INTERNATIONAL STEELS LIMITED

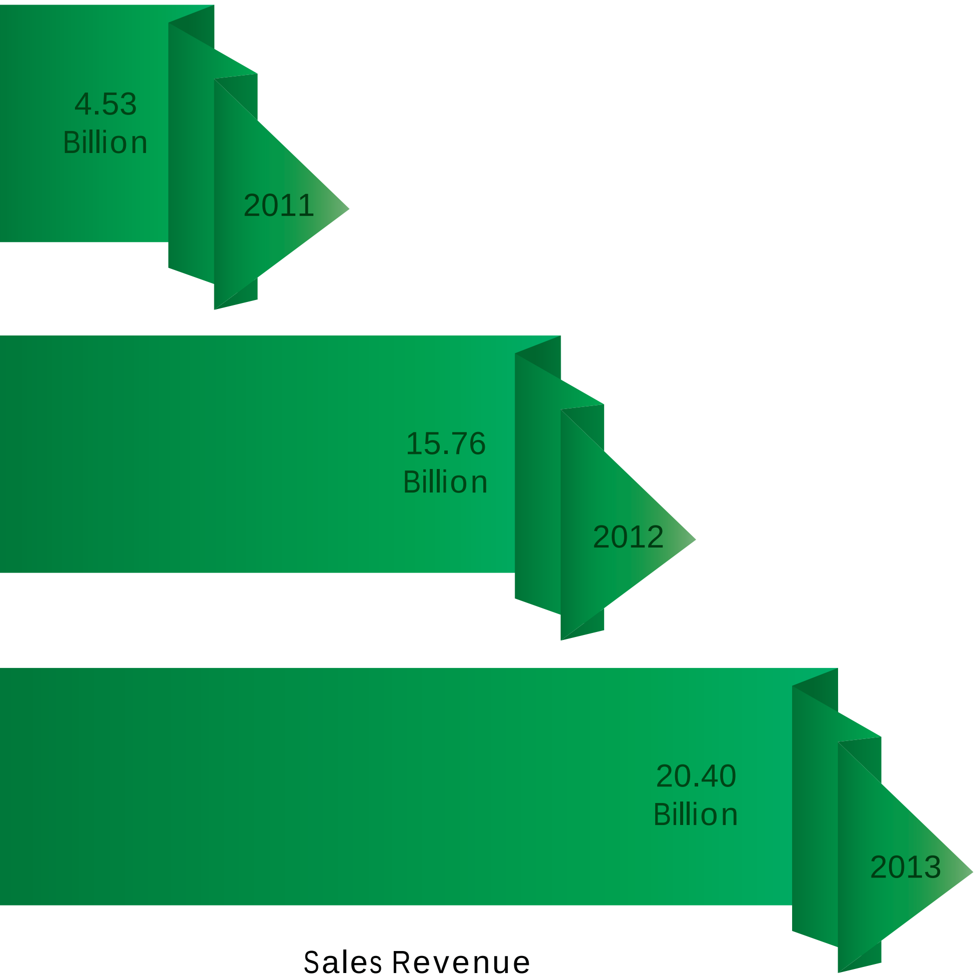
Shaping Tomorrow

Committed to Growth

Quality that matters | Building trust & reliability

Annual Report | 2013

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



Sales Revenue
(Rupees in Billions)

Contents




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.

Overall Strategic Objectives

We are committed to continually enhance the effectiveness of its 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.

Core 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.

Code of Conduct

- This Code of Conduct applies to all employees of M/s International Steels Ltd. (ISL) – hereby termed as the “Company”.

- For the purposes of this Code, “employees” refers to directors, executives, officers, and employees of the Company.

- The Board and Management are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility and not to transgress them.

- All employees should be sure that they understand and abide by the spirit as well as the letter of this Code and that violation of any of the Code’s provisions could result in disciplinary action.

Salient features of the Company’s Code of Conduct are as below:

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.

ii. The Company is dedicated to providing a safe and nondiscriminatory 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 Company is committed to run its business in an environmentally sound and sustainable manner and promote preservation of the environment.

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 (directly or indirectly), from the Company’s facilities, its products, or Company’s relationship 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 like key chains, calendars, etc. 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. Conflict of interest should be avoided and 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.

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 of the environment.

ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact 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 Karachi Stock Exchange Regulations and/ or any other Exchange where the Company is listed.

ii. Where an employee is privy to the information, which is generally referred to as “material inside information,” the same must be held in the strictest 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. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

iii. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.

iv. 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.



Our Business

- **Cold Rolled Steel**
  Cold Rolled Steel Coils are manufactured under international quality control standards and offered in various varieties of properties. It's easily formable and best for chroming. Strict quality control, modern facilities and innovative technology provide the uniformity in thickness throughout the production run. Clean and smooth surface finish along with the outstanding workability allows it to be used in many industries such as automobile, home appliances, furniture, construction and many industrial machinery vending. The high quality Cold Rolled Steel is produced on the most advanced equipment imported from Europe and other parts of the world. The installed capacity of Cold Rolled steel is 250,000 tons per annum.

- **Hot Dipped Galvanized Steel**
  Hot Dipped Galvanized Coils [HDGC] are manufactured in a state of art Hot dipped galvanizing plant and the installed capacity is 150,000 tons per annum. The HDGC is used in construction activities such as roofing, cladding, doors, manufacturing of electrical appliances such as ovens, refrigerators, freezers and elevators and in automotive parts etc.

- **Steel Sheets**
  ISL also has the equipment to produce both Cut-to-Length Sheets and Profiled Sheets for industrial and commercial customers. ISL's Steel Sheets, based on the latest construction technology, enables individuals and contractors to clad customized buildings quickly, efficiently, cost effectively and in an environment friendly manner.

  The products are available in various finishes, sizes and thicknesses, to meet the exact need of the customers.

Our Certifications

ISL is certified with the following International Quality Standards:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management Systems
- OHSAS 18001 Occupational Health & Safety Management System

Company Information

Board of Directors

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

Chief Financial Officer	Mr. Alee Arsalan
Company Secretary	Ms. Neelofar Hameed
External Auditors	KPMG Taseer Hadi & Co.
Internal Auditors	Ernst & Young Ford Rhodes Sidat Hyder
Bankers	Allied Bank Ltd. Bank Al Habib Ltd. Bank Alfalah Ltd. Barclays Bank PLC Dubai Islamic Bank (Pak) Ltd. Faysal Bank Ltd. Habib Bank Ltd. Habib Metropolitan Bank Ltd. HSBC Bank Middle East Ltd. MCB Bank Ltd Meezan Bank Ltd. NIB Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. United Bank Ltd.
Legal Advisors	Mrs. Sana Shaikh Fikree
Registered Office	101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530 Telephone Nos: 35680045-54 UAN: 111-019-019 Fax: +9221-35680373, E-mail: neelofar.hameed@iil.com.pk

Branch Office

Lahore	**Islamabad**
Chinoy House, 6 Bank Square, Lahore-54000 Phone: +9242-37229752-55 UAN: 042-111-019-019 Fax: +9242-37220384 E-mail: lahore@isl.com.pk	Office # 2, First Floor, Ahmed Centre, I-8 Markaz, Islamabad. Phone: +9251-2524650, 4864601-2

Factory	399 - 404, Rehri Road Landhi, Karachi. Telephone Nos: +9221 35013104-5 Fax: +9221 35013108 Email: info@isl.com.pk
Website	www.isl.com.pk
Shares Registrar	THK Associates (Pvt.) Ltd Ground Floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phone: +9221-111-000-322 Fax: +9221-35655595 Email: info@thk.com.pk

Key Operating Highlights

	2013	2012	2011
FINANCIAL POSITION	------------------	Rs. in million	------------------
Balance Sheet			
Property, plant and equipment	9,905	8,898	8,788
Other non current assets	8	14	16
Current assets	4,851	6,922	5,495
Total assets	**14,764**	**15,834**	**14,299**
Share capital	4,350	4,350	4,350
Reserves	167	(197)	(92)
Surplus on revaluation of fixed assets	573	-	-
Total equity	**5,090**	**4,153**	**4,258**
Non current liabilities	3,591	3,915	4,432
Current liabilities	6,083	7,766	5,609
Total liabilities	**9,674**	**11,681**	**10,041**
Total equity and liabilities	**14,764**	**15,834**	**14,299**
Net current assets	**(1,232)**	**(844)**	**(114)**
OPERATING AND FINANCIAL TRENDS			
Profit and Loss			
Net Sales	17,603	13,249	3,691
Gross profit	1,603	1,206	349
EBITDA	1,867	1,406	533
Operating profit	1,410	1,056	241
Profit / (Loss) before taxation	443	(120)	(62)
Profit / (Loss) after taxation	363	(104)	(79)
Capital expenditure (additions during the year)	778	466	1,027
Cash Flows			
Operating activities	3,430	(1,069)	(4,799)
Investing activities	(763)	(466)	(997)
Financial activities	(331)	(113)	1,000
Cash and cash equivalents at the end of the year	**(4,108)**	**(6,444)**	**(4,796)**

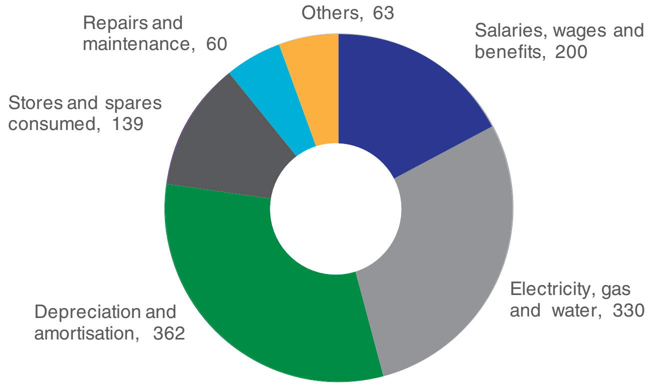
Key Indicators

		2013	2012	2011
Profitability Ratios				
Gross profit ratio	%	9.11	9.10	9.46
Net profit to Sales	%	2.06	(0.79)	(2.15)
EBITDA Margin to Sales	%	10.61	10.61	14.44
Operating Leverage	%	1.00	0.74	-
Return on Shareholders' Equity	%	8.05	(2.52)	(1.86)
Operating profit on Capital Employed	%	16.24	13.09	2.77
Return on Total Assets	%	2.46	(0.66)	(0.56)
Liquidity Ratios				
Current ratio	(x)	0.80	0.89	0.98
Quick / Acid test ratio	(x)	0.37	0.21	0.30
Cash to Current Liabilities	(x)	0.00	0.00	0.05
Cash flow from Operations to Sales	(x)	0.19	(0.08)	(1.30)
Activity / Turnover Ratios				
Inventory turnover ratio	times	7.75	3.33	1.75
Inventory turnover in days	days	47	110	209
Debtor turnover ratio (KESC)	times	14.68	2.68	1.98
Debtor turnover in days (KESC)	days	25	136	185
Total assets to turnover ratio	times	1.19	0.84	0.26
Fixed assets to turnover ratio	times	1.78	1.49	0.42
Capital employed to turnover ratio	times	2.03	1.64	0.42
Investment / Market Ratios				
Earnings / Loss per share - basic and diluted	Rs	0.84	(0.24)	(0.22)
Price earning ratio	times	21.17	(49.80)	(61.86)
Market value per share at the end of the year	Rs	17.69	11.96	13.61
Market value per share high during the year	Rs	19.35	14.29	15.06
Market value per share low during the year	Rs	11.25	9.05	13.26
Break-up value per share		11.70	9.55	9.79
Capital Structure Ratios				
Financial leverage ratio	(x)	1.63	2.63	2.27
Total Debt : Equity ratio	(x)	62:38	72:28	70:30
Interest cover	times	1.45	0.90	0.86
Value Addition				
Employees as remuneration	Rs. in million	329	308	133
Government as taxes	Rs. in million	3,468	3,092	1,432
Financial charges to providers of finance	Rs. in million	993	1,169	433

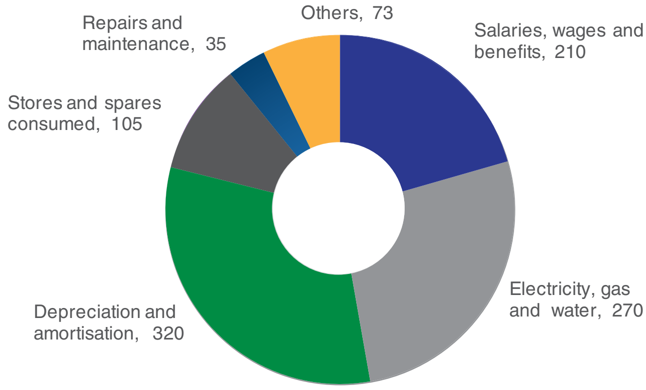
Vertical Analysis

	2013		2012		2011	
OPERATING RESULTS	**Rs. in million**	**%**	**Rs. in million**	**%**	**Rs. in million**	**%**
Sales - Net	17,602.7	100.0	13,249.0	100.0	3,690.8	100.0
Cost of sales	15,999.3	90.9	12,043.1	90.9	3,341.7	90.5
Gross profit	1,603.4	9.1	1,205.9	9.1	349.1	9.5
Administrative, Selling and Distribution expenses	193.3	1.1	150.3	1.1	108.4	2.9
Other operating expenses	43.5	0.2	106.4	0.8	1.9	0.1
Other operating income	69.0	0.4	99.1	0.7	132.6	3.6
Operating Profit before finance costs	1,435.5	8.2	1,048.3	7.9	371.4	10.1
Finance costs	992.7	5.6	1,168.8	8.8	433.4	11.7
Profit / (Loss) before taxation	442.8	2.5	(120.5)	-0.9	(62.0)	-1.7
Taxation	(79.3)	-0.5	16.0	-0.1	(17.4)	-0.5
Net Profit / (Loss)	363.5	2.1	(104.5)	-0.8	(79.4)	-2.2
BALANCE SHEET						
Property, plant and equipment	9,905.3	67.0	8,898.1	56.2	8,787.9	61.5
Intangible Assets	8.0	0.1	13.4	0.1	-	-
Other non current assets	0.1	0.0	0.1	0.0	15.6	0.1
Current assets	4,850.5	32.9	6,922.2	43.7	5,495.1	38.4
Total assets	14,763.9	100.0	15,833.8	100.0	14,298.6	100.0
Shareholders' equity	4,516.8	30.6	4,153.3	26.2	4,257.8	29.8
Revaluation reserves	572.9	3.9	-	0.0	-	0.0
Non current liabilities	3,591.0	24.3	3,914.8	24.7	4,432.1	31.0
Current portion of long term financing	783.3	5.3	638.8	4.0	263.2	1.8
Short term borrowings	4,121.4	27.9	6,447.8	40.8	5,057.9	35.4
Other current liabilities	1,178.5	8.0	679.1	4.3	287.6	2.0
Total equity and liabilities	14,763.9	100.0	15,833.8	100.0	14,298.6	100.0
CASH FLOWS						
Net cash generated from/ (used in) operating activities	3,430.0	146.8	(1,069.2)	64.9	(4,798.7)	100.0
Net cash outflows from investing activities	(763.3)	(32.7)	(465.8)	28.2	(997.2)	20.8
Net cash (outflows)/inflows from financing activities	(330.5)	(14.1)	(113.1)	6.9	999.8	(20.8)
Net increase/ (decrease) in cash and cash equivalents	2,336.2	100.0	(1,648.1)	100.0	(4,796.1)	100.0

