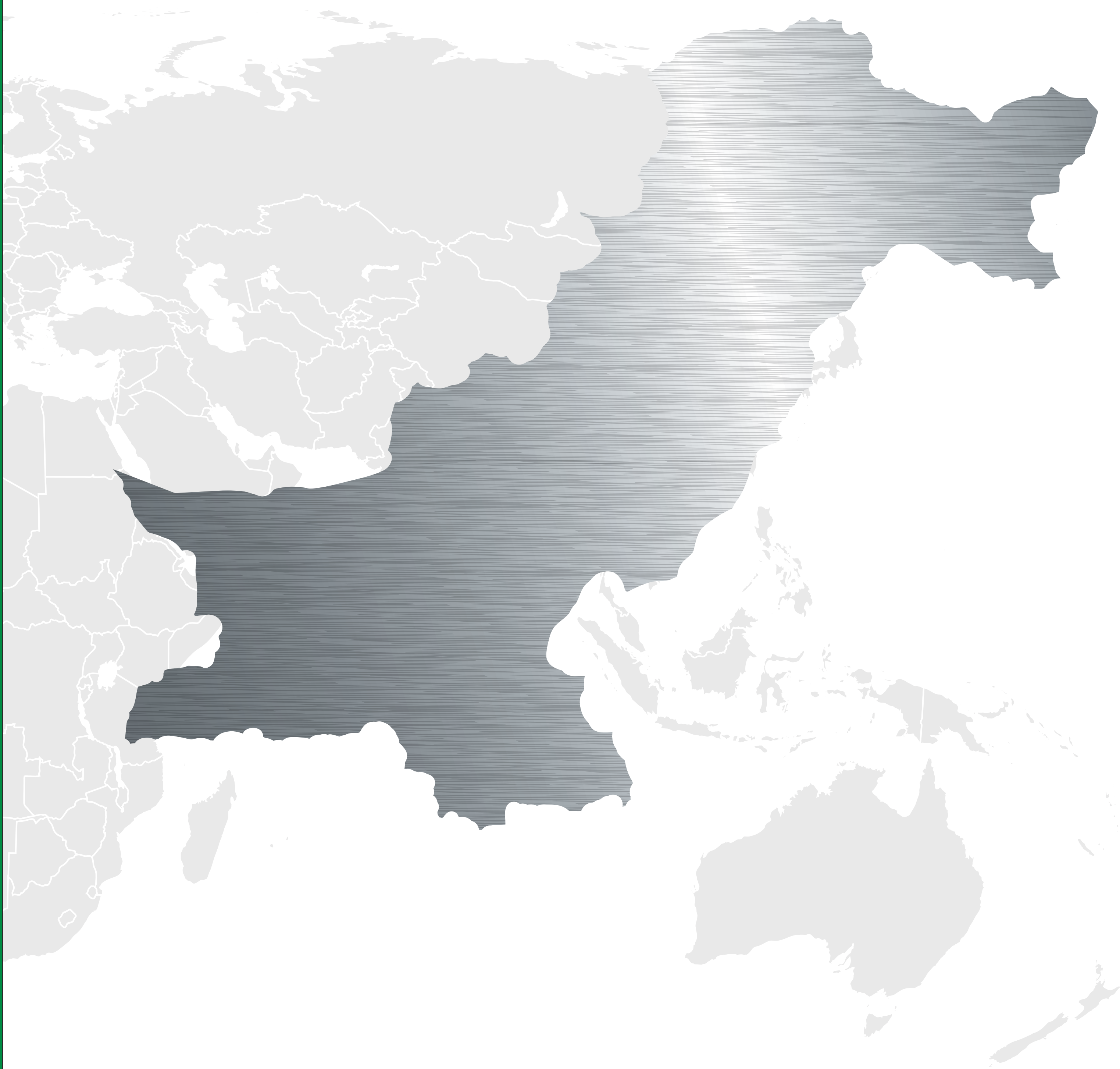
Shaping Tomorrow



Annual Report 2015

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

Contents

Quality as per
global standards

International Steels Limited is an ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007 certified company. In a very short time, International Steels has established its presence in the international market and is supplying to a diverse portfolio of customers. These customers are spread across the globe and can attest to the quality of International Steels' products and service levels.

