247,788
Interest on workers' profit participation fund	4,090	85
Payment during the year	(292,145)	(261,690)
Closing balance	24,171	-

19 SHORT TERM BORROWINGS - secured

Conventional

Running finance under mark-up arrangement	19.1	3,919,725	1,570,864
Running finance under Export Refinance Scheme	19.2	1,861,675	1,118,500

Islamic

Short term finance under Running Musharakah	19.3	1,255,757	860,369
Short term finance under Term Musharakah	19.4	1,425,153	1,489,503
		8,462,310	5,039,236

- 19.1** 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 6.62% to 8.42% (2017: 6.08% to 8.00%) per annum.
- 19.2** 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 is 2.1% to 2.15% (2017: 2.15%) per annum.
- 19.3** The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is 6.34% to 6.63% (2017: 6.33% to 6.53%) per annum. This facility matures within twelve months and is renewable.
- 19.4** The Company has obtained facilities for short term finance under Term Musharakah. The rate of profit is 6.09% to 6.47% (2017: 6.07% to 6.14%) per annum. This facility matures within twelve months and is renewable.
- 19.5** As at 30 June 2018, the unavailed facilities from the above borrowings amounted to Rs. 4,594 million (2017: Rs. 6,360.76 million).
- 19.6** The above facilities are secured by way of joint pari passu charge and ranking over current and future moveable assets of the Company having aggregate charge amounting to Rs.16,330 million.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

- 20.1.1** 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. 791.5 million (2017: Rs. 536.5 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 18.4). 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.
- 20.1.2** 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 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. 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. 850 million (2017: Rs. 739 million) pertaining to period from 01 July 2011 to 30 June 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).

- 20.1.3** Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Company has filed a suit in the Sindh High Court (the Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the differential amount with the Nazir of the Court. The Company has deposited amount of Rs. 348.3 million (2017: 107.7 million) as post dated cheques with the Nazir of the Court. The Company, on prudent basis, has also accrued this amount in these financial statements.
- 20.1.4** 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 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-provisional 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.
- 20.1.5** 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 (2017: 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.
- 20.1.6** Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 269.74 million (2017: Rs. 268.7 million) as a security for supply of gas.
- 20.1.7** Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 12 million (2017: Rs. 5.5 million).
- 20.1.8** Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2017: Rs. 8.67 million).
- 20.1.9** Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. 21.80 million (2017: Rs. Nil).
- 20.1.10** Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs. 4.61 million (2017: Rs. Nil).

20.2 Commitments

20.2.1 Capital expenditure commitments outstanding as at 30 June 2018 amounted to Rs. 581.3 million (2017: Rs. 3,016.6 million).

20.2.2 Commitments under Letters of Credit for raw materials and spares as at 30 June 2018 amounted to Rs. 9,538 million (2017: Rs. 4,616.45 million).

20.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 30 June 2018 amounted to Rs. 10,199.52 million (2017: Rs. 13,501.95 million) and Rs. 59.31 million (2017: Rs. 190 million) respectively.

21 NET SALES

Note	2018	2017
	(Rupees in '000)	
Local	51,726,237	35,625,125
Export	4,216,796	3,911,843
	55,943,033	39,536,968
Sales tax	(7,735,649)	(5,361,282)
Trade discounts	(31,825)	(20,950)
Sales commission	(554,840)	(422,114)
	(8,322,314)	(5,804,346)
	47,620,719	33,732,622

22 COST OF SALES

Opening stock of raw material and work-in-process		4,219,066	2,739,463
Purchases		40,813,376	29,651,958
Salaries, wages and benefits	22.1	540,843	401,788
Electricity, gas and water		1,075,894	975,516
Insurance		22,037	19,298
Security and janitorial		21,294	18,565
Depreciation	6.2	762,089	710,769
Amortisation	7	1,338	112
Stores and spares consumed		98,148	87,095
Provision for obsolescence against spares		19,553	-
Repairs and maintenance		97,912	81,011
Postage, telephone and stationery		6,741	6,367
Vehicle, travel and conveyance		15,145	18,799
Internal material handling		26,235	16,789
Environment controlling expense		1,741	1,585
Computer stationery and software support fees		5,506	6,078
Partial manufacturing expenses		-	285,068
Sundries		32,838	18,301
Recovery from sale of scrap		(1,538,907)	(1,089,654)
		46,220,849	33,948,908
Closing stock of raw material and work-in-process		(7,117,488)	(4,219,066)
Cost of goods manufactured		39,103,361	29,729,842
Finished goods:			
Opening stock		3,505,587	1,602,250
Closing stock	9	(2,561,284)	(3,505,587)
		944,303	(1,903,337)
		40,047,664	27,826,505

22.1 Salaries, wages and benefits include Rs. 21.51 million (2017: Rs. 18.08 million) in respect of staff retirement benefits.

23 SELLING AND DISTRIBUTION EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Salaries, wages and benefits	23.1	78,399	68,612
Rent, rates and taxes		11,445	10,514
Electricity, gas and water		2,522	2,174
Insurance		919	673
Depreciation	6.2	6,654	4,030
Postage, telephone and stationery		3,018	2,063
Vehicle, travel and conveyance		13,865	11,358
Freight and forwarding charges		257,387	206,722
Sales promotion		51,580	17,065
Others		8,503	10,583
		434,292	333,794

23.1 Salaries, wages and benefits include Rs. 3.25 million (2017: Rs. 3.83 million) in respect of staff retirement benefits.

24 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	24.1	197,776	129,910
Rent, rates and taxes		4,831	5,821
Electricity, gas and water		2,169	2,118
Insurance		2,138	1,657
Depreciation	6.2	5,827	5,527
Security and janitorial services		530	491
Printing and stationery		4,922	2,250
Computer stationery and software support fees		63	48
Postage and communication		2,153	701
Vehicle, travel and conveyance		7,009	5,468
Legal and professional charges		36,924	43,902
Certification and registration charges		4,810	6,033
Directors' fee		4,950	3,660
Others		11,295	7,290
		285,397	214,876

24.1 Salaries, wages and benefits include Rs. 9.03 million (2017: Rs. 5.91 million) in respect of staff retirement benefits.

25 FINANCE COST

Mark-up on:			
- long term financing		156,763	218,725
- short term borrowings		184,801	81,697
- running musharakah		34,376	20,375
- term musharakah		43,878	20,849
- diminishing musharakah		107,545	104,776
		527,363	446,422
Bank charges		7,663	9,963
Interest on Workers' Profit Participation Fund		4,090	85
Exchange gain on foreign exchange financing		-	(970)
		539,116	455,500

26 OTHER OPERATING CHARGES

	Note	2018	2017
		(Rupees in '000)	
Auditors' remuneration	26.1	2,254	2,106
Donations	26.2	64,000	44,459
Workers' Profit Participation Fund	18.6	312,226	247,788
Workers' Welfare Fund		124,890	99,115
Loss on derivative financial instruments		-	31,483
Exchange loss - net		158,225	-
		661,595	424,951

26.1 Auditors' remuneration

Audit fee	1,550	1,444
Half yearly review	443	411
Other services including certifications	136	126
Out of pocket expenses	125	125
	2,254	2,106

26.1.1 These amounts are inclusive of sales tax.

26.2 Donations

26.2.1 Donations to following Organizations and Trusts exceed Rs. 500,000:

Habib University Foundation	10,500	-
SINA Health Education and Welfare Trust	8,000	12,000
Amir Sultan Chinoy Foundation	6,000	5,000
Sindh Institute of Urology & Transplantation	5,000	9,000
Aga Khan Planning and Building Service Pakistan	5,000	-
Indus Hospital	5,000	1,500
The Citizens Foundation	4,800	4,400
Charter for compassion	3,200	-
Patients Aid Foundation (JPMC)	3,000	-
The Hunar Foundation	2,700	-
Society for the Rehabilitation of Special Children	1,600	-
National University of Sciences and Technology	1,000	-
Karwan-e-Hayat Psychiatric Care and Rehabilitation Center	1,000	-
Ghulaman-e-Abbas Education & Medical Trust	1,000	-
Insaf Community Welfare Society	1,000	-
Al Rehmat Benevolent Trust	1,000	1,000
The Kidney Centre	1,000	1,000
Carvan for Life Trust	900	-
Layton Rehmatullah Benevolent Trust	-	2,000
The Patients' Behbud Society- Aga Khan University Hospital	-	2,000
Aga Khan Education Service Pakistan	-	2,000
Bait-ul-Sukoon Cancer Hospital	-	1,600
	61,700	41,500