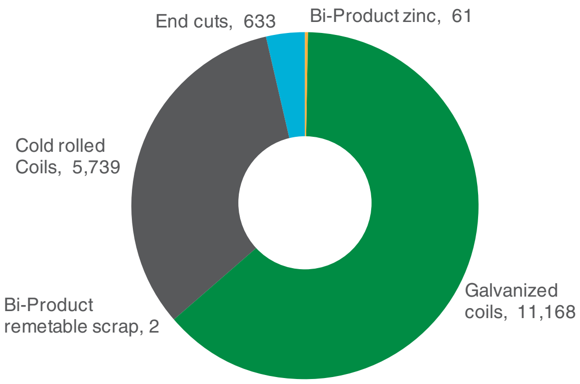
Key Financial Indicators



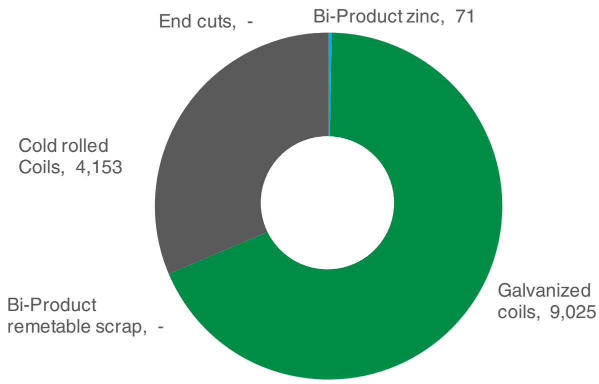
CONVERSION COSTS 2013
(Rs. in million)



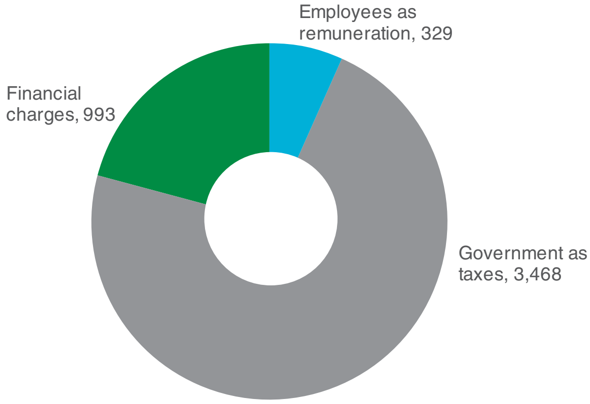
CONVERSION COSTS 2012
(Rs. in million)



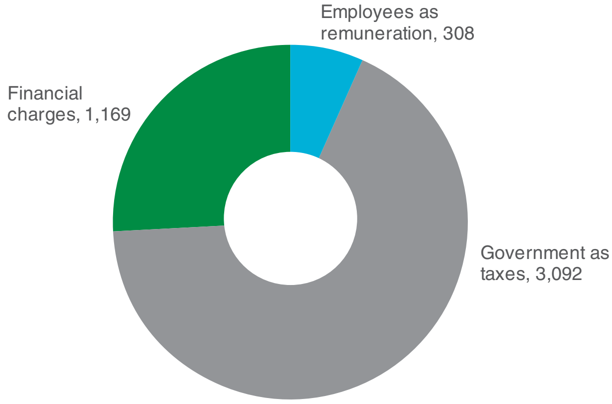
PRODUCT WISE BREAKUP - 2013
(Rs. in million)



PRODUCT WISE BREAKUP - 2012
(Rs. in million)



VALUE ADDITION AND DISTRIBUTION - 2013
(Rs. in million)



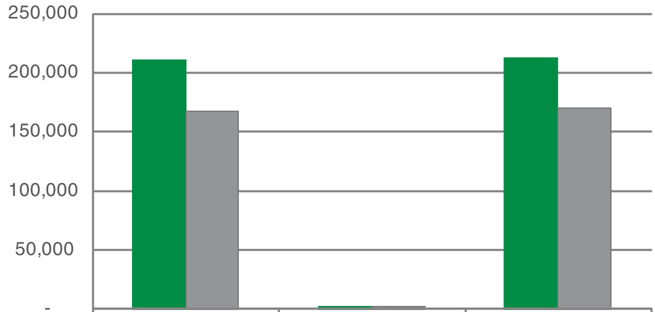
VALUE ADDITION AND DISTRIBUTION - 2012
(Rs. in million)

Key Financial Indicators

NET SALES / GROSS PROFIT - (Rs. in million)

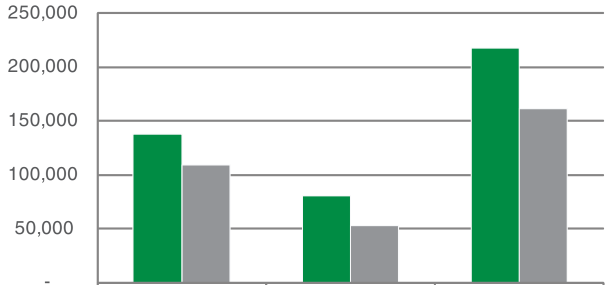
	2012 - 2013	2011 - 2012
Net sales	17,603	13,249
Gross profit	1,603	1,206

PURCHASES (In Tons)



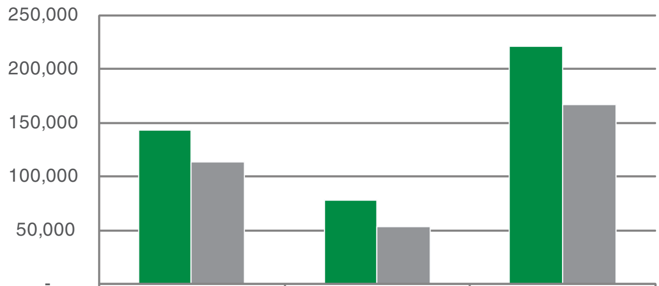
	Steel	Zinc	Total
2012 - 2013	210,873	1,759	212,632
2011 - 2012	167,199	2,594	169,793

SALES (In Tons)



	Galvanized Coils	Cold Rolled Coils	Total
2012 - 2013	137,068	80,352	217,420
2011 - 2012	108,726	52,423	161,149

PRODUCTION (In Tons)



	Galvanized Coils	Cold Rolled Coils	Total
2012 - 2013	143,424	78,435	221,859
2011 - 2012	113,851	52,975	166,826

Profile of the Board of Directors

Mr. Kemal Shoaib
Chairman

Mr. Kemal Shoaib holds a M.S. degree in Chemical Engineering from M.I.T., Cambridge, Massachusetts. He is currently a consultant on the capital markets and is Chief Executive of Public Interest Law Association of Pakistan and serves on the Boards of several companies including Century Paper & Board Mills Ltd., Premier Box (Pvt.) Ltd., International Advertising (Pvt.) Ltd., Safeway Fund Ltd., Al-Aman Holdings (Pvt.) Ltd., and Mind Sports Association of Pakistan.

He has been a professional Executive for some 50 years in Banking and Industrial Organizations in several countries including UK and USA. He has been associated as a Senior/Chief Executive with such prestigious organizations such as Wyeth Laboratories (Pakistan) Ltd., Commerce Bank Limited, Pakistan, Bank of Credit and Commerce Intl., S.A. London, Independence Bank, California, and Indus Bank Ltd., Pakistan

Mr. Towfiq H. Chinoy
Chief Executive Officer & Managing Director

Mr. Towfiq Habib Chinoy, the Managing Director and CEO was associated with International Industries Ltd. since 1964 and retired after serving as MD for 35 years in 2011. He has been associated with International Steels Ltd. since its inception.

He is presently the Non- Executive Chairman of Jubilee General Insurance Company Ltd., Packages Ltd. and HBL Asset Management Ltd. He also holds directorship of Linde Pakistan Ltd., Jubilee Life Insurance Co. Ltd., IGI Investment Bank Ltd. He is also Trustee of Mohatta Palace Gallery Trust, Indus Valley School of Art & Architecture and Habib University Foundation. Mr. Chinoy has served as the Member of the Engineering Development Board, Government of Pakistan, the Advisory Boards of Ports and Shipping Sector, Ministry of Communications, Director on the Boards of Port Qasim Authority, National Refinery Ltd. and Pakistan Business Council.

Mr. Kamal A. Chinoy
Director

Mr. Kamal A. Chinoy is a graduate of the Wharton School, University of Pennsylvania, USA. He is the Honorary Consul General of the Republic of Cyprus. Mr. Kamal Chinoy is a member of the executive committee of the International Chamber of Commerce (ICC), Pakistan and is also the Past President of the Management Association of Pakistan (MAP). He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

He has served as the Chairman of the Aga Khan Foundation (Pakistan) & NGO Resource Centre and also as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank (an Amex JV). Currently he is a Director of Pakistan Cables Ltd., Atlas Battery Ltd., NBP Fullerton Asset Management Ltd., International Industries Ltd., International Steels Ltd., and a member of the Board of Governors of Army Burn Hall Institutions. He is an advisor to Tharpak, a consortium of international companies.

Mr. Mustapha A. Chinoy
Director

Mr. Mustapha A. Chinoy is a B.Sc in Economics from Wharton School of Finance, University of Pennsylvania, USA with majors in Industrial Management and Marketing. Upon return from United States he took up the position of Marketing Manager at International Industries Ltd. He is currently the Chairman Pakistan Cables Ltd., Security Papers Ltd., and Chief Executive of Intermark (Private) Ltd., Travel Solutions (Pvt) Ltd., Global E-Commerce Services (Pvt) Ltd. He is also a director on the Board of International Industries Ltd.

He has previously served on the Board of Union Bank Ltd. until it was acquired by Standard Chartered Bank. He is the Honorary Consul General of Greece in Pakistan.

Mr. Tariq Iqbal Khan
Director

Mr. Khan is a fellow of 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 served on prominent national level committees like 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, GSK, ICI, and Siemens etc. Presently he is a member of the Boards of seven listed companies including Gillette Pakistan Limited , International Steels Limited, Lucky Cement Limited, National Refinery Limited, Packages Limited, PICIC Insurance Company and Silkbank Limited, while the non- listed companies include FFC Energy (Pvt) Limited and Pakistan Electric Agency (Pvt) Limited.

Mr. Kamran Y. Mirza
Director

Mr. Kamran Y. Mirza qualified as a Chartered Accountant from UK; started his career in Pakistan as an auditor with A. F. Ferguson & Co. He then joined Abbott Laboratories (Pakistan) Limited, as CFO in 1970, where he rose to lead as MD in 1977 (the youngest Managing Director in that time) and remained in that position for 29 years.

Mr. Mirza held the position of Chairman EPZA from 2007 to 2009 and then joined Pakistan Business Council (PBC) as its CEO, a position he currently holds. PBC is a Think Tank cum Business Policy Advocacy Forum. He is serving as Director on the Boards of Abbott Laboratories and International Steels Ltd. (ISL). He is also the Chairman of the Education Fund for Sindh (EFS) and a Member of the Governing Council of National Productivity Organization (NPO) and member of the Quality Control Board - ICAP. 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), Chairman of Pharma Bureau and Director on the Boards of State Bank of Pakistan (SBP), Pakistan State Oil (PSO), Pakistan Steels (PS), National Bank of Pakistan (NBP), Pakistan Textile City Limited, Competitive Support Fund (CSF), Genco Holding Company, Board of Investment (BOI) and NAVTEC. 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 also lectures regularly at the Pakistan Institute of Corporate Governance (PICG).

Syed Salim Raza
Director

He 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.

Previously Mr. Raza 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.

Syed Hyder Ali
Director

Mr. 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 MD where he served for 10 years, after which he joined Packages Limited, Lahore as Managing Director and CEO, a position which is held by him till 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, ICCI Pakistan, Nestle Pakistan Limited, Pakistan Center for Philanthropy, Sanofi Aventis, Tetra Pak Limited, WWF Pakistan etc.

Mr. Otomichi Yano
Director

Mr. Otomichi Yano majored in Metallurgy at Nagoya Institute of Technology. He is presently the General Manager of International Steel Sheet & Slab Trading Business Department of Sumitomo Corporation, Tokyo Japan and has 31 years of diversified experience in working in Metal Division, Rolled Steel Division, and Steel Sheet & Strip International Trade etc.

He has also held international assignments in Thailand, Indonesia and USA while representing Sumitomo Corporation as well as Nichimen Corporation.

Directors' Report

The Directors of International Steels Ltd are pleased to submit the 6th Annual Report and the audited accounts for the year ended June 30, 2013.

Global Steel Scenario

In the period 2012-13 the international steel market remained uncertain and unpredictable. Despite a slight increase in demand for steel, growth in global steel demand is unlikely to improve significantly in 2013-14 owing to sluggish demand combined with excess steelmaking capacity globally and ongoing volatility in raw materials costs. China, the largest market in the steel sector, has also experienced lower demand, a fragmented industry and weak profit margins resulting in potential slow- down of growth. The Chinese Government, in the short term, now seems to be discouraging further investments in the steel industry.

It is anticipated that steel markets will remain volatile in 2013-14, but a moderate recovery is expected in 2014–15, with developed markets gradually recovering. Steel demand is likely to improve faster in emerging markets. Pakistan having low barriers to trade, promptly reflects international prices.

Pakistan's Economy

After Elections 2013, the new government is facing many challenges including power crises, law and order issues, low economic growth but they seem to have good governance and economic revival on their agenda and hopefully will take measures accordingly.

The security situation in Karachi that houses ISL's manufacturing facility remains tenuous and unpredictable. The quality of solutions developed, and re-installation of a National Policy Framework will be the key to the nation's economic turnaround and your company is now geared up for the economic turnaround, in terms of technical capability, manufacturing capacity and market acceptance of its products.

Steel consumption in any country is one of the basic indicators to assess economic growth, due to multifarious uses in infrastructure development and industrial growth. In Pakistan the consumption growth is mostly dependent on increase in population, as no major infrastructure or industrial projects are apparent currently unless the new economic policy is defined.

Local manufacturers of Flat Steel Products are currently meeting approx. 50% of Pakistan's demand in Cold Rolled Flat Steel Products and 40% in Galvanised Steel Products. A further un-utilised capacity exists to fulfill some of the remaining demand. Government policies on imports are not being implemented in support of the local industry to enable domestic manufacturers to meet a great share of domestic demand.

Business Review

In line with our mission to be the best flat steel producer in Pakistan and to create a fair value for its shareholders, during 2012-13, we persistently directed all our energies in this direction.

Your Company has a well-thought out, structured manufacturing facilities backed by more than 40 years of steel industry experience, economies of processes and an established marketing network and we are proud to be regarded as amongst the best in the region.

With judicious small-medium investments, the Company regularly improves and debottlenecks its manufacturing process to raise the bar higher each time. During 2012-13, the management 's focus remained on making optimum procurement of raw material in the right quantity and at right prices in a volatile / unpredictable international market, which has been the key to improving cash flows and the reduction of inventory.

Aggressive and timely market postures allowed Company to push sales of Cold Rolled Steel Products as well as Galvanised Steel Products. New marketing channels were established in Pakistan as well as for exports and where required appropriate product variants were also developed and launched.

Strong focus was also maintained in safety & environmental performance, cost reductions, waste reduction, efficiency of operations, quality, and customer service. Particular attention is being paid to customer engagement in the backdrop of product development and trials at customer facilities.