Consistent Supply **availability**

With production running 24/7 and vast storage facilities ISL guarantees a consistant supply for its customers. Your next order is always on the line.

- Cold Rolled Steel production capacity of 500,000 TPA
- Hot Dip Galvanized Steel production capacity of 400,000 TPA
- Color Coated Steel production capacity of 84,000 TPA

Product development

Steel Sheets latest construction technology to produce cut-to-length & profiled sheets. Our state-of-the-art technology allows us to produce steel of the highest quality. With strict quality control procedures and advanced technology our product provided an outstanding finish and workability which is highly valued by customer in the automobile, home appliances, furniture, drum, tube, filter and various other industrial segments.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PASS UNDER
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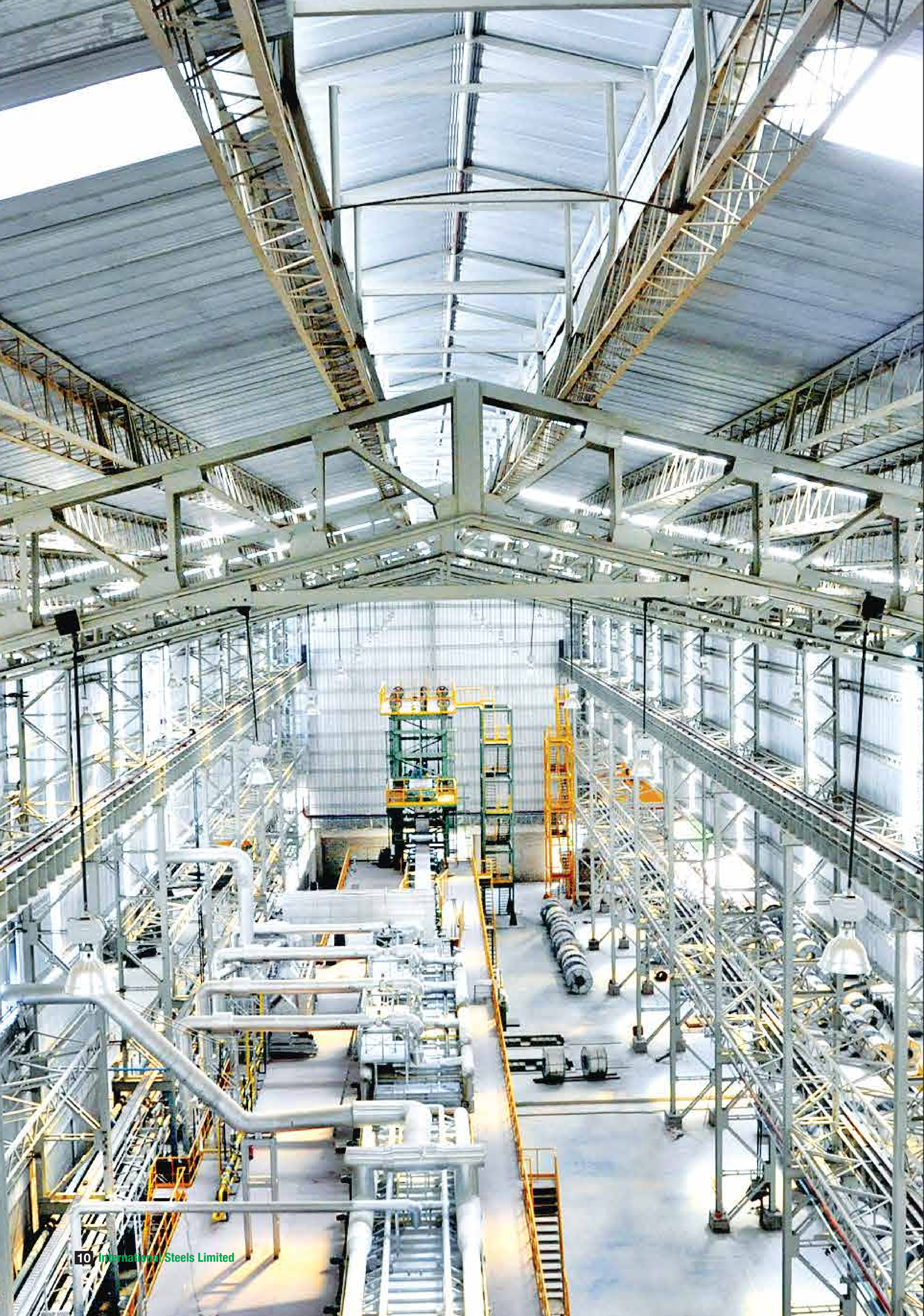
Company Profile