26.2.2 Donations in which directors are interested are as follows:

Name of Director	Interest in Donee	Name and address of the Donee	Amount donated	
			2018	2017
			(Rupees in '000)	
Mr. Towfiq H. Chinoy & Syed Salim Raza	Trustee	Habib University Foundation 18, Faisal Cantonment, Karachi	10,500	-
Mr. Samir M. Chinoy	Chairman	Amir Sultan Chinoy Foundation 101, Beaumont Plaza, 10 Beaumont Road, Karachi	6,000	5,000
Mr. Kamran Y. Mirza	Trustee	Karwan-e-Hayat Plot # SC-54, Darusalam Housing Society, Sector 31-F, Korangi, Karachi	1,000	-
Mr. Tariq Iqbal Khan	Director	High Altitude Sustainability Pakistan 33, St 23, F-10/2, Islamabad	500	-
Mr. Kemal Shoaib	Director	Public Interest Law Association of Pakistan-PILAP 18-C, Office No. 202, Zamzama Commercial Lane No. 2, Phase V, D.H.A, Karachi	-	500
Syed Salim Raza	Trustee	Layton Rehmatullah Benevolent Trust 37-C, Sunset Lane No. 4 Phase II Extension, 24th Commercial Street D.H.A, Karachi	-	2,000
			18,000	7,500

27 OTHER INCOME

	Note	2018	2017
(Rupees in '000)			
Income from non financial assets			
Income from power generation	27.1	32,110	42,594
Recovery of shared resources cost		58,105	40,961
Gain on sale of property, plant and equipment		9,282	4,874
Rental income		1,942	1,932
Exchange gain - net		-	11,331
Others		48,178	28,578
		149,617	130,270
Income / return on financial assets			
Income on bank deposit - conventional		1,040	1,508
		150,657	131,778

27.1 Income from power generation

	Note	2018	2017
		(Rupees in '000)	
Net sales		421,065	422,898
Cost of electricity produced:			
Salaries, wages and benefits	27.1.1	22,609	19,854
Electricity, gas and water		821,520	798,540
Depreciation	6.2	82,331	48,272
Stores and spares consumed		20,291	21,783
Repairs and maintenance		33,797	23,685
Sundries		1,616	1,606
		982,164	913,740
Less: Self consumption		(593,209)	(533,436)
		388,955	380,304
Income from power generation		32,110	42,594

27.1.1 Salaries, wages and benefits include Rs. 0.67 million (2017: Rs. 0.96 million) in respect of staff retirement benefits.

27.1.2 The Company has electricity power generation facility at its premises. The Company has generated electricity in excess of its requirements which is supplied to K-Electric Limited under an agreement. The agreement is valid for period up to 20 years w.e.f. 31 August 2007.

28 TAXATION

Current - for the year		1,025,358	782,265
- for prior years		158,450	136,320
	12	1,183,808	918,585
Deferred		254,546	646,167
		1,438,354	1,564,752

28.1 Relationship between income tax expense and accounting profit

	2018	2017	2018	2017
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			5,803,312	4,608,774
Tax at the enacted tax rate	30.00	31.00	1,740,994	1,428,720
Effect on income under final tax regime	(1.05)	(2.94)	(60,666)	(135,472)
Effect of adjustments on account of change in rates and proportionate etc.	(4.62)	(1.29)	(268,311)	(59,567)
Effect of super tax	2.58	2.74	149,607	126,434
Effect of prior year taxation	2.73	2.96	158,450	136,320
Effect of tax credit	(4.99)	(1.66)	(289,659)	(76,525)
Effect of Alternate Corporate Tax	-	3.17	-	146,162
Others	0.14	(0.03)	7,939	(1,320)
	24.79	33.95	1,438,354	1,564,752

28.2 The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. The Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
	(Rupees in '000)		
Income tax provision for the year (as per accounts)	782,265	112,327	24,906
Income tax as per tax assessment	782,265	129,593	14,398

- 28.3** Under section 5A of Income Tax Ordinance, 2001 (as amended by the Finance Act 2017), a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors in their meeting held on 15 August 2018 have recommended sufficient cash dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2018.

29 EARNINGS PER SHARE - BASIC AND DILUTED

	2018	2017
	(Rupees in '000)	
Profit after taxation for the year	4,364,958	3,044,022
	(Number)	
Weighted average number of ordinary shares in issue during the year	435,000,000	435,000,000
	(Rupees)	
Earnings per share	10.03	7.00

- 29.1** There is no dilutive impact on earnings per share.

30 CHANGES IN WORKING CAPITAL

	2018	2017
	(Rupees in '000)	
<i>(Increase) / decrease in current assets</i>		
Stores and spares	49,146	(65,099)
Stock-in-trade	(4,594,896)	(4,223,715)
Trade debts	119,253	(243,242)
Receivable from K-Electric Limited (KE)	10,324	(2,474)
Advances, trade deposits and short-term prepayments	5,235	(23,603)
Sales tax receivable	(351,114)	(724,029)
	(4,762,052)	(5,282,162)
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	(682,173)	1,437,962
	(5,444,225)	(3,844,200)

31 STAFF RETIREMENT BENEFITS

The actuarial valuation of gratuity was carried out during the year by an independent actuary under projected unit credit method.

The following significant assumptions has been used:

<i>Financial assumptions</i>	2018	2017
Rate of discount	10.00%	9.25%
Expected rate of salary increase	9.00%	8.25%

Demographic assumptions

Mortality rate
Rates of employee turnover
Retirement assumption

2018	2017
SLIC 2001-2005	SLIC 2001-2005
Moderate	Moderate
Age 60 years	Age 60 years

The amounts recognised in statement of financial position are as follows:

Present value of defined benefit obligation
Fair value of plan assets
Liability as at 30 June

2018	2017
(Rupees in '000)	
125,399	98,758
(125,399)	(75,180)
-	23,578

Movements in the present value of defined benefit obligation

Present value of defined benefit obligation - beginning of the year
Current service cost
Interest cost
Re-measurements: Actuarial losses on obligation
Benefits paid
Present value of defined benefit obligation

98,758	75,829
17,445	14,867
8,957	6,638
4,096	5,569
(3,857)	(4,145)
125,399	98,758

Movements in the fair value of plan assets

Fair value of plan assets - beginning of the year
Interest income on plan assets
Return on plan assets, excluding interest income
Benefits paid
Contribution to fund
Fair value of plan assets

75,180	51,333
8,702	5,279
(5,336)	3,924
(3,857)	(4,145)
50,710	18,789
125,399	75,180

Movement in net defined benefit liability

Opening balance
Re-measurements recognised in other comprehensive income during the year
Expense chargeable to profit and loss account
Contribution paid during the year
Closing balance

23,578	24,496
9,432	1,645
17,700	16,226
(50,710)	(18,789)
-	23,578

Amount recognised in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

*Component of defined benefit costs
recognized in profit and loss account*

Current service cost
Net interest cost
- Interest cost on defined benefit obligation
- Return on plan assets

17,445	14,867
8,957	6,638
(8,702)	(5,279)
17,700	16,226

*Component of defined benefit costs (re-measurement)
recognised in other comprehensive income*

Re-measurements: Actuarial (gain) / loss on obligation
- Loss due to change in experience adjustments
- Return on plan assets
Net re-measurement recognised in other comprehensive income

4,096	5,569
5,336	(3,924)
9,432	1,645

Total defined benefit cost recognised in profit and loss account and other comprehensive income