Your Company is facing challenges from lack of effective implementation of Government policies, gaps and loop-holes therein, used by certain importers to benefit themselves at the cost of National Exchequer and value added economic growth. Company's case for a level playing field for locally manufactured Flat Steel Products was regularly placed at the highest levels in Ministry of Commerce, FBR, Pakistan Customs, and the EDB to create and increase awareness at the decision making level in the interest of the local industry and in the larger interests of the Country.

Operations

During 2012-13 production of 221,859 MT was achieved, out of which, approx. 78,435 MT was Cold Rolled Products and about 143,424 MT was Galvanised Steel Products. Our product quality has successfully met the stringent requirements of overseas customers in South Africa and the GCC for local usage there and for re-export to other countries.

Both the Galvanising plant and Cold Rolling Mill have been successfully operated well above name plate capacity. We have added Annealing capacity and strengthened allied processes by adding Tension leveler, electrostatic oiling etc. to meet the market requirements of the Industrial segment including pipe manufacturers, drum and container manufacturers, and the automobile industry.

Our strategy for procurement of raw material in a volatile market was to diversify supply sources and to have a combination of three-month contract purchase and opportunistic, spot purchases, which has helped tackle the volatile steel prices risk during the year under review. Our sources for HR raw material includes Taiwan, China,Russia, South Africa and Japan.

Sales

During 2012-13, our sales reached 217,420 MT, which comprises 63% Galvanized Steel products while the balance 37% being Cold Rolled Steel Products.There is a significant increase of 35% in sales volume over the preceding financial year and our exports have almost doubled as compared to last year.

By the grace of Allah, the market's perception of the company's products is well established for quality, range and delivery. We are viewed as a prudent, ethical supplier and the perception of our Galvanised Steel products is particularly high; where sales volume stability has been achieved. To consolidate this, Customer Service, Marketing, Quality and Factory operations were fully aligned to provide timely and effective response to Customers and to provide meaningful specific solutions as per customers' need.

We have gained a foot-hold in some parts of the industrial segment, and are consolidating a position as a dependable supplier. During 2013-14, we are geared to strongly pursue a greater share of the industrial segment by gaining foot-hold amongst reference industrial customers, and by introducing new applications, which will help business have a higher resilience through sustainable sales volumes and reduced vulnerability to short-term stocking-destocking cycles.

Company continues to consolidate and leverage its nation-wide network of dealers. A diversified, wide network of dealers and Company's field sales teams have helped us reach smaller consumers and institutional, industrial consumers in addition to commercial stockists.

Misuse of SRO 565, misuse of China FTA, mis declared and under-invoiced imports and incorrect fixation of ITP for Secondary quality gave negative pull to Company's plans for growing sales.The company intends to continue to take up these issues alongside other manufacturers at various levels of Government, seeking redressal.

Galvanised Steel

Building on the preceding year, our Galvanized Steel Products are increasingly treated as a benchmark in the Pakistan Commercial market. During 2012-13 the company sold 137,439 MT which is about 27% higher than the preceding year. Approx. 85% of the sales were made to the Commercial segment, while the balance went to the industrial segment or was exported.

The company's products are now being accepted internationally and we have been successful in exporting over 18,000 MT, at competitive prices, an increase of 70% over last year. Our export markets are mainly GCC , South Africa and Afghanistan while smaller opportunistic exports were made to North America / the Caribbean and Sri Lanka.

Cold Rolled Steel

Against a significant headwind, company aggressively marketed Cold Rolled Steel Products and sold 80,274 MT, during 2012-13, an increase of 54% over the preceding year. Approximately 40% of sales were made in the Commercial segment; 56% in the Industrial sector (mainly two wheeler manufacturers) and the balance were exports.

Sale of Electricity to KESC

Company's 19 MW power plant continued to operate satisfactorily. However, production of energy was lower in 2012-13 owing to sustained gas curtailment by SSGC.

The management has invested approx. Rs. 85 million on putting up a 132 kV interconnection, instead of the previous 11 kV connection to overcome frequent tripping. During next financial year, excess energy will be supplied to KESC at 132 kV.

Health, Safety Environment and Quality

Being a responsible corporate citizen, the company carries out annual environmental testing for Air Emissions, Noise, Drinking Water and Industrial Effluents, which shows that Company remains compliant to the NEQS.

Company continues to operate an effective ISO certified mechanism for production operations with adequate focus on implementing HSE standards, Quality standards, waste reduction and energy conservation strategies and to provide continuous training to the employees.

Improved processes and higher awareness levels of employees' has resulted in reduction in the number of total incidents and lost time incidents. Lost Time Injury Frequency Rate for 2012-13 is 2.3; down from 3.3 in the preceding period against global standard for similar industries being 3.5. Company continues to strive for further improvement and towards making its operations better than the benchmark.
Our energy consumption per unit produced in the manufacturing process showed a 13% reduction of electricity and natural gas due to conservation measures.
Factory is operated with a fully-functional Effluent and Sewage Treatment Facilities, Acid Regeneration Plant and Acid Fume Scrubbing Units which also provides manufacturing cost reduction benefits.

Human Resource

Company continued its operations with an optimal headcount. The headcount at end 2012-13 was 441. This was judiciously increased by 4% over the preceding year considering the requirements of the expanded production and future goals of business.

Company maintained industrial peace and a positive and enabling work-environment for all employees in the organization by promoting candor and fairness. Company continues its efforts on development of personnel at all levels, proactively building capabilities, and retaining talent for business continuity.

Financials

Your Company achieved Net Turnover of Rs. 17,603 million, registering a healthy growth of 33% over last year, after having ISL brand being recognized as a product leader locally. This was mainly achieved through strict product quality control parameters on a consistent basis.

Despite continued pressure on margins on domestic sales owing to availability of under invoiced and secondary materials being imported into the country, the company earned gross profit of Rs 1,603 million at 9.1% to net sales. Consequently, your company has come into profits after delivering a profit before and after tax of Rs 443 million and 363 million respectively.

Earnings per share at June 30, 2013 was Rs. 0.84 as opposed to a loss per share of Rs 0.24 at June 30, 2012.

Your company has posted profit for the first time. Considering that there is a continuous pressure on margin owing to unfair market parctices, no dividend is declared for the year 2012-13.

Cash Flow Strategy

Your Company is focused towards cash flow management on a regular basis, with a strong control over working capital management. During the current year, your company generates a net cash flow from operations amounting to Rs. 3,430 million with a significant contribution from inventory rationalization.

The company keeps a close watch on gaps between KIBOR and LIBOR based borrowings to rationalize the optimal mix of borrowings and to minimize the financial charges. In this connection, various options including Islamic financings are evaluated and executed.

During the financial year 2012-13, the weighted average cost of borrowings, including exchange losses, was 10.16% per annum as against last year average borrowing rate of 10.7%.

Capital Structure

The long term debt equity ratio of the Company on June 30, 2013 was 45:55 as against 52:48 as on June 30, 2012.

Contribution to National Exchequer and the Economy

The Company made a contribution of Rs. 3,468 million to the National Exchequer during the year. This comprises total of income tax, sales tax, custom duties and other taxes and levies.

Risk Management

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.

Internal Controls and their Adequacy

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.

Gratuity and Provident Funds

The value of investments as per un-audited financial statements of employee retirement funds as of June 30, 2013 are as follows:

Fund Amount

- Provident Fund Rs 42.2 million
- Gratuity Fund Rs 19.2 million

Future Prospects

By the Grace of Allah your Company has stabilized output at well above nameplate capacities and the product is now commanding a premium in the domestic market. We have also been successful in creating a niche in the international market for our product where our product quality is recognized. The major problems we continue to face is pressure on domestic margins due to under invoiced material being imported into the country; import of secondary quality material under SROs; disguised commercial imports under SROs by spurious "manufacturers"; and smuggling/misuse of the Afghan Transit Trade and China FTA. Your management continues to raise this issue at all levels with the concerned authorities and is hopeful with the change in government to have some success.

Barring the impact of uneven playing field, your Company, in its third year of operation, is poised to InshAllah operate with improved value to shareholders.

Acknowledgement

The Board would like to thank all stakeholders; customers, Company employees, suppliers, shareholders, bankers and others for their support and loyalty. Such support enabled Company meet not only normal commercial challenges but also those posed by security issues and tough economic conditions. Such confidence and goodwill of the stakeholders allowed Company to grow, perform and show positive results in a difficult business environment.

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

Kemal Shoaib
Chairman
Karachi: August 28, 2013

Corporate Governance

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

The Board of Directors provides the overall direction for the Company operations, provides oversight for various policies and monitors the management in the light of the operational and financial plans.

The Board of Directors has complied with the Code of Corporate Governance, the listing requirements of Karachi Stock Exchange and the Financial Reporting framework of Securities & Exchange Commission of Pakistan.
The Directors confirm that the following have been complied:

- 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.
- Proper books of accounts of the company have been maintained as required under Companies Ordinance,1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent business judgment.
- International Accounting Standards as applicable in the country have been followed.
- The system of internal control has been effectively placed.
- There are no significant doubts upon company's ability to continue as a going concern.
- There is no material departure from the best practices

The Board of Directors

We continue to believe in adequate representation of majority Independent directors and have a good mix of independent directors, non-executive directors, while there is only one executive director on Board i.e. the MD. The Board consists of Nine (9) eminent directors (as detailed on page 12) possessing knowledge, experience, and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by an Independent Chairman and out of 9 directors, 6 are independent directors, including the Chairman.

The Board has constituted Audit Committee, HR Committee and Strategic Planning Committee. The composition, role and responsibilities of the Committees are clearly defined in their Terms of References.

The frequency of the Board Meetings is kept to at least review each quarter's results; the Board had Five meetings during this year, out of which 4 were held for the quarter results, while one was held to consider business and budget planning for the ensuing year.

All our directors are highly qualified and experienced professionals, with many years of experience as Directors, and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present, three Directors have acquired the formal Directors Training Certificates as well.

Roles and Responsibilities of the Chairman and Chief Executive

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

Governance Framework

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 "Code of Corporate Governance", listing requirements of Karachi Stock Exchange and the "Corporate Financial Reporting Framework" of Securities & Exchange Commission of Pakistan. Our approach towards corporate governance ensures ethical behaviour, transparency, accountability in all that we do and to attain a fair value for the shareholders.

The Board meets at least once after every quarter to review the financial performance and to provide oversight to the management to achieve key performance indicators. A Board Meeting Calendar is issued annually to reflect the dates planned for the Board and Audit Committee Meetings. All the Board members are given appropriate documentation in advance of each meeting, which normally includes a detailed analysis of business and on matters where the Board will be requested to make a decision or give its approval.

During the year under consideration, the Board met five (5) times and the Directors, like always took active participation in discussions during the Board meetings to add value and to provide strategic leadership to the Company. The average attendance of the directors during the year has been 82%.

THE BOARD COMMITTEES

The Board has formed three Committees to assist its operational functions, which are:

AUDIT COMMITTEE

The Audit Committee comprises of the following:

- Mr. Tariq Iqbal Khan
  Chairman - Independent Director
- Mr. Kamal A. Chinoy
  Member - Non Executive Director
- Mr. Kamran Y. Mirza
  Member - Independent Director
- Ms. Neelofar Hameed
  Secretary - Company Secretary

Terms of Reference of Audit Committee:

The salient features of Audit Committee's Terms of Reference are:

1. Review responsibilities :

a) Periodically review its Charter and improve/ amend it according to changes in the laws and regulations and global best practices from time to time.

b) Review from time to time its responsibilities in terms of revisions in the laws, rules, regulations and Code of Corporate Governance.

2. Financial Reporting:

a) Review the quarterly, half yearly and annual financial statements of the company, prior to approval by the Board, focusing on significant issues like:

i. Disclosures and judgmental areas, used in preparing the same especially those regarding valuation of assets, liabilities,

ii. Significant related party transactions,

iii. Assumptions on the basis of going concern

iv. Any significant legal matters etc.

b) Discuss with the management and asses that the financial statements been prepared as per prevailing rules and regulations, accounting principles etc. including any significant changes in the accounting policies etc.

c) Consider and review any material changes in the financial statements which may have any significant effect on the profitability of the company.

3. External Audit :

a) Review the scope of the External Auditors including but not limited to the independence, objectivity and effectiveness of the audit process.
b) Review and recommend the terms of appointment of the External Auditors annually, ensure that the selection of the audit firm and / or rotation of the partner of such a firm is as per existing rules and regulations.
c) Review, no less than annually with the External Auditors about significant issues regarding financial reporting and major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management if needed).
d) Develop and review the policy on engagement of the external auditors in any non-audit services for the company, its associated concerns and subsidiaries.
e) Review the External auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
f) Review and discuss with External auditors at least once in a year the major aspects of their report without the management and internal auditors being present.

4. Internal Audit and Risk Controls:

a) Review the scope of the Internal Audit function; ensure that the scope and extent of internal audit has sufficient resources.
b) Ensure co-ordination between the internal and external auditors.
c) Ascertain that the internal control systems including financial and operational controls, accounting systems and the reporting structure are adequate and effective.
d) Review the internal control systems and internal audit reports prior to endorsement by the Board of Directors.
e) Review and ensure that the regulatory compliance system is effective.
f) Review and prepare report on any investigative matters where flags have been raised by the Board of Directors and/or external auditors and/ or internal auditors and/ or management.
g) Review and recommend to the Board of Directors, a policy for transactions with the Related Parties, based on the agreements / policy already defined and existing between IIL & ISL.
h) Provide guidance to prepare a Risk Policy; ensure that a robust system is in place in the form of well -defined policies and procedures.
i) Overview the Risk Policy periodically.
j) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
k) Review and provide oversight to prepare the "Statment of Ethics and Business practies" annually and oversee that the same is signed and adopted by the Directors as well as the employees.
l) Review and discuss with internal auditors at least once in a year the major aspects of their report without the management being present.

5. Any Other Responsibility

a) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
b) Assist the Board in any other task assigned.
The Audit Committee met six (6) times, during the financial year ended June 30, 2013 and the attendance was 78%.

HUMAN RESOURCES & REMUNERATION COMMITTEE:

The Human Resource & Remuneration Committee of the Board is as follows:

- Mr. Kemal Shoaib
  Chairman - Independent Director
- Mr. Towfiq. H. Chinoy
  Member - Managing Director & CEO
- Mr. Mustapha A. Chinoy
  Member - Non-Executive Director
- Syed Hyder Ali
  Member – Non Executive Director
- Mr. Raheel Ahmed
  Secretary - Head of Human Resources

Terms of Reference of Human Resource & Remuneration Committee [HRRC]:

The role of the Human Resources Committee is to assist the Board of Directors in its oversight of the evaluation and approval of the employee benefit plans etc. The salient features of the terms of HR&RC are as follows:
1. The HR&RC shall recommend Human Resource Management policies to the Board.

2. Recommendations on selection, appointment, remuneration and succession of the CEO, to the Board.
3. Recommendations on selection, appointment, remuneration and succession of the COO, CFO, Company Secretary and Head of Internal Audit to the Board.
4. Set the Policy framework including compensation structures of various levels of executives.
5. Recommend compensation structure of the Board of Directors and its sub-committees.
6. Ensure implementation of the development needs of new Directors.
7. Review and ensure that a robust employee evaluation system is in place.

The Human Resource Committee met Three (3) times, during the financial year ended June 30, 2013 and the attendance was 83%.