International Steels Limited (ISL) was incorporated in 2007 with the vision to be the foremost manufacturer of flat steel products in Pakistan. ISL is the largest private investor in the value-added flat-rolled and coated steel industry in the country. The $130 million investment, with equity contributions from Sumitomo Corporation, JFE-Japan and the International Finance Corporation (A division of the World Bank) bought added impetus and confidence in the engineering and hi-tech manufacturing segment in country.

This 500,000 tons per annum steel complex produces Cold Rolled, Galvanized and Color Coated Steel from hot rolled coils, which are offered in coil or sheet form. These products cater to the engineering and manufacturing industry as a premium raw material for transformation into any number of value-added products for the domestic and expot markets.

Cold roll steel is available in thicknesses ranging from 0.25 mm to 2.0 mm, galvanized steel is available in thicknesses of 0.25 mm to 2.0 mm while color coated steel is available in thickness range of 2.0 -1.50 mm. All products are offered in a maximum width of 1250 mm and each product category is provided in a range of strength levels from drawing to structural and surface finishes from bright to matt to meet our customer specific requirements.

With planned expansion, the annual production capacity is on course to be increased to 500,000 tons by July 2015, with additional capacity and sales focus on upstream initiatives like the Pre painted steel segment ISL will serve to catalyze the country's industrial production for export and domestic consumption. The revised production capacity will substitute at least 50% of Pakistan's steel imports thus conserving valuable foreign Exchange for the country.



Our business

Cold Rolled Steel

Our Cold Rolling mill is a modern sophisticated and advanced mill and was designed by SMS Siemag, Germany. The state-of-the-art technology allows us to produce steel of the highest quality. With strict quality control procedures and advanced technology our product provided an outstanding finish and workability which is highly valued by customer in the automobile, home appliances, furniture, drum, tube, filter and various other industrial segment.

Cold rolled steel manufactured by ISL is available in thicknesses ranging from 0.25 mm to 3.0mm and is offered in a maximum width of 1250 mm. ISL's CRC is provided in a range of product specifications, ranging from drawing to structural and surface finishes from bright to matt to meet our customer specific requirements. Currently, the production capacity is 250,000 MT which is expected to increase to 500,000 MT by August 2015.

Hot Dip Galvanized Steel

Our Hot Dip Galvanized Steel is produced on a state of art, computer controlled production line. The best available raw materials and processes are applied under controlled conditions to produce material of high quality. Our manufacturing facility, a dynamic production team and adherence to strict quality control measures ensures a product of the highest grade.

ISL had the production capacity of over 150,000 MT of Galvanized products; however with an ambitious expansion plan coming online that includes an additional galvanizing line, the capacity has increased to 400,000 MT.

Color Coated Steel

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

Company Information

Chairman
Mr. Kemal Shoaib
Independent Chairman

Managing Director & CEO
Mr. Towfiq H. Chinoy

Directors
Mr. Tariq Iqbal Khan
Independent Director

Mr. Kamran Y. Mirza
Independent Director

Syed Salim Raza
Independent Director

Syed Hyder Ali
Non-Executive Director

Mr. Mustapha A. Chinoy
Non-Executive Director

Mr. Kamal A. Chinoy
Non-Executive Director

Mr. Otomichi Yano
Non-Executive Director

Chief Financial Officer & Company Secretary
Mr. Alee Arsalan

External Auditors
KPMG Taseer Hadi & Co.