27,132	17,871
--------	--------

	2018	2017
	(Rupees in '000)	
Components of defined benefit cost for the next year		
Current service cost	20,384	17,446
Interest expense on defined benefit obligation	12,136	8,829
Return on plan assets	(13,404)	(5,312)
Net interest cost	(1,268)	3,517
Cost for the next year to be recognised in profit and loss	19,116	20,963

Composition of fair value of plan assets

	2018		2017	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Government securities	81,224	65%	51,901	69%
Shares - Listed	34,412	27%	18,882	25%
Bank deposits	9,763	8%	4,397	6%
Fair value of plan assets	125,399	100%	75,180	100%

Sensitivity analysis on significant actuarial assumptions:

Actuarial liability

	2018	2017
	(Rupees in '000)	
Discount rate + 100 basis points	112,512	88,358
Discount rate - 100 basis points	140,745	111,167
Salary increases + 100 basis points	140,989	111,362
Salary increases - 100 basis points	112,079	88,008
	(Number in years)	
Weighted average duration of the Defined Benefit Obligation	11	12

The sensitivity analysis prepared presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	21,076	67,403	125,309	17,182	42,359	102,813
Bonus	7,025	4,628	24,922	5,727	2,192	22,444
Retirement benefits	2,633	933	9,344	2,352	833	8,276
Rent, utilities, leave encashment etc.	10,538	4,591	64,615	8,800	3,719	52,784
	41,272	77,555	224,190	34,061	49,103	186,317
Number of persons	1	2	33	1	2	30

- 32.1** In addition to the above, Chief Executive, Directors and certain Executives are provided with free use of Company maintained vehicles in accordance with the Company's policy.

32.2 Fee paid to non-executive directors is Rs. 4.95 million (2017: Rs. 3.66 million) on account of meetings attended by them.

32.3 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

33 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

33.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations without considering the fair value of the collateral available there against.

Exposure to credit risk

The carrying amount of financial assets as disclosed in note 34 represent the maximum credit exposure.

The Company's principal credit risk arises from trade debts, K-Electric Limited (KE) and bank balances. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset reported in these financial statements. Receivable from K-Electric Limited (KE) is monitored on an on going basis in accordance with settlement agreement. The Company does not expect to incur loss there against. The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. Majority of the Company's sale are made against receipt of payment in advance from customer. The Company has no major concentration of credit risk with any single customer. The majority of the trade customers have been transacting with the Company for several years. The Company establishes an allowance for impairment where it considers recoveries are not probable.

33.1.1 Trade debts and receivable from K-Electric (KE) amounting to Rs. 114.5 million (2017: Rs. 142.4 million) at the reporting date belong only to domestic region whereas trade debts amounting to Rs. 562.9 million (2017: Rs. 664.7 million) belong to foreign customers.

33.1.2 Impairment losses

The aging of trade debtors and receivable from K-Electric Limited (KE) at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	663,717	-	795,605	-
Past due 1-60 days	13,737	-	11,425	-
Total	677,454	-	807,030	-

33.1.3 Management believes that the unimpaired balances that are past due are still collectible in full, based on historical payment behaviour and review of financial strength of respective customers. Further, certain trade debtors are secured by way of Export Letter of Credit and Inland Letter of Credit which can be called upon if the counter party is in default under the terms of the agreement.

33.1.4 Cash is held only with reputable banks with high quality external credit rating assessed by external rating agencies. Following are the credit ratings of banks within which balances are held or credit lines available:

Bank	Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR-VIS	A-1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA
Faysal Bank Limited	PACRA	A1+	AA
Bank AL Habib Limited	JCR-VIS	A-1+	AA
	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Bank Al Falah Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Limited	JCR-VIS	A-1	AA-
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Allied Bank Limited	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A-1	AA
MCB Islamic Bank Limited	PACRA	A1	A

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash to meet expected working capital requirements by having credit lines available. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

2018						
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
(Rupees in '000)						
Non-derivative financial liabilities						
Long term financing	7,969,960	(8,737,466)	(776,789)	(770,725)	(6,082,624)	(1,107,328)
Short-term borrowings	8,462,310	(8,462,310)	(8,462,310)	-	-	-
Accrued mark-up	156,489	(156,489)	(156,489)	-	-	-
Trade and other payables	2,029,925	(2,029,925)	(2,029,925)	-	-	-
	18,618,684	(19,386,190)	(11,425,513)	(770,725)	(6,082,624)	(1,107,328)
2017						
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
(Rupees in '000)						
Non-derivative financial liabilities						
Long term financing	4,818,345	(6,753,591)	(818,578)	(1,706,204)	(3,849,988)	(378,821)
Short-term borrowings	5,039,236	(5,039,236)	(5,039,236)	-	-	-
Accrued mark-up	69,140	(69,140)	(69,140)	-	-	-
Trade and other payables	4,081,902	(4,081,902)	(4,081,902)	-	-	-
	14,008,623	(15,943,869)	(10,008,856)	(1,706,204)	(3,849,988)	(378,821)

33.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up have been disclosed in respective notes to these financial statements.

33.2.2 Long term financing from various banks contains certain loan covenants. A breach of covenant, in future, may require the Company to repay the respective loans earlier than as directed in the above table.

33.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is exposed to currency risk and interest rate risk only.

33.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to currency risk

The Company is exposed to currency risk on trade debts, bank balances and trade creditors that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2018		2017	
	Rupees	US Dollars	Rupees	US Dollars
	(Amount in '000)			
Trade debts and bank balance in foreign currency	654,985	5,393	679,696	6,486
Trade creditors	(1,483,519)	(12,197)	(3,129,838)	(29,814)
Statement of Financial Position exposure	(828,534)	(6,804)	(2,450,142)	(23,328)

The following significant exchange rates applied during the year:

	2018	2017	2018	2017
	Average Rates		Reporting date rate	
	Rupees			
US Dollar to PKR	109.97	104.98	121.45 / 121.63	104.79 / 104.98

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased the profit by Rs. 62.3 million (2017: Rs. 161.8 million). This analysis assumes that all other variables, in particular interest rates, remain constant and the analysis is performed on the same basis as done in prior year.

33.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from short and long term borrowings from bank.

a) Cash flow sensitivity analysis for variable rate instruments

The Company holds various variable rate financial instruments amounting to Rs. 14,723 million (2017: Rs. 7,917 million) exposing the Company to cash flow interest rate risk. A change of 100 basis points as at 30 June 2018 would have increased / (decreased) profit after tax and equity for the year by Rs. 103.06 million (2017: Rs. 55.43 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

b) Cash flow sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit asset and long term liabilities, management considers that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings is at market rate. The fair value of the land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing asset in use. The resulting fair value is a level 3 fair value measurement.

33.4 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Long term borrowings including related accrued markup	Retained earnings	Total
(Rupees in '000)					
Balance as at 1 July 2017	2,431,233	2,638,949	4,856,539	3,246,005	13,172,726
<i>Changes from financing cash flows</i>					
Repayment of loan	-	-	(1,148,385)	-	(1,148,385)
Proceeds from long term loan	-	-	4,300,000	-	4,300,000
Payments / (repayments) - net	-	678,825	-	-	678,825
Dividend paid	-	-	-	(1,350,865)	(1,350,865)
Total changes from financing activities	-	678,825	3,151,615	(1,350,865)	2,479,575
<i>Other changes - interest cost</i>					
Interest expense	-	274,808	264,308	-	539,116
Interest paid	-	(263,364)	(188,403)	-	(451,767)
Changes in running finance	2,744,249	-	-	-	2,744,249
Total loan related other changes	2,744,249	11,444	75,905	-	2,831,598
Total equity related other changes	-	-	-	4,637,564	4,637,564
Balance as at 30 June 2018	5,175,482	3,329,218	8,084,059	6,532,704	23,121,463

During the year Rs. 82.6 million has been capitalized as borrowing cost as disclosed in note 6.1.1 to these financial statements and the related amount is not yet due for payment.