STRATEGIC PLANNING COMMITTEE :

The Strategic planning Committee of the Board is as follows:

- Syed Salim Raza
  Chairman - Independent Director

- Mr. Towfiq. H. Chinoy
  Member - Managing Director & CEO

- Mr. Mustapha A. Chinoy
  Member - Non-Executive Director

- Mr. Otomichi Yano
  Member - Non-Executive Director

The Meetings of this Committee take place only when the Board desires a focused strategic oversight, other than that the strategic guideline is discussed in the Board Meetings frequently.

BOARD & SUB-COMMITTEE MEETINGS:

Meetings of the Board are held according to an annual schedule,which is circulated before each fiscal year to ensure Directors availability.

During the year, Five [05] Board meetings took place and Six [06] Audit Committee Meeting were held. The Human Resource & Remuneration Committee held Three [03] meetings. All meetings of the Board and its sub Committees had minimum quorum attendanceprescribed by the prevailing rules and regulations and Terms of Reference of respective Sub Committees.

DIRECTORS' PARTCIPATION IN BOARD AND SUB-COMMITTEE MEETINGS:

Board / Sub Committee	Board Meetings	Audit Committee Meetings	Human Resource & Remuneration Committee
Meetings held during FY 2012-13	**5**	**6**	**3**
Mr. Kemal Shoaib	5		3
Mr. Towfiq H. Chinoy	5		3
Mr. Mustapha A. Chinoy	5		2
Mr. Kamal A. Chinoy	5	3	
Mr. Tariq Iqbal Khan	5	6	
Syed Salim Raza	4		
Mr. Kamran Y. Mirza	5	5	
Syed Hyder Ali	1		2
Mr. Otomichi Yano	2		

Since there has been no change in the Board of Directors during the current year, there was no formal orientation needed. Additionally the Board is regularly briefed on various developments in the business fields in each meeting. During the year one more director who attended the Corporate Governance Leadership program at PICG.

Engagement Of Directors In Other Companies/ Entities

Present Name and Sur Name in Full	Other Business occupation and directorship (if any)
Mr. Kemal Shoaib Chairman	International Steels Ltd. Century Paper & Board Mills Ltd. Al-Aman Holdings (Pvt) Ltd. Safeway Fund Ltd. International Advertising (Pvt) Ltd. Mind Sports Association of Pakistan Premier Box (Pvt) Ltd. Public Interest Law Association of Pakistan
Mr. Towfiq H. Chinoy Managing Director & CEO	**International Steels Ltd.** Jubilee General Insurance Co. Ltd. Jubilee Life Insurance Co. Ltd. Linde Pakistan Ltd. (Formerly BOC Pakistan Ltd.) Packages Ltd. IGI Investment Bank Ltd. HBL Asset Management Ltd. Mohatta Palace Gallery Trust Indus Valley School of Art and Architecture Habib University Foundation
Mr. Mustapha A. Chinoy Director	**International Steels Ltd.** International Industries Ltd. Pakistan Cables Ltd. Security Papers Ltd. Intermark (Pvt) Ltd. Global e-Commerce Services (Pvt) Ltd. Travel Solutions (Pvt) Ltd.
Mr. Kamal A. Chinoy Director	**International Steels Ltd.** International Industries Ltd. Pakistan Cables Ltd. Atlas Battery Ltd. NBP Fullerton Assets Mgmt. Ltd.

Present Name and Sur Name in Full	Other Business occupation and directorship (if any)
Mr. Tariq Iqbal Khan Director	**International Steels Ltd.** Lucky Cement Ltd. Gillete Pakistan Ltd. National Refinery Ltd. Packages Ltd. Silkbank Ltd. PICIC Insurance Company Pakistan Electric Agency (Pvt) Ltd. FFC Energy Ltd.
Syed Salim Raza Director	**International Steels Ltd.**
Mr. Kamran Y. Mirza Director	**International Steels Ltd.** Abbot Laboratories (Pak) Ltd. Education Fund for Sindh (EFS) Quqality Control Board - ICAP National Productivity Organization Pakistan Business Council Safari & Outdoor Club of Pakistan
Syed Hyder Ali Director	**International Steels Ltd.** Packages Ltd. Nestle Pakistan Limited Sanofi Aventis Pakistan Ltd. Tri-Pack Films Limited IGI Insurance Limited Tetra Pak Pakistan Limited Bulleh Shah Packaging (Pvt) Ltd. Ali Institute of Education (AIE) Babar Ali Foundation (BAF) International Chamber of Commerce Pakistan Lahore University of Management Sciences (LUMS) National Management Foundation (NMF) Packages Lanka (Pvt) Limited Pakistan Centre for Philanthropy Pakistan Business Council Syed Maratib Ali Religious and Charitable Trust
Mr. Otomichi Yano Director	**International Steels Ltd.** Sumitomo Corporation, Japan

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, comprising of majority independent directors, provides strategic oversight and guidance to the management and monitors the performance of the company regarding business objectives, share holders' interests and regulatory compliance.

The Management Team is headed by the Managing Director & Chief Executive Officer and the Functional Heads are:

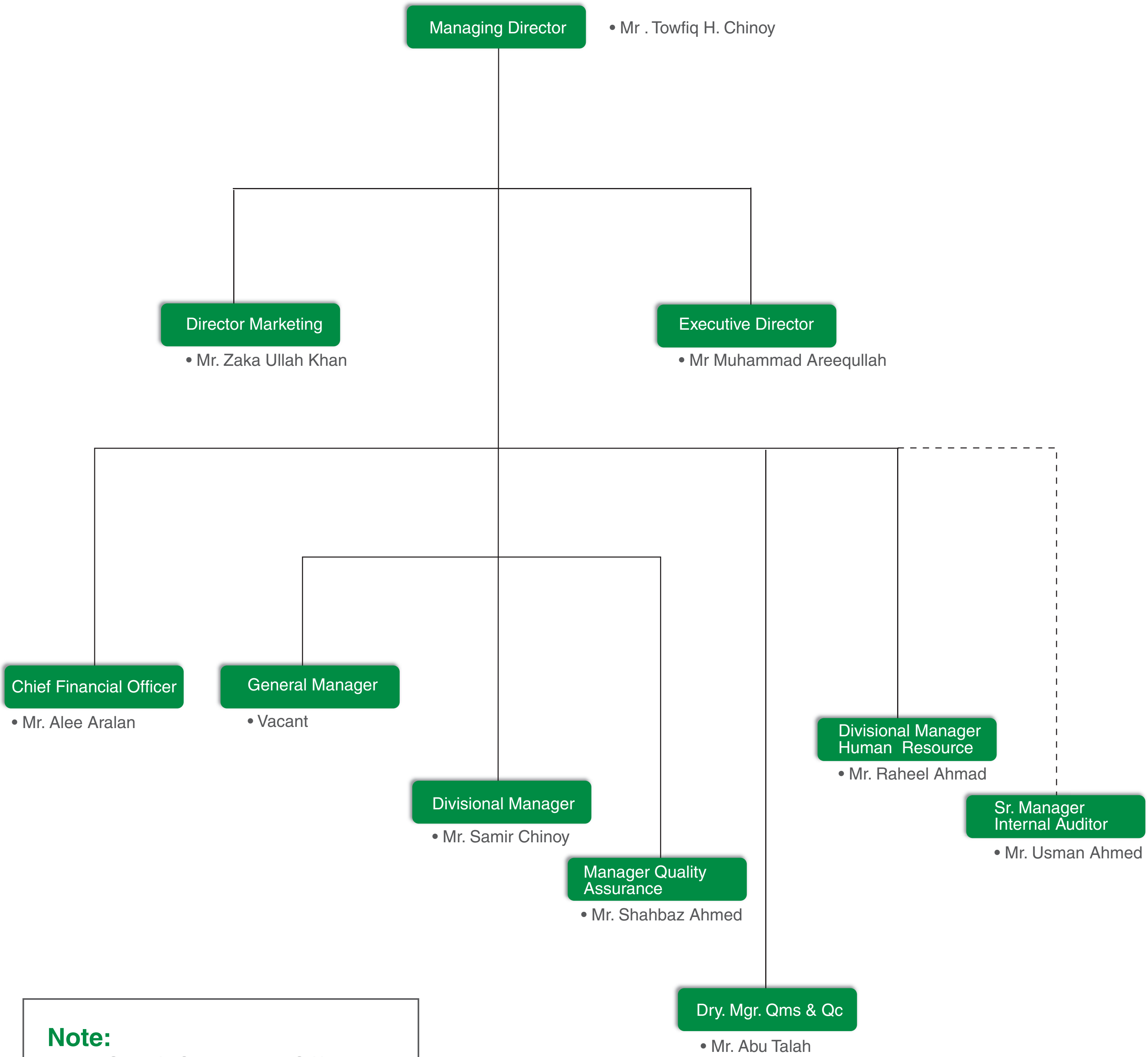
• **Mr. Towfiq H. Chinoy**	Managing Director & CEO
• **Mr. ZakaUllah Khan**	Director Marketing
• **Mr. Muhammad Ateequllah**	Executive Director
• **Mr. Yousuf H. Mirza**	Chief Operating Officer
• **Mr. Alee Arsalan**	Chief Financial Officer
• **Ms. Neelofar Hameed**	Company Secretary
• **Mr.Raheel Ahmed**	Div. Manager Human Resource

Speak Up Policy

We are committed to the highest standards of ethics, transparency and disclosure and believe that our employees are equal stakeholders and they would be the first to realize in case there is any violation of policies, rules and regulations.

Our Speak- Up policy allows the employees to raise concerns over any breach of law, HSE issues, possible fraud and corruption, any harassment or any unethical conduct etc. The management submits a quarterly report to the Board Audit Committee, with details of complaints received. As per Policy even anonymous complaints are considered, only if there is material information and duly investigated.

Organization Chart



Note:

Chief Operating Officer
Mr. Yousuf H. Mirza (M5)
Joinin Date : 12th -Aug -2013

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 June 30, 2013 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 Karachi Exchange (Guarantee) Ltd., Company's Code of Conduct and the international best practices of Corporate Governance throughout the year.

- Compliance has been confirmed from the members of the Board, the Management and employees of the Company. Equitable treatment of shareholders has also been ensured.

- 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. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis, for the financial year ended June 30, 2013 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 Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, 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 and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.

- The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance 1984 and applicable "International Accounting Standards (IAS / IFRS) notified by the SECP.

- All direct and indirect trading 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 holdings have been disclosed in the Pattern of Shareholdings.

INTERNAL AUDIT FUNCTION

- The internal control framework has been effectively implemented through outsourcing the function to M/s Ernst & Young Ford Rhodes Sidat Hyder & Co. A qualified chartered accountant has been appointed as an Independent Head of Internal Audit to supervise and coordinate internal audit assignments.

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.

EXTERNAL AUDITORS

- The statutory Auditors of the Company M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended June 30, 2013 and shall retire on the conclusion of the 6th Annual General 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 the 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 June 30, 2013 on remuneration as negotiated by the Managing Director.

Karachi:
Dated: August 17, 2013

Tariq Iqbal Khan
Chairman – Board Audit Committee

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

INTERNATIONAL STEELS LIMITED

June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category/Names	Names
Independent Directors	• Mr. Kemal Shoaib • Mr. Tariq Iqbal Khan • Syed Salim Raza • Mr. Kamran Y. Mirza
Executive Director	• Mr. Towfiq H. Chinoy
Non-Executive Directors	• Mr. Kamal A. Chinoy • Mr. Mustapha A. Chinoy • Syed Hyder Ali • Mr. Otomichi Yano

The independent directors meet the criteria of independence under Clause i(b) of the Code of Corporate Governance.

2. None of the directors is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during this year.

5. 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.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Company is in the process of developing the significant policies which will then be adopted by the Board of Directors. A complete record of particulars of significant policies have been developed and adopted during the year. The Company has documented the following policies and statements in compliance with the Code of Corporate Governance:

   a) Our Vision
   b) Our Mission
   c) Code of Conduct & Ethical Practices
   d) Our Values
   e) Budgetary Control Policy
   f) Profit Appropriation Policy
   g) Acquisition of Fixed Assets
   h) Donations, Charities & Contribution Policy
   i) Related Party Transaction Policy
   j) Procedure for Related Party Transactions
   k) Delegation of Financial Authority Policy
   l) Human Resource Policies
   m) Speak Up Policy
   n) Investment Policy
   o) Policy for Write Off of Bad Debts , Advances and Receivables

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, and non-executive directors, have been taken by the Board/shareholders.

8. All the meetings of the Board were presided over by the Chairman, who is an independent non-executive director. The board met five times, which includes meeting at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Orientation Program for the Board of Directors was conducted in 2010, when the Board of Directors met after elections. A detailed briefing session was also conducted for the Board when the revised Code of Corporate Governance was implemented by SECP in 2012. The directors have also been provided with copies of Listing Regulations of the Karachi Stock Exchange, Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. Three directors have acquired the formal training certificates in earlier years, while one more director has recently acquired the Director certification from PICG. All the other directors have more than 14 years of education and 15 years of experience on the Board of at least one listed company, in terms of section (xi) of the Code of Corporate Governance. The Company however intends to facilitate further training for the directors in near future as per defined in the Code of Corporate Governance.

10. The existing CFO and Company Secretary continue to serve as per their respective terms of employment duly approved by the Board of Directors. The Company has immediately after the year end hired 'Head of Internal Audit' to act as coordinator between M/s Ernst &Young Ford Rhodes Sidat Hyder & Co. (the firm providing internal audit services) and the Board of Directors.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed except for:

    The Company has not disclosed the information as required under clause (xvi) and sub-clauses (J-iii) directors and their spouse(s) and minor children (name wise details), (j-iv) executives (name-wise), and clause (xvi)(l) all trade in the shares of the listed company, carried out by its directors, executives and their spouses and minor children as mentioned in the Code of Corporate Governance due to security reasons. The International Industries Ltd. Holding Company has applied for relaxation before Securities and Exchange Commission of Pakistan for the above in July 13, 2013. However, reply is yet to be received.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises 3 members; of whom all are Non-Executive Directors, out of which the Chairman and one member are Independent Directors.

16. The meetings of the Audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and noted by the committee for compliance.

17. The Board has formed a Human Resource & Remuneration Committee. It comprises 4 members; the Chairman of the committee and one other member are independent directors, whereas the remaining members comprise one executive director and one non- executive director. The Terms of Reference of Human Resource & Remuneration Committee have been approved by the Board of Drictors and noted by the Human Resource & Remuneration Committee for compliance.

18. The Board has outsourced the Internal audit function and appointed M/s Ernst & Young Ford Rhodes Sidat Hyder & Co, as Internal Auditors of the Company during the year, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. 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, 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.

20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles contained in the Code have been complied with except for those stated above towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

Tariq Iqbal Khan
Chairman – Audit Committee

Towfiq H. Chinoy
Managing Director & CEO

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of International Steels Limited ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, Listing Regulations notified by the Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraphs 6, 10 and 11 which describes the status in respect of formulation of significant policies, appointment of Head of Internal Audit and requirements relating to Directors' report for disclosure of pattern of shareholding held by certain persons respectively towards which reasonable progress is being made by the Company.