Internal Auditor
Mr. Usman Ahmed

Bankers
Allied Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Dubai Islamic Bank (Pak) Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd
Meezan Bank Ltd.
NIB Bank Ltd.
Samba 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: (92 21) 111-019-019
Fax: (92 21) 35680373
E-mail: alee.arsalan@isl.com.pk

Branch Office
Lahore:
Chinoy House, 6 Bank Square, Lahore-54000
Phone: (92 42)-37229752-55
UAN: (92 42) 111-019-019
Fax: (92 42) 37249755
E-mail: lahore@isl.com.pk

Islamabad:
Office # 2, First Floor, Ahmed Centre,
I-8 Markaz, Islamabad.
Phone: (92 51) 4864601-2

Factory
399 - 404, Rehri Road, Landhi, Karachi.
Telephone Nos: +9221-35013104 - 5
Fax: (92 21) 35013108
E-mail: info@isl.com.pk

Website
www.isl.com.pk

Investors Relation Contacts

Shares Registrar
THK Associates (Pvt.) Ltd
Ground Floor, State Life Building 3,
Dr. Ziauddin Ahmed Road, Karachi-75530
Phone: (92 21) 111-000-322
Fax: (92 21) 35655595
Email: info@thk.com.pk

Assistant Company Secretary
Mohammad Irfan Bhatti
101 Beaumont Plaza, 10 Beaumont Road,
Karachi-75530.
Telephone Nos: (92 21) 35680045-54
UAN: (92 21) 111-019-019
Fax: (92 21) 35680373
Email: irfan.bhatti@iil.com.pk

Inquiries concerning lost share certificates, dividend payments, changes of address, verification of transfer deeds and share transfers should be directed to the Shares registrar.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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 Limited (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. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

vi. 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.

Code of Conduct

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 shall treat official information with due care, regard and take all precautions that any official information is not used or passed on to anyone, for other than official purposes.

iii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

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

v. Any legally prohibited or controlled substances if found in the possession of any employee will be confiscated and where appropriate, turned over to the authorities.

'ADIEU'

By the Grace of Allah I am pleased to report that International Steels Limited, a new company hived off from IIL in 2010, currently has the capacity to cold roll almost half a million tons of flat steel and galvanize 75% of its output.

I have a special reason to thank Allah: my 75th birthday was last week. It is at this milestone in my life that I am retiring as Managing Director of ISL. I will no longer be involved in the day-to-day operations of the company. I have accepted the Board of Directors' invitation to continue as a Director and act as an Advisor to the company on policy and strategic matters.

It would be appropriate at this juncture to thank the Almighty for His guidance in the envisioning and successful formation of this company. It began with the installation of an 18-megawatt co-generation power plant in 2007. This was followed in January 2009 by commencement of construction of the factory and erection of a single stand cold rolling mill with an annual capacity of 250,000 tons and a galvanizing plant of 150,000 tons. In November 2010, 22 months later, production commenced. In its fifth year of operation, with a further investment of Rs. 3 billion, ISL has more than doubled its galvanizing capacity and increased its cold rolling capacity to 450,000 tons. This was through the addition of both a second stand on the reversing mill and another galvanizing line.

As I retire from the active running of the company and hand over to Mr. Yousuf Mirza, who succeeds me as Chief Executive Officer, I do so with a sense of satisfaction and gratitude to all my colleagues for having achieved what we have. This would not have been possible without their unreserved contribution. As I ponder over the achievements of our team, two note worthy happenings in particular come to mind:

- The initial share offering when we were successful in selling almost 44% of the equity of the company at a premium of 40%. This brought over a billion rupees profit to IIL, the parent company, who had financed the project.
- The tireless planning, dedication, and competence demonstrated by the engineering team during installation of the second cold rolling stand through June and July 2015.

I especially record my thanks to Mr. Zakaullah Khan who after being responsible for the brand name IIL established an equally good brand name for ISL.

The ISL Board comprising a number of high quality professionals has guided of your company through its initial years. The organization is maturing well and I am confident that their policies will lead to even greater success. I sincerely thank them for their contribution.

A special word of thanks for Mr. Kemal Shoaib, the founding Chairman of ISL, initially for his assistance in hiving down ISL from IIL and then for his continued guidance and support for our aggressive expansion policies.

With my retirement from International Steels Limited, my professional career of 51 years with IIL and ISL comes to a close. I would like to sincerely thank all the people from every walk of life who have interacted and supported me. No words can express the gratitude that I owe to all.

With prayers to Allah for the continued prosperity and success of both International Industries Limited and International Steels Limited

For and on behalf of
International Steels Limited

TOWFIQ H. CHINOY
Managing Director

August 13, 2015.