34 MEASUREMENT OF FAIR VALUES

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

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

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

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

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

30 June 2018						
Carrying amount			Fair Value			
Loan and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3	
(Rupees in '000)						
Financial assets not measured at fair value						
Trade debts	677,453	-	-	-	-	-
Trade deposits	10,904	-	-	-	-	-
Cash and bank balances	99,822	-	-	-	-	-
Total financial assets	788,179	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	-	6,768,281	-	-	-
Current maturity of long term financing	-	-	1,201,679	-	-	-
Trade and other payables	-	-	2,032,842	-	-	-
Short term borrowings	-	-	8,462,310	-	-	-
Total financial liabilities	-	-	18,465,112	-	-	-
30 June 2017						
Carrying amount			Fair Value			
Loan and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3	
(Rupees in '000)						
Financial assets not measured at fair value						
Trade debts	807,030	-	-	-	-	-
Trade deposits	7,894	-	-	-	-	-
Cash and bank balances	53,228	-	-	-	-	-
Total financial assets	868,152	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	-	3,621,272	-	-	-
Current maturity of long term financing	-	-	1,197,073	-	-	-
Trade and other payables	-	-	4,082,558	-	-	-
Short term borrowings	-	-	5,039,236	-	-	-
Total financial liabilities	-	-	13,940,139	-	-	-

35 CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Company intends to manage its capital structure by monitoring return on capital, as well as the level of dividends to ordinary shareholders.

36 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 engagements.

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.

36.1 Transactions with related parties

Holding Company

Sales	9,322,568	7,091,011
Purchases	234,145	62,050
Rent	8,076	10,125
Shared resources cost	58,105	40,961
Reimbursement of expenses	6,368	3,484
Partial manufacturing - sales	23	28
Partial manufacturing - purchases	-	304,009
Corporate, legal, marketing and IT services	19,587	10,161
Dividend paid	612,639	918,958

Other related parties

Sales	1,172,694	662,432
Purchases	27,253,573	15,483,463
Dividend paid	98,694	138,172
Rental income	1,942	1,932
Services*	49,019	49,405
Sales commission	-	210
Remuneration to Key Management Personnel	245,748	198,848
Payment to staff retirement funds	69,475	31,345

* Services includes premium against insurance policies

36.2 The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

Name of the Related Party	Relationship and percentage of Shareholding
International Industries Limited	Holding Company holds 56.3% (2017: 56.3%)
Sumitomo Corporation	Associated Company holds 9% (2017: 9%)
Intermark (Private) Limited	Associated Company due to significant influence
Pakistan Cables Limited	Associated Company due to common directorship
Jubilee General Insurance Company Limited	Associated Company due to common directorship
Jubilee Life Insurance Company Limited	Associated Company due to common directorship
KSB Pumps Limited	Associated Company due to common directorship

36.3 Outstanding balances with related parties have been separately disclosed in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

37 ANNUAL PRODUCTION CAPACITY

The production capacity at the year end was as follows:

	2018	2017
	(Metric Tonnes)	
Galvanizing	462,000	462,000
Cold rolled steel strip	1,000,000	550,000
Colour coated	84,000	84,000

The actual production for the year was:

Galvanizing	330,259	312,886
Cold rolled steel strip	470,841	464,023
Colour coated	19,846	9,345

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix is different. Actual production was as per market demand. The additional capacity of 450,000 Metric tonnes was made available on 21 June 2018.

38 OPERATING SEGMENT

38.1 These financial statements have been prepared on the basis of a single reportable segment.

38.2 Revenue from sales of steel products represents 99% (2017: 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 Galvanizing plant and Cold Rolling Plant and currently any excess electricity is sold to KE.

38.3 All non-current assets of the Company as at 30 June 2018 are located in Pakistan.

38.4 92% (2017: 90%) of sales of steel are domestic sales whereas 8% (2017: 10%) of sales are export / foreign sales.

38.5 Geographic Information

	2018	2017
	(Rupees in '000)	
Domestic Sales	51,726,237	35,625,125
Export Sales	4,216,796	3,911,843
	55,943,033	39,536,968

38.6 Details of outstanding trade debts in respect of export sales are as follows:

Country	Total export sales made to debtors outstanding	Amount outstanding	Mode of Contract
	(Rupees in '000)		
United States of America	1,663,691	108,909	Letter of Credit
United Arab Emirates	89,714	25,302	Letter of Credit
Sri Lanka	18,902	7,650	Letter of Credit
South Africa	603,831	292,696	Documents against Acceptance
West Indies	213,257	98,813	Documents against Acceptance
Qatar	274,356	19,738	Documents against Payment
Sri Lanka	12,141	8,149	Documents against Payment
Somaliland	8,669	1,361	Documents against Payment
Mauritius	4,669	292	Documents against Payment

38.7 Management considers that revenue from its ordinary activities are shariah compliant.

39 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2018	2017
	(Number of employees)	
Total employees of the Company at year end	673	567
Average employees of the Company during the year	633	563
Employees working in the Company's factory at the year end	617	515
Average employees working in the Company's factory during the year	580	516

40 GENERAL

40.1 Non-adjusting event after reporting date

The Board of Directors of the Company in their meeting held on 15 August 2018 has proposed a final cash dividend of Rs. 3 per share amounting to Rs.1,305 million (2017: Re.1 per share amounting to Rs. 435 million) for the year ended 30 June 2018. The approval of the shareholders of the Company for the dividend shall be obtained at the upcoming Annual General Meeting for the year ended 30

June 2018. The financial statements for the year ended 30 June 2018 do not include the effect of the proposed final cash dividend which will be accounted for in the year ending 30 June 2019.

40.2 Corresponding figures

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

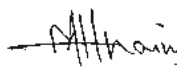
Description	Reclassified from	Reclassified to	2017 (Rupees in '000)
Advances, trade deposits and short-term prepayments	Advances - considered good	Advances, trade deposits and short-term prepayments	48,463
Unpaid Dividend	Trade and other payables	Unpaid Dividend (presented on face of statement of financial position)	275,166
Unclaimed Dividend	Trade and other payables	Unclaimed Dividend (presented on face of statement of financial position)	656

41 DATE OF AUTHORISATION FOR ISSUE

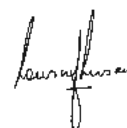
These financial statements were authorised for issue on 15 August 2018 by the Board of Directors of the Company.



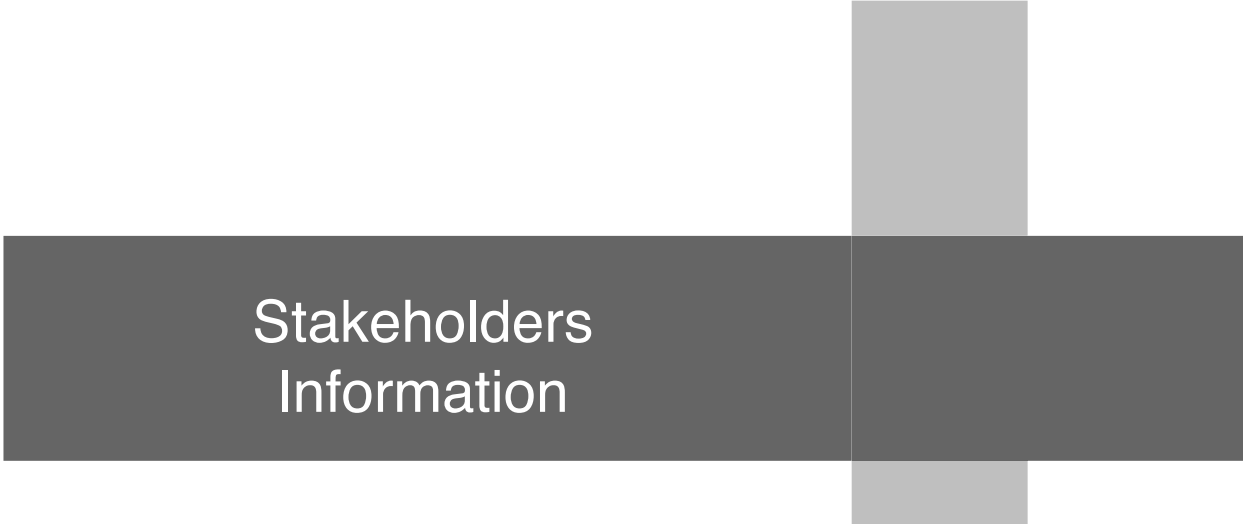
Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer