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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

Date: August 28, 2013
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Financial Statments of the Company

KPMG

Auditors' Report to the Members

We have audited the annexed balance sheet of International Steels Limited ("the Company") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
b) in our opinion:
    i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
    ii) the expenditure incurred during the year was for the purpose of the Company's business; and
    iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
c) in our opinion and to the best of our information and according to the explanations given to us, balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: August 28, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Balance Sheet

As at 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Non Current Assets			
Property, plant and equipment	4	**9,905,282**	8,898,047
Intangible assets	5	**8,067**	13,414
Long term deposit with Central Depository Company Pakistan Limited		**100**	100
Total Non Current Assets		**9,913,449**	8,911,561
Current Assets			
Stores and spares	6	**370,320**	372,982
Stock-in-trade	7	**2,616,040**	5,273,767
Receivable from Karachi Electric Supply Company Limited (KESC)			
- unsecured, considered good		**35,743**	228,705
Trade debts - secured, unsecured and considered good	8	**550,880**	287,498
Advances - considered good	9	**297,901**	18,692
Trade deposits, short term prepayments and other receivables	10	**12,989**	11,334
Sales tax receivable		**165,678**	279,248
Taxation - net	11	**787,216**	446,036
Cash and bank balances	12	**13,694**	3,957
Total Current Assets		**4,850,461**	6,922,219
Total Assets		**14,763,910**	15,833,780
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
500,000,000 (2012: 500,000,000) ordinary shares of Rs. 10 each		**5,000,000**	5,000,000
Issued, subscribed and paid up capital	13	**4,350,000**	4,350,000
Unappropriated profit / (losses)		**166,807**	(196,657)
Total shareholders' equity		**4,516,807**	4,153,343
Surplus on revaluation of property, plant and equipment	14	**572,886**	-
LIABILITIES			
Non Current Liabilities			
Long term finances - secured	15	**3,371,860**	3,846,883
Deferred taxation-net	16	**219,151**	67,867
Total Non Current Liabilities		**3,591,011**	3,914,750
Current Liabilities			
Trade and other payables	17	**1,021,318**	468,130
Short term borrowings - secured	18	**4,121,378**	6,447,822
Current portion of long term finances	15	**783,285**	638,775
Accrued mark-up		**157,225**	210,960
Total Current Liabilities		**6,083,206**	7,765,687
Contingencies and Commitments	19		
Total Equity and Liabilities		**14,763,910**	15,833,780

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan	**Alee Arsalan**	**Towfiq H. Chinoy**
Director & Chairman	Chief Financial	Managing Director &
Board Audit Committee	Officer	Chief Executive

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Net sales	20	**17,602,670**	13,248,983
Cost of sales	21	**(15,999,250)**	(12,043,061)
Gross profit		**1,603,420**	1,205,922
Administrative expenses	22	**(110,703)**	(75,355)
Selling and distribution expenses	23	**(82,644)**	(74,898)
		(193,347)	(150,253)
Financial charges	24	**(992,695)**	(1,168,819)
Other operating charges	25	**(43,546)**	(106,397)
		(1,036,241)	(1,275,216)
Other income	26	**68,959**	99,057
Profit / (loss) before taxation		**442,791**	(120,490)
Taxation - net	27	**(79,327)**	16,019
Profit / (loss) for the year		**363,464**	(104,471)
		(Rupees)	
Earnings / (loss) per share - basic and diluted	28	**0.84**	(0.24)

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan	**Alee Arsalan**	**Towfiq H. Chinoy**
Director & Chairman	Chief Financial	Managing Director &
Board Audit Committee	Officer	Chief Executive

Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Profit / (loss) for the year		**363,464**	(104,471)
Other comprehensive income		-	-
Total comprehensive income for the year		363,464	(104,471)

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial
Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**442,791**	(120,490)
Adjustments for:			
Depreciation		**426,588**	355,499
Amortisation		**5,347**	2,627
Gain on sale of property, plant and equipment		**(5,722)**	(378)
Provision for staff gratuity		**6,676**	5,335
Provision for compensated absences		**919**	6,682
Financial charges		**992,695**	1,168,819
		1,869,294	1,418,094
Movement in working capital	29	**2,983,949**	(1,055,734)
Payment of compensated absences		**(9,005)**	(2,012)
Net cash from operations		**4,844,238**	360,348
Financial charges paid		**(1,046,430)**	(1,115,522)
Gratuity paid		**(6,676)**	(7,821)
Taxes paid - net		**(361,118)**	(306,197)
Net cash from / (used in) operating activities		**3,430,014**	(1,069,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(778,237)**	(466,470)
Proceeds from sale of property, plant and equipment		**14,917**	663
Net cash (used in) investing activities		**(763,320)**	(465,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash (used in) financing activities - (Repayments) of long term finances - net		**(330,513)**	(113,062)
Net increase / (decrease) in cash and cash equivalents		**2,336,181**	(1,648,061)
Cash and cash equivalents at beginning of the year		**(6,443,865)**	(4,795,804)
Cash and cash equivalents at end of the year		**(4,107,684)**	(6,443,865)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	12	**13,694**	3,957
Short term borrowings	18	**(4,121,978)**	(6,447,822)
		(4,107,684)	(6,443,865)

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial
Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive

Statement of Changes in Equity

For the year ended 30 June 2013

	Issued, subscribed and paid up capital	Unappropriated profit / (losses)	Total
	----------------------	(Rupees in '000)	----------------------
Balance as at 1 July 2011	4,350,000	(92,186)	4,257,814
Total comprehensive income for the year - loss for the year	-	(104,471)	(104,471)
Balance as at 30 June 2012	4,350,000	(196,657)	4,153,343
Total comprehensive income for the year - profit for the year	-	363,464	363,464
Balance as at 30 June 2013	**4,350,000**	**166,807**	**4,516,807**

The annexed notes 1 to 39 form an integral part of these financial statements.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial
Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ("the Company") was incorporated on 3 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The net assets of the Steel Project Undertaking amounted to Rs. 4,177.167 million were determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement and net assets of the Steel Project Undertaking were transferred to the Company on 24 August 2010 and 417,716,700 shares of Rs. 10 each of the Company thereagainst were issued to International Industries Limited (the Holding Company). The Company was listed on the Karachi Stock Exchange on 01 June 2011. As at 30 June 2013, the Holding Company held 245,055,543 shares (30 June 2012: 245,055,543 shares) of the Company.

The primary activities of the Company are business of manufacturing of cold rolled steel coils and galvanized 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 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 and less unrecognised actuarial losses and land and buildings that are stated at fair values determined by an independent valuer.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is also the Company's functional currency. All figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount 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 on going basis. Revisions to accounting estimates are recognised 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. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are described in the following:

- Property, plant and equipment and Intangible assets (notes 3.1 and 3.2).
- Trade debts and other receivables (note 3.3.1.1)
- Stores and spares and stock in trade (notes 3.4 and 3.5)
- Taxation (note 3.6)
- Staff retirement benefits (note 3.7)
- Impairment (note 3.10)

2.5 Standards, amendments and interpretations which became effective during the year

During the year, certain amendments to standards became effective. However, they did not have material affect on these financial statements.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognised actuarial losses amounting to Rs. 9.847 million at 30 June 2013 would need to be recognised in other comprehensive income in next financial year.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12-Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments in IAS 16 would result in reclassification of certain plant specific spares at 30 June 2013 as property, plant and equipment when the amended standard becomes applicable. Moreover the effects of this reclassification and other amendments have no material impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Interpretation has no impact on financial statements of the Company.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments have no impact on financial statements of the Company.

- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments have no impact on financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 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 items 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 (including normal repairs and maintenance)

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 entity 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. The rates of depreciation are indicated in note 4.1.

Depreciation on additions to buildings and plant and machinery, furniture, fixture and office equipment and vehicles 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 balance sheet date.

Surplus on revaluation

Revaluation of freehold land and building on free hold land is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Surplus on revaluation of land, buildings is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalue assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings.

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.

3.1.2 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.

3.2 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 costs 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 5.
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.

3.3 Financial Instruments

3.3.1 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 it ceases to be a party to such contractual provisions of the instruments.

3.3.1.1 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. Other receivables considered irrecoverable are written off.

3.3.1.2 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and current accounts held with banks. Short term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.3.2 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 it ceases to be a party to such contractual provisions of the instruments.

3.3.2.1 Mark-up bearing borrowings and borrowing costs

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

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

3.3.2.2 Trade and other payables

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

3.3.3 Derivative financial instruments

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

3.3.4 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 there is legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

3.4 Stores and spares

Stores and spares are stated at lower of cost and net realisable value less impairment loss (to record any diminution in the carrying values), if any. Cost is determined using weighted average method.

3.5 Stock-in-trade

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of the business less net estimated cost of completion and selling expenses.

Scrap is valued at estimated realisable value.

3.6 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 looks at 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 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, 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 balance sheet 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.

3.7 Staff retirement benefits

3.7.1 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". The Company is using 'corridor approach' to recognise actuarial gains and losses. The latest Actuarial valuation was conducted at the balance sheet date.

3.7.2 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.

3.7.3 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.

3.8 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 balance sheet date. Exchange differences are included in the profit and loss account currently.

3.9 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 Karachi Electric Supply Company Limited (KESC).

3.10 Impairment

3.10.1 Financial assets

A financial asset is 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.

3.10.2 Non-Financial assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value of 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.

3.11 Provisions

A provision is recognised in the balance sheet 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 balance sheet date and adjusted to reflect current best estimate.

3.12 Segment reporting

Segment results that are reported to the Company's 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 (refer note 36).

3.13 Dividend and appropriation

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

4 PROPERTY, PLANT AND EQUIPMENT

		2013	2012
		(Rupees in '000)	
Operating assets	4.1	**9,529,257**	8,532,676
Capital work-in-progress	4.2	**376,025**	365,371
		9,905,282	8,898,047

	2013													
	Cost						**Depreciation**						**Net book**	**Rate**
	As at 01 July 2012	**Additions/ Transfers ***	**Revaluation surplus (note 4.4) / (Adjustment)**	**Other adjustment**	**(Disposals)**	**As at 30 June 2013**	**As at 01 July 2012**	**For the year**	**Revaluation surplus (note 4.4) / (Adjustment)**	**Other adjustment**	**Disposal**	**As at 30 June 2013**	**value as at 30 June 2013**	**%**
	(Rupees in '000)													
Freehold land	**836,599**	**-**	**380,276**	**-**	**-**	**1,216,875**	**-**	**-**	**-**	**-**	**-**	**-**	**1,216,875**	**-**
Buildings on			**284,505**											**3% - 5%**
freehold land	**1,008,584**	**-**	**(123,337)**	**-**	**-**	**1,169,752**	**78,460**	**44,877**	**(123,337)**	**-**	**-**	**-**	**1,169,752**	
Plant and machinery	**7,268,863**	**740,615***	**-**	**(155)**	**-**	**8,009,323**	**550,701**	**365,299**	**-**	**(30)**	**-**	**915,970**	**7,093,353**	**3%-33%**
Furniture, fixture, computer and office equipment	**22,489**	**6,983**	**-**	**155**	**(174)**	**29,453**	**7,626**	**5,691**	**-**	**30**	**(52)**	**13,295**	**16,158**	**10% - 33%**
Vehicles	**54,749**	**19,985**	**-**	**-**	**(19,030)**	**55,704**	**21,821**	**10,721**	**-**	**-**	**(9,957)**	**22,585**	**33,119**	**20%**
	9,191,284	**26,968**	**664,781**	**-**	**(19,204)**	**10,481,107**	**658,608**	**426,588**	**(123,337)**	**-**	**(10,009)**	**951,850**	**9,529,257**	
		740,615*	**(123,337)**											

	2012													
	Cost						Depreciation						Net book	Rate
	As at 01 July 2011	Additions Transfers *	Revaluation surplus (note 4.4) / (Adjustment)	Other adjustment	(Disposals)	As at 30 June 2012	As at 01 July 2011	For the year	Revaluation surplus (note 4.4) / (Adjustment)	Other adjustment	Disposal	As at 30 June 2012	value as at 30 June 2012	%
	(Rupees in '000)													
Free hold land	836,599	-	-	-	-	836,599	-	-	-	-	-	-	836,599	
Buildings on freehold land	1,008,584	-	-	-	-	1,008,584	33,581	44,879	-	-	-	78,460	930,124	3% - 5%
Plant and machinery	6,760,367	508,496*	-	-	-	7,268,863	252,921	297,780	-	-	-	550,701	6,718,162	3%-10%
Furniture, fixture, computer and office equipment	14,017	8,472	-	-	-	22,489	4,020	3,606	-	-	-	7,626	14,863	10% - 33%
Vehicles	37,953	17,559	-	-	(763)	54,749	13,065	9,234	-	-	(478)	21,821	32,928	20%
	8,657,520	26,031	-	-	(763)	9,191,284	303,587	355,499	-	-	(478)	658,608	8,532,676	
		508,496*												

*This represents transfers from capital work in progress.

4.2 Capital work-in-progress

	2013				2012			
	Cost As at 01 July 2012	**Additions refer (4.2.1)**	**(Transfers)**	**As at 30 June 2013**	Cost As at 01 July 2011	Additions refer (4.2.1)	(Transfers)	As at 30 June 2012
	(Rupees in '000)							
Plant and machinery	**365,371**	**751,269**	**(740,615)**	**376,025**	428,991	444,876	(508,496)	365,371
	365,371	**751,269**	**(740,615)**	**376,025**	428,991	444,876	(508,496)	365,371

4.2.1 Borrowing cost capitalised during the year amounted to Rs. Nil. (2012: Rs. 6.98 million) which is related to specific borrowings.

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

	Note	2013	2012
		(Rupees in '000)	
Cost of sales	21	**356,922**	317,713
Administrative expenses	22	**4,267**	3,463
Selling and distribution expenses	23	**2,218**	1,853
Income from power generation	26.1	**63,181**	32,470
		426,588	355,499

4.4 The Company has carried out valuation of freehold land and buildings on freehold land as at 30 June 2013. The resulting revaluation surplus has been credited to revaluation surplus account net of related tax effect and has been disclosed in note 14 to the financial statement. The valuation was conducted by an independent valuer who is located in Karachi. Land was valued on the basis of enquiries made about the cost of land of similar nature, size and location. Buildings on freehold land was valued based on the current cost of construction and building finishes, keeping in view the condition of buildings. The resultant surplus on revaluation of land and buildings is not distributable to the shareholders as per requirements of the Companies Ordinance 1984.