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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 [09] eminent directors (as detailed on pages 22 to 25) 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 while there are three (3) independent directors and five (5) non- executive directors. The Board has constituted Audit Committee, HR&R 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 (5) meetings during this year, out of which Four (4) were held for the quarter results, while one was held to consider business budget and 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, four (4) Directors have acquired the formal Directors Training Certificates, while all the other directors possess sufficient skills and experience of Board room as described in the Code of Corporate Governance.

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.

Profile of the Board of Directors

Mr. Kemal Shoaib
Chairman

Mr. Kemal Shoaib was a Whitney Fellow at M.I.T., Cambridge, Massachusetts, where he received an M.S. degree in Chemical Engineering. He currently serves on the Board of several companies including Century Paper & Mills Ltd., ZIL 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 55 years in Banking and Industrial Organizations in several countries including UK and USA. He was Chairman and Chief Executive of Independence Bank, California. He is a founder member and has served as the Chief Executive Officer of Public Interest Law Association of Pakistan (PILAP), an organisation dedicated to protecting and defending human rights in Pakistan. He has been associated as a Senior Executive with prestigious organisations such as Wyeth Laboratories (Pakistan) Ltd., Chemical Consultants (Pakistan) Ltd., Commerce Bank Limited Pakistan, Bank of Credit and Commerce International S.A. London, and Indus Bank Ltd, Pakistan. He has served as a Consultant/ Adviser to a number of Financial Sector organisations in Pakistan and abroad, including National Development Finance Corporation, NIT and NBP Fullerton Asset Management Ltd (NAFA). He has been a consultant on the capital markets and in that capacity has advised numerous organisations in Pakistan.

He has represented Pakistan in Table Tennis and Bridge in International and World Championships. He has also been the Sind Amateur Golf Champion (Veterans).

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 IGI Investment Bank Ltd. He is also the Chairman Indus Valley School of Art & Architecture and Trustee of Mohatta Palace Gallery Trust 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., Pakistan Business Council, Linde Pakistan Ltd. and Jubilee Life Insurance Co. Ltd.

Mr. Kamal A. Chinoy
Director

Mr. Kamal A Chinoy is Chief Executive of Pakistan Cables Ltd. He graduated from the Wharton School, University of Pennsylvania, USA.

He serves on the Board of Directors of ICI Pakistan Ltd, International Industries Ltd., International Steels Ltd, NBP Fullerton Asset Management Ltd (NAFA), and Atlas Battery Ltd. & is Chairman of Jubilee Life Insurance. He is also 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 Past President of the Management Association of Pakistan (MAP). He is also serving on the Board of Governors of Army Burn Hall Institutions.

He has previously served as the Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank (an Amex JV). He has also served on the Undergraduate Admissions Committee of the Aga Khan University and the University of Pennsylvania Alumni Committee for Pakistan.

He is an advisor to Tharpak, a consortium of international companies interested in developing the Thar coal field.

He is a “Certified Director” having been certified by the Pakistan Institute of Corporate Governance.

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., and a director on the Board of International Industries Ltd., Travel Solutions (Pvt) Ltd., Global E-Commerce Services (Pvt) Ltd., Crea8ive Bench (Pvt) Ltd., Universal Training & Development (Pvt) Ltd. and Global Reservation (Pvt) Ltd. He is the Chief Executive of Intermark (Private) Ltd. He has previously served on the Board of Security Papers Ltd. and Union Bank Ltd. until it was acquired by Standard Chartered Bank.

Mr.Tariq Iqbal Khan

Director

Mr. Tariq Iqbal 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 has served on prominent national level committees like Chairman of Committee for formulation of Take Over law. CLA Committee for review of Security and Exchange Ordinance 1969, Committee for formulation of CDC law and regulations and Prime Minister's Committee for Revival of Stock Market. He served as the Chairman and MD of NIT for more than 8 years, which played the role of a catalyst in establishing, strengthening and stabilizing the capital markets. Additionally, during this period, he held the charge of Chairman & MD of ICP, for almost 5 years. He has served on Boards of the top companies like CDC, Faysal Bank, Bank Al Habib, GSK, Sanofi Aventis, ICI, PSO, OGDC, Mari Petroleum, SSGC, Siemens and remained Chairman of SNGPL and ARL etc. Presently he is a member of the Boards of eminent listed companies including Gillette Pakistan Limited, International Steels Limited, Lucky Cement Limited, National Refinery Limited, PICIC Insurance Co., Pakistan Oil Fields Ltd., Packages Limited and Silk Bank Limited, while the non-listed company include FFC Energy (Pvt) Limited.