Stakeholders Information

Pattern of Shareholding

As at 30 June 2018

Number of shareholders	Having shares		Shares held	Percentage
	From	To		
559	1	100	31,787	0.007
1257	101	500	527,197	0.121
873	501	1,000	815,741	0.187
1243	1,001	5,000	3,447,864	0.792
348	5,001	10,000	2,775,900	0.638
140	10,001	15,000	1,827,163	0.420
86	15,001	20,000	1,573,117	0.361
69	20,001	25,000	1,634,152	0.375
44	25,001	30,000	1,269,082	0.291
19	30,001	35,000	629,016	0.144
29	35,001	40,000	1,117,102	0.256
24	40,001	45,000	1,035,631	0.238
35	45,001	50,000	1,731,335	0.398
10	50,001	55,000	530,035	0.121
16	55,001	60,000	936,300	0.215
9	60,001	65,000	572,606	0.131
9	65,001	70,000	620,699	0.142
13	70,001	75,000	940,786	0.216
48	75,001	100,000	4,224,119	0.971
19	100,001	125,000	2,127,355	0.489
20	125,001	150,000	2,816,107	1.206
8	150,001	175,000	1,297,919	0.298
12	175,001	200,000	2,300,600	0.528
9	200,001	240,000	1,958,922	0.450
14	240,001	295,000	3,640,187	0.836
18	295,001	360,000	5,903,403	1.357
5	360,001	430,000	1,921,002	0.441
8	430,001	470,000	3,630,808	0.834
9	470,001	500,000	4,422,900	1.016
7	500,001	640,000	4,007,301	0.921
9	640,001	720,000	6,110,500	1.404
7	720,001	895,000	5,525,300	1.270
5	895,001	1,035,000	4,795,000	1.102
6	1,035,001	1,350,000	6,728,873	1.546
5	1,410,001	1,565,000	7,407,800	1.702
5	1,565,001	2,000,000	8,585,100	1.973
1	2,005,001	2,010,000	2,007,900	0.461
1	2,100,001	2,105,000	2,100,149	0.482
1	2,105,001	2,110,000	2,110,000	0.485
1	2,110,001	2,115,000	2,111,500	0.485
1	2,645,001	2,650,000	2,646,600	0.608
1	2,660,001	2,665,000	2,664,600	0.612
1	2,960,001	2,965,000	2,961,500	0.680
1	2,980,001	2,985,000	2,983,344	0.685
1	2,985,001	2,990,000	2,988,000	0.686
1	3,245,001	3,250,000	3,248,000	0.746
1	4,595,001	4,600,000	4,600,000	1.057
1	20,625,001	20,630,000	20,626,500	4.741
1	39,475,001	39,480,000	39,477,657	9.075
1	245,055,001	245,060,000	245,055,541	56.334
5011			435,000,000	100.00

Categories of Shareholders

As at 30 June 2018

Particulars	No. of Shareholders	No. of Shares Held	Percentage
Sponsor / Holding Company & Nominee Directors	3	245,055,543	56.334
Directors & Spouses / Family Members	15	16,043,993	3.688
Govt. Financial Institution	1	1,653,000	0.380
Banks, DFI & NBF	11	9,292,700	2.136
Insurance Companies	14	3,574,478	0.821
Mutual Funds	80	30,527,227	7.017
Companies/Trust & Others	237	15,926,499	3.661
Strategic Investors	1	39,477,657	9.075
Foreign Companies	36	28,112,435	6.462
Modarabas	4	58,500	0.013
General Public / Individuals - Local	4,343	40,366,991	9.279
General Public / Individuals - Foreign	266	4,910,977	1.129
TOTAL	5,011	435,000,000	100.00

Key Shareholding

As at 30 June 2018

Information on shareholding required under reporting framework is as follows:

	No. of Shareholders	No. of shares	Percentage
Sponsor / Holding Company			
International Industries Ltd.	3	245,055,543	56.334
Directors & Spouses	12	13,908,993	3.197
Government Financial Institutions			
CDC - Trustee National Investment (Unit) Trust	1	1,653,000	0.380
Strategic Investors			
Sumitomo Corporation	1	39,477,657	9.075
Foreign Corporate Investors			
JFE Steel Corporation	1	20,626,500	4.742
Executives	3	58,591	0.013

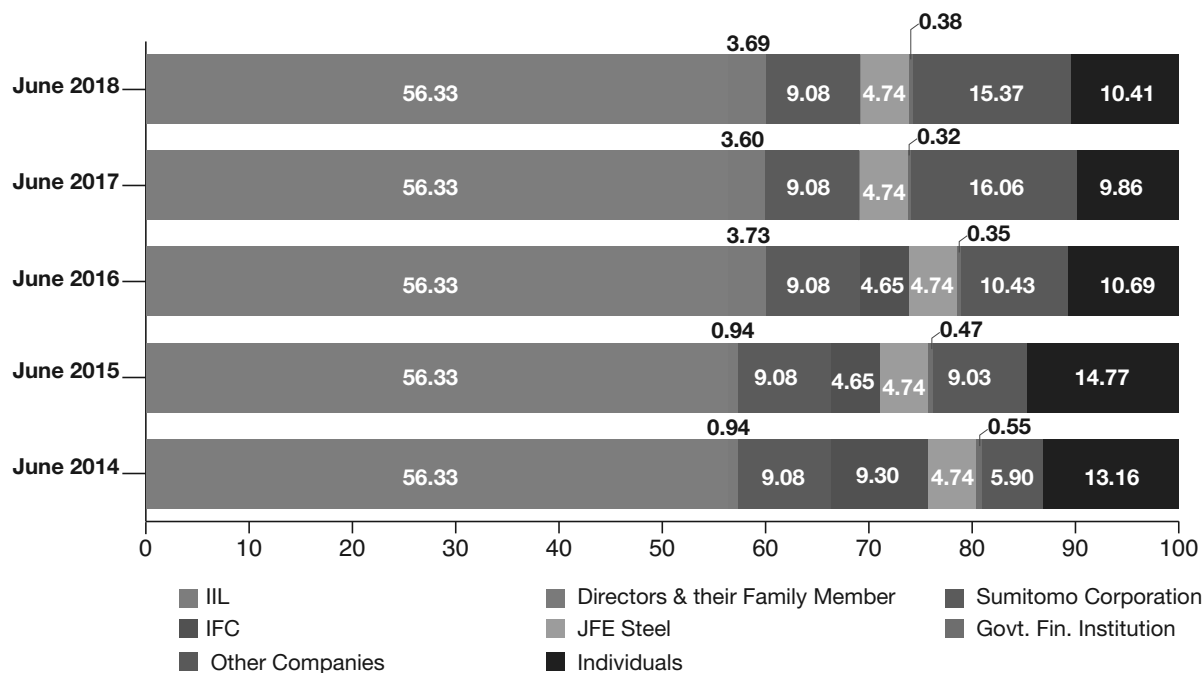
Members Having 5% or More of Voting Rights

Name of Shareholders	No. of shares	Percentage
International Industries Ltd.	245,055,543	56.334
Sumitomo Corporation	39,477,657	9.075

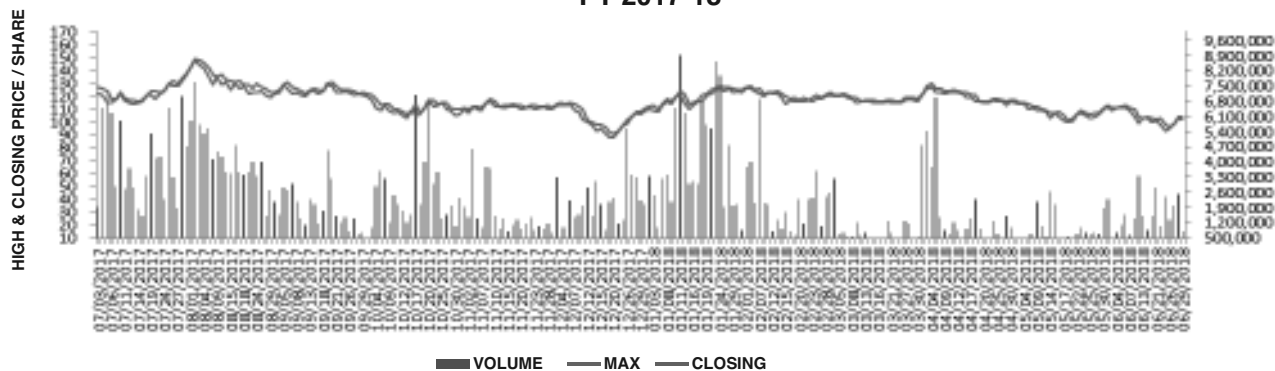
Shares Trading by Directors / Executives

13,000 shares were traded by Director/Executive of the Company during the financial year 1st July 2017 to 30th June 2018.