Had these assets had been carried at historical cost, at 30 June 2013 the carrying amount would have been as follows:

	Cost	Accumulated Depreciation	Net book value
	--------------(Rupees in '000)--------------		
Freehold land	**836,599**	**-**	**836,599**
Buildings on freehold land	**1,008,584**	**123,337**	**885,247**
As at 30 June 2013	**1,845,183**	**123,337**	**1,721,846**

4.5 Details of property, plant and equipment disposed off during the year are:

	Original cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
	-----------------------(Rupees in '000) --------------------------					
Computers						
Laptop	63	-	63	60	As per company policy	Holding Company
Various computers of book value less than Rs.50,000 each	111	52	59	63	As per company policy	Holding Company
	174	52	122	123		

	Original cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
	---------------------(Rupees in '000)---------------------------					
Vehicles						
Honda Civic	1,675	1,142	533	-	On retirement of an employee as per policy	Mr. Liaquat Ali Tejani
Honda Civic	1,738	984	754	1,380	Negotiation	Mr. Walid Basit Khan
Honda Civic	1,708	1,033	675	1,425	Negotiation	Mr. Abdul Rasheed
Honda City	1,426	524	902	1,300	As per company policy	Holding Company
Honda City	1,317	44	1,273	1,175	Negotiation	Mr. Qasim Bajwa
Honda City	1,178	837	341	950	Negotiation	Mr. Mazhar
Honda City	915	259	656	638	As per company policy	Mr. Sohail Jilani (Employee)
Toyota Corolla	1,827	62	1,765	1,730	Negotiation	Mr. Saeed Abdul Sattar
Suzuki Cultus	868	334	534	775	Negotiation	Mr . Aamir Gul
Suzuki Cultus	725	205	520	700	Negotiation	Mr S. Riaz Ahmed
Suzuki Cultus	560	197	363	615	Negotiation	Mrs. Gulfam Sheikh
Suzuki Mehran	494	206	288	475	Negotiation	Mr. Qaiser Nadeem
Suzuki Mehran	484	210	274	484	Insurance claim	Jubilee General Insurance
Honda CD-70 motor cycle	68	4	64	68	Insurance claim	Jubilee General Insurance
Honda CD-70 motor cycle	68	4	64	68	Insurance claim	Jubilee General Insurance
Honda CD-70 motor cycle	68	4	64	68	Insurance claim	Jubilee General Insurance
Various vehicles of book value less than Rs.50,000 each	3,911	3,908	3	2,943	Negotiation	Various
	19,030	**9,957**	**9,073**	**14,794**		
Grand total	**19,204**	**10,009**	**9,195**	**14,917**		

5 INTANGIBLE ASSETS

	Cost				Amortisation 2013			Net book value as at 30 June 2013	Rate % / Life
	As at 01 July 2012	Additions	Transfer from long term advances	As at 30 June 2013	As at 01 July 2012	For the year	As at 30 June 2013		
	(Rupees in '000)								
Computer software	**16,041**	**-**	**-**	**16,041**	**2,627**	**5,347**	**7,974**	**8,067**	**33% / 3 years**
Computer software as at 30 June 2012	-	562	15,479	16,041	-	2,627	2,627	13,414	33% / 3 years

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

6 STORES AND SPARES

		2013	2012
		(Rupees in '000)	
Stores		**48,711**	144,107
Spares in transit		**21,584**	26,890
Spares		**241,987**	200,207
Loose tools		**58,038**	1,778
		370,320	372,982

7 STOCK-IN-TRADE

		2013	2012
Raw material - in hand		**858,233**	2,242,318
Raw material - in transit		**552,246**	1,656,394
Work-in-process		**360,724**	531,592
Finished goods		**841,816**	780,489
Scrap Material		**3,021**	62,974
		2,616,040	5,273,767

8 TRADE DEBTS - secured, unsecured and considered good

		2013	2012
- Secured	8.1	**544,237**	267,119
- Unsecured	8.2	**6,643**	20,379
		550,880	287,498

8.1 This represents trade debts arising on account of export sales of Rs. 521.26 million which are secured by way of Export Letters of Credit and Documents of Acceptance and Rs. 22.98 million arising on account of domestic sales which are secured by way of inland letter of credit and post dated cheques.

8.2 Trade debts - unsecured includes Rs. 1.237 million due from the Holding Company. This amount is not past due.

9 ADVANCES - Considered good		**2013**	2012
		(Rupees in '000)	
Advances:			
- to suppliers	19.2.4	**204,288**	15,260
- against sales tax		**85,000**	-
- to service providers		**7,174**	3,172
- to employees		**1,439**	260
		297,901	18,692
10 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits		**3,837**	2,987
Short term prepayments		**8,625**	8,347
Others		**527**	-
		12,989	11,334
11 TAXATION - net			
Tax receivable as at 1 July		**446,036**	152,512
Tax refund during the year		**(275,319)**	(140,014)
Tax payments / adjustments during the year		**636,437**	446,211
		807,154	458,709
Less: Provision for tax	27	**(19,938)**	(12,673)
		787,216	446,036
12 CASH AND BANK BALANCES			
Cash in hand		**-**	17
Cash at bank - current accounts in local currency		**12,815**	3,229
Cash at bank - deposit account in foreign currency		**879**	711
		13,694	3,957

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		**2013**	2012
(Number of shares)				
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

13.1 As at 30 June 2013, the Holding Company and other associates held 245,055,543 (2012: 245,055,543) and 79,936,457 (2012: 79,936,457) ordinary shares respectively of Rs. 10 each.

14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in '000)	
Freehold land			
Balance as at 1 July		-	-
Revaluation surplus	4.1	380,276	-
		380,276	-
Buildings on freehold land			
Balance as at 1 July		-	-
Revaluation surplus	4.1	284,505	-
Deferred tax liability recognised on surplus	16	(91,895)	-
		192,610	-
		572,886	-

15 LONG TERM FINANCES - secured

	Note	2013	2012
Long-term finances utilised under mark-up arrangements	15.1	4,155,145	4,485,658
Current portion of long term finances shown under current liabilities		(783,285)	(638,775)
		3,371,860	3,846,883

15.1 Long term finances utilised under mark-up arrangements

	Sale price (Rupees in '000)	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2013 (Rupees in '000)	2012
i) **Syndicated Term Financing under LTFF Scheme** Local currency assistance for plant and machinery of Cold Rolled and Galvanized Sheet Project (note 15.1.1)	4,000,000	9,376,178	16 half yearly instalments 19-Mar-11	11-Jun-21	1.50% over SBP Refinance rate	**3,344,803**	3,768,391
ii) **Long Term Finance** Local currency assistance for Plant and Machinery (note 15.1.2)	900,000	1,263,602	8 half yearly 27-Dec-12	2-Oct-17	1.8% over 6 months KIBOR	**810,342**	717,267
						4,155,145	4,485,658

15.1.1 The syndicated term financing is obtained for plant and machinery of Cold Rolling Mill and Galvanising Plant and is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement.

15.1.2 This finance is obtained from Faysal Bank Limited for plant & machinery and is secured by way of first pari passu charge over fixed assets of the Company.

16 DEFERRED TAXATION - net

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

	2013				2012		
	Opening	**Charge / (reversal)**	**Recognised in surplus on revaluation (note 14)**	**Closing**	Opening	Charge / (reversal)	Closing
	---(Rupees in '000)---						
Taxable temporary difference							
Accelerated tax depreciation	**1,647,432**	**11,840**	**91,895**	**1,751,167**	1,492,448	154,984	1,647,432
Deductible temporary differences							
Provision for unavailed leaves	**(3,384)**	**2,897**	**-**	**(487)**	(1,749)	(1,635)	(3,384)
Unrealised exchange losses	**(1,903)**	**(468)**	**-**	**(2,371)**	-	(1,903)	(1,903)
Pre-commencement expenditure	**(18,161)**	**7,511**	**-**	**(10,650)**	-	(18,161)	(18,161)
Tax loss	**(1,556,117)**	**37,609**	**-**	**(1,518,508)**	(1,394,140)	(161,977)	(1,556,117)
	67,867	**59,389**	**91,895**	**219,151**	96,559	(28,692)	67,867

16.1 The applicable tax rate for the purpose of computation of deferred tax is 34% as compared to 35% in previous accounting period. The change in rate is effected in the approved Finance Act 2013.

17 TRADE AND OTHER PAYABLES

		2013	2012
		(Rupees in '000)	
Trade creditors	17.1	**23,128**	71,716
Bills payable		**573,830**	207,840
Payable to provident fund		**1,237**	-
Sales commission payable	17.2	**36,462**	10,000
Accrued expenses		**84,244**	73,738
Advances from customers		**146,911**	38,752
Provision for infrastructure cess	17.3	**118,000**	55,000
Provision for government levies	17.4	**947**	811
Short term compensated absences		**1,582**	9,668
Workers' Profit Participation Fund	17.5	**23,806**	-
Workers' Welfare Fund		**9,522**	-
Others		**1,649**	605
		1,021,318	468,130

17.1 Trade creditors includes Rs. 0.005 million payable to an associated company.

17.2 Sales commission payable includes Rs. 2.44 million in respect of commission payable to an associated person.

17.3 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 19.1.1).

		2013	2012
		(Rupees in '000)	
Opening balance		**55,000**	21,588
Provided during the year		**63,000**	35,715
		118,000	57,303
Payment / adjustment during the year		**-**	(2,303)
Closing balance		**118,000**	55,000

17.4 Provision for government levies

		2013	2012
Opening balance		**811**	-
Provided during the year		**315**	1,261
		1,126	1,261
Payment / adjustment during the year		**(179)**	(450)
Closing balance		**947**	811

17.5 Movement of Workers' Profit Participation Fund

		2013	2012
Opening balance		**-**	-
Allocation for the year	25	**23,806**	-
Closing balance		**23,806**	-

18 SHORT TERM BORROWINGS - secured

		2013	2012
Running finance under mark-up arrangement	18.1	**2,626,159**	4,507,805
Running finance under FE-25 Import Scheme	18.2	**697,277**	1,371,262
Running finance under Export Refinance Scheme	18.3	**398,000**	108,755
Short term finance under Murabaha and Istisna	18.4	**399,942**	460,000
		4,121,378	6,447,822

18.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from KIBOR + 0.50% to KIBOR + 2.00% (2012: KIBOR+0.50% to KIBOR+ 1.75%) per annum. These facilities mature within twelve months and are renewable.

18.2 The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 available from various commercial banks are for the purpose of meeting import requirements. The facilities availed is for an amount of USD 6.99 million equivalent to Rs. 697.27 million (2012: USD 14.47 million equivalent to Rs. 1,371.26 million) The rates of mark-up on these finances range from 1.25% to 1.79% (2012: 2.05% to 2.65%) per annum. These facilities mature within six months and are renewable.

18.3 The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub limit of short term finance facility. The facility availed is for an amount of Rs. 398.000 million (2012: Rs. 108.755 million). The rate of mark-up on this facility is 8.88% per annum (2012: 10.65%). This facility matures within six months and is renewable.

18.4 The Company has obtained facilities for short term finance under Murabaha and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.72% (2012: KIBOR + 1.00%). This facility matures within six months and is renewable.

18.5 As at June 30 2013, the unavailed facilities from the above borrowings amounted to Rs. 5,390.49 million (2012: 1,927.18 million).

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

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

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

The High Court on petition filed, passed an interim order directing that any bank guarantee / securities furnished for consignments cleared up to December 27, 2006 are to be returned and for the period there after guarantees and securities furnished for consignments cleared are to be in cash to the extent of 50% and the remaining balance is to be retained till the disposal of petitions. For future clearances, the Company is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed by High Court. Bank guarantees issued as per the above mentioned interim order amount to Rs.126.50 million (2012: Rs. 55.50 million), have been provided to the Department. However, a provision to the extent of amount of guarantee has also been provided for by the Company on prudent basis (Note 17.3).

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

In view of above stated order of Honourable High Court of Sindh and opinion of legal advisor ,the Company is confident of a favourable outcome and therefore has not recorded differential of GID Cess of Rs. 87 per MMBTU (from October 2012 to June 2013) amounting to Rs. 81.239 million in these financial statements.

19.1.3 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, minimum tax has for the year 2012 is Rs 128.25 million and for the year 2013 Rs 91.26 million has not been recorded.

The Company based on legal councils' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favorable. Hence no provision in this respect has been made in these financial statements.

19.1.4 Guarantee issued by the Company to Sui Southern Gas Company Limited of Rs. 198.20 million (2012: Rs. 156.20 million) as a security for supply of gas.

19.1.5 Guarantee issued by the Company to JPCL - Jamshoro (Bid Bond Guarantee) of Rs. 0.05 million (2012: Rs. Nil).

19.2 Commitments

19.2.1 Capital expenditures commitments outstanding as at 30 June 2013 amounted to Rs. 7.35 million (2012: Rs.307.63 million).

19.2.2 Commitments under letters of credit for raw materials and spares as at 30 June 2013 amounted to Rs 4,792.22 million (2012: Rs. 2,721.35 million).

19.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 3,262.43 million (2012: Rs. 3,845.56 million) and Rs. 425.25 million (2012: Rs. 338.30 million) respectively.

19.2.4 The Company has obtained facilities for short term finance with a commercial bank under Murabaha Master Agreement having limit of Rs. 1,600 million for purchase of raw material (asset). The rate of profit is KIBOR + 0.70%. This facility matures in 2014, and is renewable. Following are the significant terms of the agreement with the bank:

- The Company purchases the assets on behalf of the bank as agent and gives an irrevocable, unconditional and absolute undertaking for purchase of assets from the bank at agreed terms and will make a downpayment of 20% amount. The Bank is entitled to recover any actual loss that may arise in case the Company does not purchase such assets. Actual loss will be calculated as the difference between sale of assets in the market and the relevant cost price paid by the bank.

As at 30 June 2013, the bank purchased raw material (asset) amounting to Rs. 927.76 million against which the Company has paid advance of Rs. 186.54 million (refer note 9) under the above Murabaha Master Agreement.

20 NET SALES	**2013**	2012
	(Rupees in '000)	
Local	**18,675,890**	14,737,471
Export	**1,724,458**	1,023,993
	20,400,348	15,761,464
Sales tax and special excise duty	**(2,582,884)**	(2,372,565)
Trade discounts	**(13,700)**	(1,689)
Sales commission	**(201,094)**	(138,227)
	(2,797,678)	(2,512,481)
	17,602,670	13,248,983

21 COST OF SALES

	Note	2013	2012
		(Rupees in '000)	
Opening stock of raw material and work-in-process		**2,773,910**	3,115,716
Purchases		**13,382,742**	11,551,999
Salaries, wages and benefits	21.1	**199,890**	209,736
Electricity, gas and water		**329,519**	269,858
Rent, rates and taxes		**-**	3,700
Insurance		**21,271**	21,395
Security and janitorial		**11,506**	8,462
Depreciation	4.3	**356,922**	317,713
Amortisation	5	**5,347**	2,627
Stores and spares consumed		**139,464**	105,354
Repairs and maintenance		**60,457**	34,875
Postage, telephone and stationery		**3,769**	3,298
Vehicle, travel and conveyance		**11,105**	14,608
Internal material handling		**4,189**	3,860
Environment controlling expense		**1,150**	1,227
Computer stationery and software support fees		**5,144**	4,741
Freight and forwarding charges		**-**	2,795
Sundries		**4,589**	9,186
Recovery from sale of scrap		**(31,440)**	(702,595)
		17,279,534	14,978,555
Closing stock of raw material and work-in-process		**(1,218,957)**	(2,773,910)
Cost of goods manufactured		**16,060,577**	12,204,645
Finished goods:			
Opening stock		**780,489**	618,905
Closing stock	7	**(841,816)**	(780,489)
		(61,327)	(161,584)
		15,999,250	12,043,061

21.1 Salaries, wages and benefits include Rs. 9.417 million (2012: Rs. 9.588 million) in respect of staff retirement benefits.

21.2 Sales of certain products have been considered as local sales during the year and accordingly same has been presented.

22 ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, wages and benefits	22.1	**81,528**	51,504
Rent, rates and taxes		**4,080**	3,629
Electricity, gas and water		**1,609**	1,808
Insurance		**571**	560
Depreciation	4.3	**4,267**	3,463
Security and janitorial services		**33**	58
Repairs and maintenance		**13**	32
Printing and stationery		**883**	863
Computer stationery and office supplies		**6**	17
Postage and communication		**468**	602
Vehicle, travel and conveyance		**6,941**	4,028
Legal and professional charges		**6,635**	5,279
Certification and registration charges		**437**	568
Directors' fee		**1,960**	2,040
Others		**1,272**	904
		110,703	75,355

22.1 Salaries, wages and benefits include Rs. 1.460 million (2012: Rs. 1.372 million) in respect of staff retirement benefits.