Mr. Kamran Y. Mirza

Director

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

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

He is the Chairman of - Philip Morris (Pakistan) Ltd., Unilever Pakistan Foods Ltd. (UPFL), and Education Fund for Sindh (EFS). He is also serving as Director on the Boards of Abbott Laboratories, International Steels Limited (ISL), Bank Alfalah Ltd., Karwan-e-Hayat and Safari & Outdoor Club of Pakistan. Further, he represents PBC on the Board of BOI (Board of Investment) and other Government Bodies / Institutions.

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

He served as a Director on the Boards of State Bank of Pakistan (SBP), Pakistan State Oil (PSO), Pakistan Steel (PS), and National Bank of Pakistan (NBP). Pakistan Textile City Limited, Competitiveness Support Fund (CSF). Genco Holding Company and NAVTEC.

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

Syed Salim Raza
Director

Syed Salim Raza served as Governor of the State Bank of Pakistan from January, 2009 to June, 2010. From February, 2006 to January 2009, Mr. Raza has been the Chief Executive Officer of Pakistan Business Council (PBC) which is an organization established by some of Pakistan's largest business houses focusing on expanding the capacity of Pakistan's businesses through development of Corporate Law, Capital Markets and Business Practice Infrastructure.

He had spent 36 years with Citibank in positions that included Country and Regional Management, across the Middle East, Africa and the UK, Central and Eastern Europe, based in London from 1989 to 2006. His business experience covers Credit and Corporate Finance, Real Estate and Global Asset (Bonds & Equities) Management. Mr. Raza was Country Head for Citibank in Pakistan from 1983 -1987. Currently he is serving on the Boards of Tameer Micro Finance Bank Ltd., Indus Earth (NGO) and Manzil (NGO).

Syed Hyder Ali
Director

Syed Hyder Ali is a Chemical Engineer from University of Michigan, after which he has done his M.S in Paper Technology from The Institute of Paper Chemistry, Appleton, Wisconsin, USA; and subsequently also attended the Program for Management Development from Harvard Business School, Boston, MA, USA. In 1995 he joined IGI Insurance as MD where he served for 10 years. He became Managing Director and CEO of Packages Ltd. in 2005, 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, IGI Life, ICCI Pakistan, Nestle Pakistan Limited, Pakistan Center for Philanthropy, Sanofi Aventis, Tetra Pak Limited, Tri Pack Films Ltd., Packages Lanka (Pvt) Ltd., KSB Pumps Company Ltd., and Bulleh Shah Packaging (Pvt) Ltd.

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 33 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.

Engagement of Directors in Business Entities

Present name and surname in full	Business occupation and directorship (if any)
Mr. Kemal Shoaib Chairman	**International Steels Limited** Century Paper & Board Mills Limited ZIL Limited International Advertising (Pvt) Limited Safeway Fund Limited Al-Aman Holdings (Pvt) Limited Mind Sports Association of Pakistan
Mr. Towfiq H. Chinoy Managing Director & CEO	**International Steels Limited** HBL Asset Management Limited IGI Investment Bank Limited Jubilee General Insurance Co. Limited Packages Limited Habib University Foundation Indus Valley School of Art and Architecture Mohatta Palace Gallery Trust
Mr. Mustapha A. Chinoy Director	**International Steels Limited** International Industries Limited Pakistan Cables Limited Crea8ive Bench (Pvt) Limited Global e-Commerce Services (Pvt) Limited Global Reservation (Pvt) Limited Intermark (Pvt) Limited Travel Solutions(Pvt) Limited Universal Training & Development (Pvt) Limited
Mr. Kamal A. Chinoy Director	**International Steels Limited** International Industries Limited Atlas Battery Limited ICI Pakistan Limited Jubilee Life Insurance Company Limited NBP Fullerton Assets Mgmt. Limited Pakistan Cables Limited