Shareholders Composition



ISL Share Prices-Trend V/S Volume Traded
FY 2017-18



Notice of Annual General Meeting

For the year ended June 30, 2018

Notice is hereby given to the members that the 11th Annual General Meeting of the Company will be held on 25th September, 2018 at 11.00 a.m. at the Jasmin Hall, Beach Luxury Hotel, Off; M.T. Khan Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended 30 June, 2018 and the Directors' Report and Auditors' Report thereon.
2. To Consider and approve payment of Rs. 3.00 (30%) per share as final cash dividend in addition to 15% interim cash dividend announced and paid, making a total dividend of Rs. 4.50 (45%) per share for the financial year ended 30 June, 2018 as recommended by the Board of Directors.
3. To appoint auditors for the year 2018-2019 and fix their remuneration.
4. To transact with the permission of the Chair any other business which may be transacted at an Annual General Meeting.



By Order of the Board
International Steels Ltd.
Uzma Amjad Ali
Company Secretary

Karachi
Dated: 15th August 2018

Notes

1. The Share Transfer Books of the Company shall remain closed from 13th September 2018 to 25th September 2018 (both days inclusive).
2. A Member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. An Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of Proxy is enclosed.

CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall produce proof of his / her identity by showing original Computerized National Identity Card (CNIC) at the time of attending the meeting.

In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing Proxy

In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall submit the proxy form as per the above requirement.

Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form. The proxy shall produce his original CNIC at the time of the meeting.

For CNIC / IBAN & Zakat

4. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.

5. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

UNCLAIMED DIVIDENDS & BONUS SHARES

Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact our Share Registrar M/s THK Associates (Pvt) Ltd. to collect/enquire about their unclaimed dividend or pending shares, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

E-DIVIDEND

As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account No. (IBAN) & details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s THK Associates (Pvt) Ltd. E-Dividend mandate form is enclosed.

Please note that after October 31, 2017 all cash dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.

CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS

With reference to SRO 787(I/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s THK Associates (Pvt) Ltd. at 40-C, Block-6, P.E.C.H.S., Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of Annual General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven days of receipt of such request.

FILER AND NON FILER STATUS

- i) The Government of Pakistan through Finance Act, 2018 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
- a) For filers of income tax returns – 15%
 - b) For non-filers of income tax returns – 20%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of approval of cash dividend at the annual general meeting on 25th September 2018 otherwise tax on their cash dividend will be deducted @ 20% instead of @ 15%.

- ii) For any query / problem / information, the investors may contact the Company and / or the Share Registrar at the following phone Numbers, email addressed:

ISL Shares Department
Mr. Mohammad Irfan Bhatti
021-35680045 – 54
irfan.bhatti@isl.com.pk

ISL Shares Registrar
THK Associates (Pvt) Ltd.
021-111-000-322
info@thk.com.pk

- iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or its Share Registrar i.e. THK Associates (Pvt) Ltd. the shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

ای-ڈیویڈنڈ

کمپنیز ایکٹ 2017 کے سیکشن 242 کی رو سے پبلک لسٹڈ کمپنی ہونے کی صورت میں، کوئی بھی نقد قابل ادائیگی ڈیویڈنڈ صرف الیکٹرونک ذریعہ سے اہل شیئر ہولڈر کے مقررہ بینک اکاؤنٹ میں جمع ہو جائے گا لہذا اس نوٹس کے ذریعہ تمام شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے بینک اکاؤنٹ کی تازہ ترین تفصیلات اپنے متعلقہ شرکاء کے ذریعہ سینٹرل ڈپازٹری سسٹم کو فراہم کر دیں۔ فزیکل شیئرز کی صورت میں وہ اپنے بینک اکاؤنٹ کی تفصیلات ہمارے شیئر رجسٹر میں سرزئی ایچ کے ایسوی ایٹس (پرائیویٹ) لمیٹڈ کو فراہم کریں۔ ای-ڈیویڈنڈ کا فارم منسلک ہے۔

اجلاس کی اطلاع اور سالانہ اکاؤنٹس کی ترسیل

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان ("SECP") نے ایس آر او 2014/787 (I) مجریہ 8 ستمبر 2014 کے تحت کمپنیوں کو اجازت دی ہے کہ وہ اپنے ممبران کو اپنی سالانہ بیلنس شیٹ، نفع نقصان اکاؤنٹس، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ مع سالانہ اجلاس عام کی اطلاع بذریعہ ای میل بھیج سکتے ہیں۔ وہ ممبران جو یہ سہولت حاصل کرنے کے خواہشمند ہوں، وہ ہمارے ریکارڈ کو اپ ڈیٹ کرنے اور سالانہ آڈٹ شدہ مالیاتی گوشوارے اور اجلاس عام میں شرکت کی اطلاع بذریعہ ای میل حاصل کرنا چاہتے ہیں تو ہمارے شیئر رجسٹر اریمرز THK ایسوی ایٹس (پرائیویٹ) لمیٹڈ C-40 بلاک 6، پی ای سی ایچ ایس آف شاہراہ فیصل، کراچی کو اپنی رضامندی اور اپنے ای میل ایڈریس سے آگاہ کریں۔ اس کے علاوہ اگر وہ آڈٹ شدہ مالیاتی گوشوارے کی بارڈر کا پی حاصل کرنا چاہیں تو درخواست ارسال فرمائیں، ان کو یہ کاپی ان کی درخواست کی وصولی کے سات دن کے اندر بلا معاوضہ فراہم کر دی جائے گی۔

فائلر اور نان فائلر کی حیثیت

(i) حکومت پاکستان نے فائلر آڈیٹس 2018 کے ذریعہ انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 میں بعض ترامیم کی ہیں جس کے مطابق کمپنیوں کے ڈیویڈنڈ کی ادائیگی کی رقم پر وہ ہولڈنگ ٹیکس کی کٹوتی کرنے کی مختلف شرح مقرر کی گئی ہے جو درج ذیل کے مطابق ہے:

(ا) انکم ٹیکس ریٹن فائل کرنے والوں کیلئے 15%

(ب) انکم ٹیکس ریٹن فائل نہ کرنے والوں کیلئے 20%

لہذا اس مقصد سے کہ کمپنی نقد ڈیویڈنڈ پر 20% کی بجائے 15% کی شرح سے ٹیکس کی کٹوتی کرے، تمام شیئر ہولڈرز کو، جو ٹیکس فائل کرتے ہیں مگر ان کے نام FBR کی ویب سائٹ پر ایکٹیو ٹیکس پیئر زسٹ (ATL) میں شامل نہیں ہیں، ہدایت کی جاتی ہے کہ وہ کمپنی کے بک کلوزر سے پہلے اپنے نام ATL میں شامل ہونے کو یقینی بنالیں ورنہ ان کے نقد منافع میں سے 15% کی بجائے 20% کی شرح سے انکم ٹیکس کی کٹوتی کی جائے گی۔