			2013	2012
23	**SELLING AND DISTRIBUTION EXPENSES**		**(Rupees in '000)**	
	Salaries, wages and benefits	23.1	**34,440**	37,549
	Rent, rates and taxes		**4,572**	3,913
	Electricity, gas and water		**722**	869
	Insurance		**410**	367
	Depreciation	4.3	**2,218**	1,853
	Postage, telephone and stationery		**574**	601
	Vehicle, travel and conveyance		**3,353**	3,946
	Freight and forwarding charges		**32,533**	21,551
	Sales promotion		**2,264**	3,140
	Others		**1,558**	1,109
			82,644	74,898

23.1 Salaries, wages and benefits include Rs. 1.744 million (2012: Rs. 2.041 million) in respect of staff retirement benefits.

24	**FINANCIAL CHARGES**			
	Mark-up on:			
	- long term finances		**416,083**	437,637
	- short term borrowings		**527,657**	585,464
	Bank charges		**4,319**	3,961
	Exchange loss on FE financing		**44,636**	141,757
			992,695	1,168,819

24.1 Exchange loss on foreign exchange borrowing amounting to Rs. 141.757 million has been reclassified from 'Other operating charges'.

25	**OTHER OPERATING CHARGES**			
	Auditors' remuneration	25.1	**1,525**	1,450
	Donations	25.2	**125**	85
	Workers' Profit Participation Fund		**23,806**	-
	Workers' Welfare Fund		**9,522**	-
	Provision for government levies		**315**	811
	Penalty imposed by Stamp Board of Revenue, Sindh		**-**	10
	Exchange loss - net		**8,253**	104,041
			43,546	106,397

25.1	**Auditors' remuneration**		
	Audit fee	**1,070**	1,070
	Half yearly review	**325**	250
	Other services including certifications	**95**	95
	Out of pocket expenses	**35**	35
		1,525	1,450

25.2 Donations were not made to any donee in which any director or their spouse had any interest at any time during the year.

26	OTHER INCOME		2013	2012
			(Rupees in '000)	
	Income from non-financial assets			
	Income from power generation	26.1	**43,606**	54,324
	Toll manufacturing income		**137**	5,274
	Income on supply of utilities		**12,191**	27,300
	Gain on sale of property, plant and equipment		**5,722**	378
	Rent income		**1,735**	1,620
	Others		**5,203**	6,040
			68,594	94,936
	Income/return on financial assets			
	- Interest on bank deposit		**365**	4,121
			68,959	99,057

26.1 Income from power generation

Net sales		**452,404**	528,606
Cost of electricity produced:			
Salaries, wages and benefits	26.1.1	**12,642**	9,664
Electricity, gas and water		**532,191**	590,962
Depreciation	4.3	**63,181**	32,470
Stores and spares consumed		**19,090**	16,526
Repairs and maintenance		**26,620**	27,092
Sundries		**913**	1,012
		654,637	677,726
Less: Self consumption		**(245,839)**	(203,444)
		408,798	474,282
Income from power generation		**43,606**	54,324

26.1.1 Salaries, wages and benefits include Rs. 0.476 million (2012: Rs. 0.308 million) in respect of staff retirement benefits.

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

27 TAXATION - net

Current			
- for the year		**18,052**	10,359
- for prior years		**1,886**	2,314
		19,938	12,673
Deferred	16	**59,389**	(28,692)
		79,327	(16,019)

27.1 Relationship between income tax expense and accounting profit

	2013	2012
	(Rupees in '000)	
Profit / (loss) before taxation	**442,791**	(120,490)
Tax at the enacted tax rate of 35% (2012: 35%)	**154,976**	(42,171)
Effect on income under final tax regime	**(3,187)**	12,973
Prior year's charge	**1,886**	2,314
Effect of adjustments on account of change in rates and proportionate etc.	**(75,035)**	5,415
Others	**687**	5,450
Tax effective rate / tax charge	**79,327**	(16,019)

28 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	2013	2012
Profit / (loss) after taxation for the year	**363,464**	(104,471)
	(Number)	
Weighted average number of ordinary shares in issue during the year	**435,000,000**	435,000,000
	(Rupees)	
Earnings / (loss) per share	**0.84**	(0.24)

29 MOVEMENT IN WORKING CAPITAL

	2013	2012
Decrease / (increase) in current assets:		
Stores and spares	**2,662**	(233,419)
Stock-in-trade	**2,657,727**	(1,455,849)
Trade debts	**(263,382)**	(287,147)
Receivable from KESC	**192,962**	30,725
Advances	**(279,209)**	248,188
Trade deposits, short term prepayments and other receivables	**(1,655)**	715
Sales tax receivable	**113,570**	305,018
	2,422,675	(1,391,769)
(Decrease) / increase in current liabilities:		
Trade and other payables	**561,274**	336,035
	2,983,949	(1,055,734)

30 STAFF RETIREMENT BENEFITS

30.1 Provident fund

Salaries, wages and benefits include Rs. 6.421 million (2012: Rs. 5.488 million) in respect of provident fund contribution.

The following information is based on un-audited financial statements of the Fund:

	2013	2012
	(Rupees in '000)	
Size of the fund - Total assets	**43,978**	42,297
Cost of investments made	**38,978**	39,604
Percentage of investments made	**96%**	95%
Fair value of investments	**42,225**	40,216

The break-up of fair value of investments is:

	2013		2012	
	(Rupees in '000)	----%----	(Rupees in '000)	----%----
Bank balances	**1,526**	**3.61%**	1,348	3.35%
Government securities	**8,955**	**21.21%**	4,457	11.08%
Debt securities	**11,252**	**26.65%**	14,500	36.06%
Mutual funds	**20,492**	**48.53%**	19,911	49.51%
	42,225	**100%**	40,216	100%

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

30.2 Gratuity fund

Principal actuarial assumptions used in the actuarial valuation of the fund carried out under Projected Unit Credit Method as at 30 June 2013 are as follows:

- Discount rate at 10.5% per annum (2012: 13.0%).
- Expected rate of return on plan assets at 13% per annum (2012: 14%).
- Expected rate of increase in salary level at 9.5% per annum (2012: 12.0%).
- Normal retirement age 60 years (2012: 60 years)
- Death rate is based on EFU 61-66 mortality table

30.2.1 The amount recognised in the balance sheet is as follows:

	2013	2012
	(Rupees in '000)	
Present value of defined benefit obligation	**29,625**	22,019
Fair value of plan assets	**(19,778)**	(16,575)
Deficit in the Fund	**9,847**	5,444
Unrecognised actuarial loss	**(9,847)**	(5,444)
Liability as at 30 June	**-**	-

30.2.2 Movement in the present value of defined benefit obligation

	2013	2012
Obligation as at 1 July	**22,019**	15,369
Current service costs	**5,674**	4,365
Interest cost	**2,862**	2,152
Actuarial loss	**7,633**	916
Benefits paid	**(8,563)**	(783)
Obligation as at 30 June	**29,625**	22,019

30.2.3 Movement in the fair value of plan assets	2013	2012
	(Rupees in '000)	
Fair value as at beginning of year	16,575	9,582
Expected return on plan assets	2,155	1,342
Actuarial gain / (loss)	2,935	(1,387)
Benefits paid	(8,563)	(783)
Contribution to the fund	6,676	7,821
Fair value as at 30 June	19,778	16,575

30.2.4 Movement in liability

Balance as at 1 July	-	2,486
Expense recognised	6,676	5,335
Payments during the year	(6,676)	(7,821)
Liability as at 30 June	-	-

30.2.5 The amount recognised in the profit and loss account is as follows:

Current service costs	5,674	4,365
Interest cost	2,862	2,152
Expected return on plan assets	(2,155)	(1,342)
Net actuarial loss recognised in the year	295	160
	6,676	5,335

30.2.6 Composition of plan assets

Equity instruments	10,073	7,802
Debt instruments	9,278	7,297
Other assets	427	1,476
	19,778	16,575

30.2.7 Actual return on plan assets is as follows:

Expected return on plan assets	2,155	1,342
Net actuarial gain / (loss) on plan assets	2,935	(1,387)
	5,090	(45)

30.2.8 Unrecognised net actuarial gain / (losses):

Unrecognised net actuarial losses as at 1 July	(5,444)	(3,301)
Actuarial loss on obligation	(7,633)	(916)
Actuarial gain / (loss) on plan assets	2,935	(1,387)
Subtotal	(10,142)	(5,604)
Less: Actuarial loss recognised	(295)	(160)
Unrecognised net actuarial losses as at 30 June	(9,847)	(5,444)

30.2.9	Historical information	2013	2012	2011
		------------------------(Rupees in '000)------------------------		
	Present value of defined benefit obligation	**29,625**	22,019	15,369
	Fair value of plan assets	**(19,778)**	(16,575)	(9,582)
	Deficit	**9,847**	5,444	5,787
	Experience adjustments on plan liabilities	**7,633**	916	1,172
	Experience adjustments on plan assets	**2,935**	(1,387)	117

30.2.10 Expected contribution to gratuity fund for the year ending 30 June 2014 is Rs. 8.720 million.

30.2.11 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected return on equity investments reflect long-term real rates of return experienced in the respective market.

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive	**Directors**	**Executives**	**Total**	Chief Executive	Directors	Executives	Total
	---------------------------(Rupees in '000)---------------------------							
Managerial remuneration	[redacted]	**-**	**136,439**	**164,963**	[redacted]	-	96,468	114,210
Retirement benefits	**-**	**-**	**7,020**	**7,020**	-	-	3,505	3,505
Rent, utilities, leave encashment etc.	[redacted]	**-**	**34,110**	**48,366**	[redacted]	-	40,148	49,019
	[redacted]	**-**	**177,569**	**220,349**	[redacted]	-	140,121	166,734
Number of persons	**1**	**8**	**37**	**46**	1	8	31	40

31.1 In addition to the above, Chief executive, Director and certain Executives are provided with free use of Company maintained vehicles in accordance with the Company's policy.

31.2 Fee paid to non-executive directors is Rs. 1.96 million (2012: Rs. 2.04 million).

32 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.

32.1 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. Concentration of credit risk arises from financial instruments that have similar characteristics. Credit risk arising on account of trade debts and receivable from KESC belong to corporate sector only.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arises principally from the receivable from KESC, trade debts, trade deposit and bank balances. The maximum exposure to credit risk at the reporting date is as follows:

	2013	2012
	(Rupees in '000)	
Trade debts - secured	**544,237**	267,119
Trade debts - unsecured	**6,643**	20,379
Receivable from KESC	**35,743**	228,705
Trade deposits	**4,364**	2,987
Bank balances	**13,694**	3,940
	604,681	523,130

The Company's principal credit risk arises from receivable from financial assets, trade debts, KESC and bank balances. Bank balances are held and trade debts are secured with reputable banks with high quality credit ratings. Receivable from KESC is monitored on an on going basis in accordance with settlement agreement with KESC. Age Analysis is disclosed in note 32.1.2 to these financial statements.

32.1.1 Trade debts amounting to Rs. 65.363 million and receivable from KESC at the balance sheet date belong only to domestic region whereas as trade debts amounting to Rs. 521.260 million belong to foreign customers.

32.1.2 Impairment losses

The aging of trade debtors and receivable from KESC at the balance sheet date was:

	2013		2012	
	Gross	**Impairment**	Gross	Impairment
	----------(Rupees in '000)----------			
Not past due	**559,039**	-	152,243	-
Past due 1-60 days	**24,595**	-	169,645	-
Past due 61 days -1 year	**2,989**	-	194,315	-
Total	**586,623**	-	516,203	-

32.1.3 Based on the past experience, consideration of financial position, past track records and recoveries of trade debts including subsequent recoveries and receivable from KESC in accordance with the settlement agreement, the Company believes that receivables that are past due do not require any impairment.

32.1.4 Cash is held only with reputable banks with high quality external credit enhancements. 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+	AA+
United Bank Limited	JCR-VIS	A-1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
	JCR-VIS	A-1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AA+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Meezan Bank Limited	JCR-VIS	A-1+	AA
Bank Al Falah Limited	PACRA	A1+	AA
Dubai Islamic Bank Limited	JCR-VIS	A-1	A
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Limited	Moody's	P-1	A1
	Fitch	F1+	AA-
Allied Bank Limited	PACRA	A1+	AA+
Barclays Bank PLC	Standard & Poor's	A-1	A+
	Moody's	P-1	A2
	Fitch	F1	A

32.2 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 on demand to meet expected working capital requirements by having credit lines available as disclosed in note 18 to these financial statements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2013					
	Carrying amount	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**Two to five years**	**More than five years**
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	**4,155,145**	**(5,370,815)**	**(519,473)**	**(641,310)**	**(3,290,499)**	**(919,533)**
Short-term borrowings	**4,121,378**	**(4,121,378)**	**(1,495,219)**	**(2,626,159)**	**-**	**-**
Accrued mark-up	**157,225**	**(157,225)**	**(157,225)**	**-**	**-**	**-**
Trade and other payables	**985,461**	**(985,461)**	**(985,461)**	**-**	**-**	**-**
	9,419,209	**(10,634,879)**	**(3,157,378)**	**(3,267,469)**	**(3,290,499)**	**(919,533)**

	2012					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	4,485,658	(6,064,804)	(526,014)	(532,643)	(3,524,123)	(1,482,024)
Short-term borrowings	6,447,822	(6,447,822)	(1,940,017)	(4,507,805)	-	-
Accrued mark-up	210,960	(210,960)	(210,960)	-	-	-
Trade and other payables	457,651	(457,651)	(457,651)	-	-	-
	11,602,091	(13,181,237)	(3,134,642)	(5,040,448)	(3,524,123)	(1,482,024)

32.2.1 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 rates of mark-up have been disclosed in notes 15 and 18 to these financial statements.

32.3 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.