(ii) کسی استفسار / مسئلہ / معلومات کیلئے ہمارے انٹرکمپنی اور ایڈیشنل رجسٹرار سے درج ذیل فون نمبرز پر رابطہ کر سکتے ہیں، ISL شیئر ڈپارٹمنٹ، ISL شیئر رجسٹرار کے نام ای میل بھیج سکتے ہیں:

آئی ایس ایل شیئر رجسٹرار

THK ایسوی ایٹس (پرائیویٹ) لمیٹڈ

021-111-000-322

irfan.bhatti@isl.com.pk

آئی ایس ایل شیئر ڈپارٹمنٹ

جناب محمد عرفان بھٹی

021-35680045-54

info@thk.com.pk

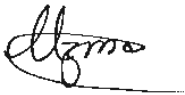
(iii) کارپوریٹ شیئر ہولڈرز جو CDC میں اکاؤنٹ رکھتے ہیں اپنے متعلقہ شرکاء کے ساتھ اپنے قومی ٹیکس نمبر (NTN) کے ساتھ اپ ڈیٹ رکھیں جب کہ کارپوریٹ فزیکل شیئر ہولڈرز کو اپنے NTN سرٹیفکیٹ کی کاپی کمپنی یا ان کے شیئر رجسٹرار THK ایسوی ایٹس (پرائیویٹ) لمیٹڈ کو فوری ارسال کریں۔ یاد رکھیں کہ اپنا NTN سرٹیفکیٹ ارسال کرتے وقت کمپنی کا نام اور اپنا متعلقہ پورٹ فولیو نمبر ضرور تحریر کریں۔

اطلاع برائے سالانہ اجلاس عام برائے سال ختمہ 30 جون 2018

بذریعہ ہذا ممبران کو مطلع کیا جاتا ہے کہ کمپنی کا 11 واں سالانہ اجلاس عام مورخہ 25 ستمبر 2018 کو صبح 11.00 بجے جیسمین ہال، بیچ لکھڑی ہوٹل، آف اییم ٹی خان روڈ کراچی میں درج ذیل کاروباری امور کی انجام دہی کیلئے منعقد ہوگا:

عمومی امور

- ۱۔ کمپنی کے آڈٹ شدہ مالیاتی گوشوارہ مع ڈائریکٹرز اور آڈیٹرز کی رپورٹس برائے سال ختمہ 30 جون 2018 کی وصولی، ان پر غور کرنا اور ان کو اختیار کرنا۔
- ۲۔ کمپنی کے بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق حتمی نقد منافع برائے مالی سال 30 جون 2018 بحساب 3 روپے (30%) فی شیئر کی ادائیگی پر غور کرنا اور منظوری دینا جو عبوری نقد منافع بحساب 15% کے اعلان اور ادائیگی کے علاوہ ہے جس سے مالی سال ختمہ 30 جون 2018 4.50 روپے (45%) فی شیئر ہو گیا۔
- ۳۔ سال 2018-2019 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔
- ۴۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی جو سالانہ اجلاس عام میں شامل کی جاسکے۔



بجلم بورڈ
انٹرنیشنل اسٹیلر لمیٹڈ
عظمیٰ اصغر علی
کمپنی سیکرٹری

کراچی

مورخہ 15 اگست 2018

نوٹس:

- ۱۔ کمپنی کی شیئرز انسٹرکشنس مورخہ 13 ستمبر 2018 تا 25 ستمبر 2018 (بشمول دونوں ایام) بند رہیں گی۔
- ۲۔ کوئی ممبر جو اجلاس عام میں شرکت کرنے، بولنے اور ووٹ ڈالنے کا حقدار ہے، وہ اپنی جگہ دوسرے ممبر کو شرکت کرنے، بولنے اور ووٹ ڈالنے کیلئے پراسی مقرر کرنے کا اختیار رکھتا ہے۔
- ۳۔ پراسی مقرر کرنے کی دستاویز اور پاور آف اٹارنی یا کوئی اور اتھارٹی جس پر اس کے تقرر کیلئے دستخط ہوں یا پاور آف اٹارنی کی نوٹری کے ذریعہ تصدیق شدہ کاپی کمپنی کے رجسٹرڈ دفتر میں اجلاس شروع ہونے کے مقررہ وقت سے کم از کم 48 گھنٹے پہلے جمع کرنا لازمی ہے۔ پراسی فارم منسلک ہے۔
- سی ڈی سی اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر 1 بحریہ 26 جنوری 2000 میں درج رہنما ہدایات کی پیروی بھی کرنا ہوگی۔
- (ا) سالانہ اجلاس عام میں شرکت کیلئے:
انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کی سیکورٹیز اور ان کی رجسٹریشن کی تفصیلات ضابطہ کے مطابق اپ لوڈ ڈ ہیں، ان کو اجلاس میں شرکت کے وقت اپنی شناخت کے لئے اپنا اصل کمپیوٹر انزومی شناختی کارڈ (CNIC) پیش کرنا ہوگا۔
کارپوریٹ اکائی ہونے کی صورت میں اجلاس میں شرکت کے وقت بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد کردہ فرد کے نمونہ کے دستخط (اگر پہلے سے فراہم نہ کئے گئے ہوں) فراہم کرنا ہوں گے۔
ب) پراسی کے تقرر کیلئے:
انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کی سیکورٹیز اور ان کی رجسٹریشن کی تفصیلات ضابطہ کے مطابق اپ لوڈ ڈ ہیں، ان کو درج بالا شرائط کے مطابق پراسی فارم جمع کرنا ہوگا۔
پراسی فارم کے ساتھ بیفیشیل اونر اور پراسی کے CNIC کی تصدیق شدہ کاپیاں منسلک ہونا چاہیئے۔
پراسی کو اجلاس میں شرکت کے وقت اپنا اصل CNIC پیش کرنا ہوگا۔

(ج) CNIC اور زکوٰۃ کیلئے:

- ۴۔ ممبران سے درخواست ہے کہ اپنے کمپیوٹر انزومی شناختی کارڈ (CNIC) کی نقل جمع کرائیں تاکہ ہم اپنے ریکارڈ کو اپ ڈیٹ کر سکیں۔ ایسا نہ کرنے کی صورت میں آئندہ ڈیویڈنڈ کی ادائیگی روک لی جائے گی۔
- ۵۔ ممبران سے درخواست ہے کہ زکوٰۃ اینڈ عشر آرڈیننس 1980 کی رو سے زکوٰۃ سے استثنیٰ کیلئے ڈکلائمیشن جمع کرائیں نیز اپنے پتہ میں کسی تبدیلی کی صورت میں فوری طور پر مطلع کریں۔

غیر کلیم شدہ ڈیویڈنڈ اور بونس شیئرز

ان شیئرز ہولڈرز کو جو کسی وجہ سے اپنا ڈیویڈنڈ یا بونس شیئرز کلیم نہیں کر سکے یا اپنے فزیکل شیئرز حاصل نہیں کر سکے، ہدایت کی جاتی ہے کہ اپنے غیر کلیم شدہ ڈیویڈنڈ یا بونس شیئرز (اگر کوئی ہے) حاصل کر لیں اے بارے میں معلومات کیلئے ہمارے شیئرز رجسٹر ارمیئرڈ ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ سے رابطہ کریں۔

برائے مہربانی نوٹ فرمائیں کہ کمپنی ایکٹ 2017 کے سیکشن 244 کے تحت مقررہ طریقہ کار کی تکمیل کے بعد تمام قابل ادائیگی ڈیویڈنڈز جو اپنے اجراء کی مدت سے تین سال تک غیر کلیم شدہ ہوں، وفاقی حکومت کے پاس جمع کرا دیئے جائیں گے اور شیئرز کی صورت میں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو پہنچا دیئے جائیں۔



Shaping Tomorrow

Consent for Annual Report Through Emails



Shaping Tomorrow

Dear Shareholder(s)

The Securities & Exchange Commission of Pakistan (SECP) through its Notification (SRO 787(I) 2014) dated September 8 2014 has allowed the circulation of Company's annual balance sheet and profit and loss account, auditor's report and directors' report etc. (Audited Annual Financial Statements) to shareholders along with notice of Annual General Meeting (AGM) through **e-mail**.

Therefore, if you wish to receive company's (Audited Annual Financial Statements) along with notice of (AGM) via - email, you are requested to provide this letter duly filled & signed and sent to us or our Share Registrar at their below address:

ای میل کے ذریعے AGM کے نوٹس کے ساتھ ساتھ کمپنی کے آڈٹ کے سالانہ مالیاتی بیانات حاصل کرنے کے لئے، اس خط کو پُر کریں، دستخط کریں اور ذیل ایڈریس پر ہمیں یا ہمارے رجسٹرار کو بھیج دیں۔

E – Mail Address: _____

CNIC Number:

FOLIO / CDS ACCOUNT # _____

**SIGNATURE OF
SHAREHOLDER**

Share Registrar:

THK Associates (Pvt) Ltd.
Ground Floor, State Life Building 3,
Dr. Ziauddin Ahmed Road, Karachi-75530
Phone : 009221-111-000-322
Email: info@thk.com.pk

Yours sincerely,
FOR INTERNATIONAL STEELS LTD.,
Uzma Amjad Ali
Company Secretary



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E-Dividend Mandate Form



Shaping Tomorrow

To:

Date: _____

Subject: Bank account details for payment of Dividend through electronic mode

Dear Sir,

I/We/Messrs., _____
being a/the shareholder(s) of International Steels Limited [the "Company"], hereby, authorize the Company, to directly credit cash dividends declared by it, in my bank account as detailed below:

(i) Shareholder's details:	
Name of the Shareholder	
CDC Participant ID & Sub-Account No. /CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Contact Number (Landline & Cell Nos.)	
Shareholder's Address	
(ii) Shareholder's Bank account details:	
Title of Bank Account	
IBAN (See Note 1 below)	
Bank's Name	
Branch Name & Code No.	
Branch Address	

It is stated that the above particulars given by me are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Yours sincerely

Signature of Shareholder

(Please affix company stamp in case of corporate entity)

Notes:

1. Please provide complete IBAN, after checking with your concerned branch to enable electronic credit directly into your bank account.
2. This letter must be sent to shareholder's participant/CDC Investor Account Services which maintains his/her CDC account for incorporation of bank account details for direct credit of cash dividend declared by the Company from time to time



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Proxy Form



Shaping Tomorrow

I / We _____

of _____

being a member of **INTERNATIONAL STEELS LIMITED** and holder of _____

ordinary shares as per Share Register Folio No. _____ and / or CDC Participant I.D.

No. _____ and Sub Account No. _____

hereby appoint _____ of _____

_____ or failing him _____

of _____

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on 25th September 2018 at 11:00 am at Beach Luxury Hotel M.T. Khan Road, Karachi and at any adjournment thereof.

Signed this _____ day of _____ 2018

WITNESS:

1 Signature _____

Name _____

Address _____

CNIC / Passport No. _____

Signature

Revenue
Stamp

2 Signature _____

Name _____

Address _____

CNIC / Passport No. _____

(Signature should agree with the specimen signature registered with the Company)

Note: Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy must be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their CNIC or Passport with this proxy form before submission to the Company.



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میں / ہم _____

ساکن _____ بحیثیت انٹرنیشنل اسٹیلز لمیٹیڈ _____ کے

رکن و حامل _____ عام حصص برطابق شیئر رجسٹرڈ فولیو نمبر _____

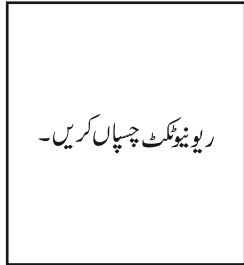
اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____

محترم / محترمہ _____ ساکن _____

یا بصورت دیگر محترم / محترمہ _____ ساکن _____

کو اپنی جگہ مورخہ 25 ستمبر، 2018 بوقت 11:00 بجے بمقام بیچ لکھری ہٹ مولوی تمیز الدین خان روڈ کراچی میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

گواہ:



ریونیوٹکٹ چسپاں کریں۔

دستخط

(دستخط کمپنی میں پہلے سے موجود نمونہ کے مطابق ہونے چاہئے)

1 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

2 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

نوٹ: پراکسیز کے موثر ہونے کے لیے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس پراکسی کے ساتھ منسلک کریں۔



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GLOSSARY

AGM	Annual General Meeting	IFC	International Finance Corporation
API	American Petroleum Institute	IFRIC	International Financial Reporting Interpretation Committee
ATIR	Appellate Tribunal Inland Revenue	IFRS	International Financial Reporting Standards
ATL	Active Tax Payer List	IIL	International Industries Limited
BAC	Board Audit Committee	IPO	Initial Public Offering
BCP	Business Continuity Planning	ISL	International Steels Limited
Board/BOD	Board of Directors	ISO	International Standards Organization
CBA	Collective Bargaining Agreement	IT	Information Technology
CCG	Code of Corporate Governance	ITAT	Income Tax Appellate Tribunal
CDC	Central Depository Company	ITRA	Income Tax Reference Application
CEO	Chief Executive Officer	JV	Joint Ventures
CFO	Chief Financial Officer	KE	Karachi Electric
CIR	Commissioner Inland Revenue	KIBOR	Karachi Interbank Offer Rate
CIT	Commissioner Income Tax	KPMG	Klynveld Peat Marwick Goerdeler
COLA	Cost of Living Allowance	LIBOR	London Interbank Offered Rate
CPEC	China Pakistan Economic Corridor	LSM	Large Scale Manufacturing
CRC	Cold Rolled Coil	LTC	Lost Time Case
CSR	Corporate Social Responsibility	LTIFR	Lost Time Injury Frequency Rate
CTAC	Citizens Trust Against Crime	LTU	Large Taxpayers Unit
CWIP	Capital Work in Progress	M&A	Memorandum and Articles
DBN	Debottlenecking	MAP	Management Association of Pakistan
EBIT	Earnings before Interest and Taxation	MC	Management Committee
EBITDA	Earnings before Interest, Taxation Depreciation and Amortization	MFN	Most Favourable Nation
EC	Executive Committee	MoC	Ministry of Commerce
EFP	Employees Federation of Pakistan	MT	Metric Ton(s)
EPS	Earning Per Share	NBV	Net Book Value
ERW	Electric Resistance Weld	NEPRA	National Electric Power Regulatory Authority
ETP	Effluent Treatment Plant	NFEH	National Forum for Environment and Health
EY	Ernst Young	NOC	No Objection Certificate
FBR	Federal Board of Revenue	NRV	Net Realizable Value
FPAP	Fire Protection Association of Pakistan	NTC	National Tariff Commission
FTA	Free-Trade Agreement	OHSAS	Occupational Health and Safety Assessment Specification
FTO	Federal Tax Ombudsman	OPEC	Organization of the Petroleum Exporting Countries
FTR	Final Tax Regime	PACRA	Pakistan Credit Rating Agency
FY	Fiscal Year	PAT	Profit after tax
GDP	Gross Domestic Product	PCL	Pakistan Cables Limited
GIDC	Gas Infrastructure Development Cess	PICG	Pakistan Institute of Corporate Governance
GoP	Government of Pakistan	PKR	Pakistan Rupees
HoD	Head of Department	PSX	Pakistan Stock Exchange
HR	Human Resource	Rs.	Pakistani Rupees
HR&RC	Human Resources & Remuneration Committee	SECP	Securities and Exchange Commission of Pakistan
HRC	Hot Rolled Coil	SHC	Sindh High Court
HSE	Health, Safety and Environment	TCF	The Citizens Foundation
IAS	International Accounting Standards	US\$/USD	United States Dollar
IBA	Institute of Business Administration		
ICAP	Institute of Chartered Accountants of Pakistan		
ICMAP	Institute of Cost and Management Accountants of Pakistan		
IFAC	International Federation of Accountants		



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