32.3.1 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, borrowings and accrued mark-up 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:

	2013		2012	
	Rupees	**US Dollars**	Rupees	US Dollars
	--------------------(Amounts in '000)--------------------			
Trade debts and bank balance in foreign currency	**522,139**	**5,246**	152,187	1,610
Short term borrowings	**(697,277)**	**(6,993)**	(1,371,262)	(14,477)
Accrued mark-up	**(1,045)**	**(10)**	(3,163)	(33)
Balance sheet exposure	**(176,183)**	**(1,757)**	(1,222,238)	(12,900)

The following significant exchange rates applied during the year:

	2013	2012	**2013**	2012
	Average rates Rupees		**Balance sheet date rate Rupees**	
US Dollars to PKR	**97.15**	90.00	**99.53 / 99.71**	94.53 / 94.72

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	2013	2012
	Profit and loss (Rupees in '000)	
As at 30 June		
Effect in Profit and loss account	**17,503**	122,071
Effect in Equity	**14,352**	79,346

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

32.3.2 Interest rate risk

Interest rate risk is the risk that the fair value on 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. At reporting date, the Company did not hold any fixed rate financial instruments whereas variable rate financial instruments amounted Rs. 8,276.52 million (2012: Rs. 10,937.344 million).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at June 30 would have increased / (decreased) profit before tax and equity for the year by Rs. 82.76 million (2012: Rs.109.37 million) and by Rs. 67.86 million (2012: Rs. 71.09 million) respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

32.3.3 Fair value of financial assets and liabilities

All the financial assets of the Company are categorised as loans and receivables and all the financial liabilities are categorised as financial liabilities measured at amortised cost. The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
	(Rupees in '000)						
Financial assets							
Loans and receivables							
Long term deposit	-	-	-	-	100	100	100
Receivable from KESC	-	-	-	35,743	-	35,743	35,743
Trade debts	-	-	-	550,880	-	550,880	550,880
Trade deposits and other receivables	-	-	-	4,364	-	4,364	4,364
Cash and Bank balances	-	-	-	13,694	-	13,694	13,694
30 June 2013	-	-	-	604,681	100	604,781	604,781
30 June 2012	-	-	-	523,147	100	523,247	523,247
Financial liabilities							
Financial liabilities at amortised cost							
Long term financing	783,285	3,371,860	4,155,145	-	-	-	4,155,145
Trade and others payables	-	-	-	985,461	-	985,461	985,461
Accrued mark-up	-	-	-	157,225	-	157,225	157,225
Short term borrowing	4,121,378	-	4,121,378	-	-	-	4,121,378
30 June 2013	4,904,663	3,371,860	8,276,523	1,142,686	-	1,142,686	9,419,209
30 June 2012	7,086,597	3,846,883	10,933,480	668,611	-	668,611	11,602,091
On Balance sheet gap							
30 June 2013	(4,904,663)	(3,371,860)	(8,276,523)	(538,005)	100	(537,905)	(8,814,428)
30 June 2012	(7,086,597)	(3,846,883)	(10,933,480)	(145,464)	100	(145,364)	(11,078,844)

33 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e., its shareholders' equity and plant and equipment , 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 net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue bonus shares. As at 30 June 2013, the shareholders' equity amounted to Rs 4,516.81 million (30 June 2012: Rs 4,153.34 million) and property, plant and equipment amounted to Rs. 9,905.28 million (30 June 2012: Rs 8,898.05 million).

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise IIL, the Holding Company, associated undertakings, directors of the Company, key management employees and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms, approved policy / under a contract. The contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity fund) are in accordance with the actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2013	2012
	(Rupees in '000)	
Holding Company		
Transactions		
Sales	**1,817,390**	1,445,060
Purchases	**3,308**	5,545
Office rent	**7,973**	7,258
Electrical consultancy charges	**12,145**	28,788
Toll manufacturing	**-**	6,118
Sale of store items	**722**	7,838
Purchase of store items	**30**	-
IT services	**3,375**	3,648
Payroll services	**633**	-
Corporate & legal services	**3,169**	-
Sales of fixed asset	**1,423**	-
Purchase of fixed asset	**157**	1,715
Associated Companies		
Purchases	**8,422,038**	9,063,247
Insurance premium expense	**51,213**	51,196
Insurance claims received	**1,630**	430
Rent income	**1,735**	1,620
Associated Person		
Sales commission	**2,440**	-
Key Management Personnel		
Purchase of vehicles	**-**	9,000
Remuneration	**125,271**	99,657
Staff retirement benefits	**3,857**	2,161
Staff Retirement Fund		
Contribution paid - Provident Fund	**6,421**	5,488
Contribution paid - Gratuity Fund	**6,676**	7,821

35 ANNUAL PRODUCTION CAPACITY

	2013	2012
	(Metric Tonnes)	
The production capacity at the year end was as follows:		
Galvanising	**150,000**	150,000
Cold rolled steel strip	**250,000**	250,000
The actual production for the year was:		
Galvanising	**143,424**	113,851
Cold rolled steel strip	**221,859**	166,826

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix is different.

36 OPERATING SEGMENT

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

36.2 Revenue from sales of steel products represents 98% (30 June 2012: 97%) of total revenue whereas remaining represent revenue from sale of surplus electricity to KESC. The Company does not consider sale of electricity to KESC as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanizing plant and Cold Rolling Plant and currently any excess electricity is sold to KESC.

36.3 All non current assets of the Company as at 30 June 2013 are located in Pakistan.

36.4 92% (2012: 94%) of sales of steel sheets are domestic sales whereas 8% (2012: 6%) of sales are export/foreign sales.

36.5 Single major customer of the Company is Holding Company which represents 9% (30 June 2012: 9%) of total revenue of the Company.

37 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2013	2012
	No of employees	
Average number of employees during the year	**428**	402
Number of employees as at 30 June	**441**	415

38 GENERAL

Corresponding figures have been rearranged wherever necessary, for the purpose of comparison and better presentation.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the meeting of Board of Directors held on___ August 2013.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial
Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive

Stakeholders Information

Shareholding

There were 1,669 shareholders on record as of June 30, 2013

Financial Calendar

RESULTS

First quarter ended September 30, 2012	Announced on	October 15, 2012
Half year ended December 31, 2012	Announced on	January 28, 2013
Third quarter ended March 31, 2013	Discussed on Announced on	April 22, 2013 April 23, 2013
Year ended June 30, 2013	Discussed on Announced on	August 28, 2013 August 29, 2013

Offer For Sale Of Shares

Hive Down from International Industries Ltd. as per Scheme of Arrangement approved by the High Court of Sindh		24-Aug-10
Book Building	Started Closing	12-Apr-11 14-Apr-11
Public Subscription	Started Closing	3-May-11 4-May-11
Gong Ringing & Listing at Karachi Stock Exchange		**1-Jun-11**
LAST ANNUAL REPORT ISSUED ON		**10-Sep-13**
6TH ANNUAL GENERAL MEETING TO BE HELD ON		**02-Oct-13**

Investor Relations Contact

Mr. M. Irfan Bhatti (Assistant Company Secretary)
Email:irfan.bhatti@isl.com.pk
UAN: +9221 111 019 019 Fax: +9221 3568 0373

Enquiries concerning lost share certificates, changes of address, verification of transfer deeds and share transfers should be directed to the Shares Registrar at the following address:

THK Associates (Pvt) Ltd

Ground Floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530

Phone: +9221-111-000-322
Fax: +9221-35655595
Email: info@thk.com.pk

Pattern of Shareholding

As of June 30, 2013

NO. OF SHAREHOLDERS	HAVING SHARES FROM	HAVING SHARES TO	SHARES HELD	PERCENTAGE
181	1	100	2,563	0.0006
415	101	500	204,034	0.0469
255	501	1,000	253,161	0.0582
365	1,001	5,000	1,128,770	0.2595
120	5,001	10,000	1,081,526	0.2486
51	10,001	15,000	660,414	0.1518
37	15,001	20,000	696,372	0.1601
35	20,001	25,000	836,880	0.1924
19	25,001	30,000	544,975	0.1253
3	30,001	35,000	104,500	0.0240
31	35,001	50,000	1,460,222	0.3357
33	50,001	75,000	2,119,036	0.4871
31	75,001	100,000	2,925,136	0.6724
8	100,001	125,000	930,975	0.2140
6	130,001	150,000	846,398	0.1946
7	150,001	200,000	1,306,400	0.3003
5	200,001	250,000	1,124,400	0.2585
5	265,001	300,000	1,422,500	0.3270
7	330,001	350,000	2,415,606	0.5553
2	355,001	395,000	747,110	0.1717
12	400,001	500,000	5,692,371	1.3086
5	595,001	700,000	3,181,000	0.7313
7	715,001	1,000,000	5,755,210	1.3230
1	1,015,001	1,020,000	1,018,000	0.2340
1	1,020,001	1,025,000	1,025,000	0.2356
1	1,040,001	1,045,000	1,043,965	0.2400
1	1,050,001	1,055,000	1,052,000	0.2418
1	1,110,001	1,115,000	1,115,000	0.2563
2	1,240,001	1,245,000	2,483,566	0.5709
1	1,375,001	1,380,000	1,379,446	0.3171
1	1,400,001	1,405,000	1,402,000	0.3223
1	1,470,001	1,475,000	1,471,600	0.3383
1	1,505,001	1,510,000	1,506,600	0.3463
1	1,980,001	1,985,000	1,980,212	0.4552
1	2,105,001	2,110,000	2,110,000	0.4851
1	2,110,001	2,115,000	2,110,149	0.4851
1	2,125,001	2,130,000	2,126,150	0.4888
1	2,180,001	2,185,000	2,182,500	0.5017
1	2,235,001	2,240,000	2,236,373	0.5141
1	2,545,001	2,550,000	2,550,000	0.5862
1	2,695,001	2,700,000	2,700,000	0.6207
1	2,915,001	2,920,000	2,915,478	0.6702
1	2,980,001	2,985,000	2,983,344	0.6858
1	3,010,001	3,015,000	3,011,840	0.6924
1	3,565,001	3,570,000	3,565,171	0.8196
1	4,345,001	4,350,000	4,350,000	1.0000
1	5,620,001	5,625,000	5,623,556	1.2928
1	20,625,001	20,630,000	20,626,500	4.7417
1	39,475,001	39,480,000	39,477,657	9.0753
1	40,455,001	40,460,000	40,458,800	9.3009
1	245,055,001	245,060,000	245,055,534	56.3346
1,669			435,000,000	100.0000

CATEGORIES OF SHAREHOLDERS

As of June 30, 2013

PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE
Sposor / Holding Company	1	245,055,534	56.3346
Directors, CEO and their Family Members	21	9,669,402	2.2229
Govt. Financial Institutions	1	4,350,000	1.0000
Banks, DFI & NBFI	4	11,489,405	2.6412
Modarabas & Mutual Funds	6	5,835,031	1.3414
Insurance Company	1	100,000	0.0230
Public Companies, Trusts & Others	40	11,036,572	2.5371
Strategic Investors	2	79,936,457	18.3762
Foreign Companies	5	28,064,671	6.4517
General Public	1,588	39,462,928	9.0719
TOTAL	1,669	435,000,000	100.0000

KEY SHAREHOLDING

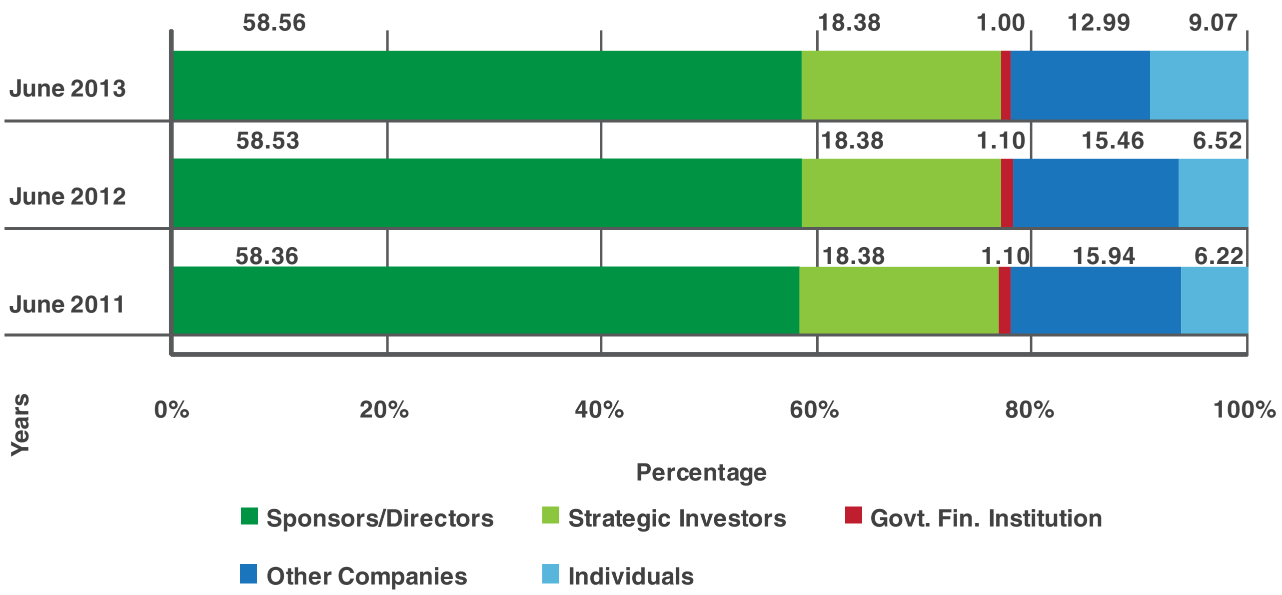
As of June 30, 2013

Information on shareholding required under reporting framework is as follows:

Sponsor / Holding Company	Number of Shares	%
International Industries Ltd.	245,055,534	56.335
Nominee Directors	9	0.000
Directors & spouses	3,851,344	0.885
Government Financial Institutions		
National Bank Of Pakistan-Trustee Department Ni(U)T Fund	4,350,000	1.000
Strategic Investors		
International Finance Corporation	40,458,800	9.301
Sumitomo Corporation	39,477,657	9.075
Foreign Corporate Investors		
JFE Steel Corporation	20,626,500	4.742
Others	7,438,171	1.710
Executives	914,342	0.210

Shares Traded By Directors & their spouses / executives during July 2012 to June 2013	100,000

SHAREHOLDERD COMPOSITION



ISL SHARE PRICES

TREND V/S VOLUME TRADED - FY 2012 - 13

Notice of Annual General Meeting

For the year ended June 30, 2013

Notice is hereby given to the Members that the 6th Annual General Meeting of the Company will be held on October 2, 2013 at 10.30 a.m. at the Jasmine 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 June 30, 2013 and the Directors' Report and Auditors' Report thereon.

2. To elect Directors for a period of next 3 years.

3. To appoint Auditors for the year 2013-2014 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

NEELOFAR HAMEED
Company Secretary

Karachi
Dated: August 28, 2013

Notes:

1. The Share Transfer Books of the Company shall remain closed from September 23, 2013 to October 2, 2013 (both days inclusive).

2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.

3. 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 guide lines 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 Computerised 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.

4. Members are requested to submit declaration of zakat on the required format and to advise change in address, if any.
5. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records.

Item 2

a) To elect 9 Directors being the number fixed by the Board of Director U/s 178(1) of the Companies Ordinance 1984 for election for a period of three years commencing from October 31, 2013

b) The elected directors who retire at the meeting are:

Messrs Kemal Shoaib, Towfiq H. Chinoy, Mustapha A. Chinoy, Kamal A. Chinoy, Tariq Iqbal Khan, Syed Salim Raza, Kamran Y. Mirza, Syed Hyder Ali and Otomichi Yano.

c) Any person or retiring director who seeks to contest election of the office of the director must file with the Company, not later than fourteen days before the date of meeting, notice of his/her intention to offer himself/herself for election.

e-dividend

In compliance of Securities and Exchange Commission's Circular No.8(4) SM/CDC 2008 dated April 5, 2013 shareholders are informed that to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged when shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In addition, by this way dividends may be instantly credited to respective accounts, no changes of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc.

The shareholders can avail benefits of e-dividend mechanism by providing dividend mandate in their CDS accounts through their participants or to the respective listed companies / Share Registrar.

PROXY FORM

INTERNATIONAL STEELS LIMITED

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 October 2, 2013 and at any adjournment thereof.

Signed this___________________________ day of________________2013

WITNESS:

1 Signature_________________________

Name_________________________

Address_________________________

NIC or _________________________

Passport No. _________________________

Signature

Revenue Stamp Rs.5/-

2 Signature_________________________

Name_________________________

Address_________________________

NIC or _________________________

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 a member of the Company.**

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

Lahore Office:
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