Present name and surname in full	Business occupation and directorship (if any)
Mr. Tariq Iqbal Khan Director	**International Steels Limited** Gillete Pakistan Limited Lucky Cement Limited Pakistan Oil Fields Limited National Refinery Limited Packages Limited PICIC Insurance Co. Silkbank Limited FFC Energy Limited
Syed Salim Raza Director	**International Steels Limited** Tameer Micro Finance Bank Indus Earth - NGO Manzil - NGO
Mr. Kamran Y. Mirza Director	**International Steels Limited** Abbot Laboratories (Pak) Limited Bank Al Falah Limited Phillip Morris (Pakistan) Limited Unilever Pakistan Foods Limited Education Fund for Sindh (EFS) Karwan-e-Hayat Paksitan Business Council Safari & Outdoor Club of Pakistan
Syed Hyder Ali Director	**International Steels Limited** IGI Insurance Limited IGI Life Insurance Limited KSB Pumps Company Limited Nestle Pakistan Limited Packages Limited Sanofi Aventis Pakistan Limited Tetra Pak Pakistan Limited Tri-Pack Films Limited Bulleh Shah Packaging (Pvt) Limited Packages Lanka (Pvt) Limited Ali Institute of Education (AIE) Babar Ali Foundation (BAF) International Chamber of Commerce Pakistan Lahore University of Management Sciences (LUMS) National Management Foundation (NMF) Pakistan Centre for Philanthropy Paksitan Business Council Syed Maratib Ali Religious and Charitable Trust
Mr. Otomichi Yano Director	**International Steels Limited**

Directors' Report

The Directors of International Steels Limited are pleased to present the 8th Annual Report accompanied by the audited accounts for the financial year ended June 30, 2015.

Global Steel Scenario

World crude steel production in the first six months of 2015 was lower by 2.0% compared to the same period of 2014. Prices within the global steel industry continuously declined as there was excess steel manufacturing capacity, particularly in China that produces over 50% of the world's steel output. The industry itself is incumbent with outdated technology, fragmentation and over capacity issues. This has resulted in competition and depressed prices. Over the last 15 years the Chinese steel making industry has increased its output roughly tenfold, resulting in the over-capacity that we see today.

Pakistan's Economy

Pakistan economy has grown by 4.2% during fiscal year 2015. The industrial sector missed its target due to lower growth in Large Scale Manufacturing (LSM) and electricity generation. Activities in construction and mining and quarrying remained buoyant.

Improvements in macroeconomic indicators led SBP to continue with its expansionary monetary policy and enable it to reduce the policy rate by a cumulative 300 bps in FY15 to 7%, the lowest in many years.

In addition to this, narrowing of fiscal deficit and continuation of Extended Fund Facility (EFF) improved the external account and market sentiments.

These developments in recent months led to an upgrade of Pakistan's sovereign ratings by international rating agencies. Macroeconomic stability thus achieved should reflect positively on real economic activity going forward.

The Government is today facing numerous challenges including a power crisis, law and order issues in particular. It seems to have good governance and economic revival on their agenda and is focusing on public development schemes including projects like highways and dams, which are likely to create demand for the steel and allied industries.

Government policies on imports need to be revisited including the FTA's and proposed MFN status to enable domestic manufacturers to meet a greater share of the domestic demand.

Business Review

Consumption of Flat steel products have grown by 11.5% in Pakistan, of this Cold Rolled Coils and Galvanized Coils grew by 12.3% & 9.3% respectively. Unfortunately your Company share in this market did not grow owing to imports under FTA with China and the levying of Import duty of our Raw materials that was exempt till 1st July 2014.

At the beginning of the financial year under review, duty allowed under SRO 565 on imports of cold rolled and galvanized coils was withdrawn however 5% import duty was imposed on our raw material. The country has a Free Trade Agreement (FTA) with China, which results in almost 70% of the imports of finished goods that we produce being made from China at a concessional rate of duty. Consequently, the company continued to face a severe challenge as the raw material that we import and finished goods that we produce are charged duty at the same level, which resulted in severe injury to local industry which had to operate with virtually no protection.

During January 2015, this issue was partly addressed through imposition of 5% regulatory duty on cold rolled and galvanized coils and sheets. The benefit of this measure was felt from March when the duty free material imported earlier was exhausted.

The above situation posed serious pressure on profitability for the first nine months and the company managed to remain at break-even position through cost curtailment, manufacturing efficiencies and wastage reduction.

Your Company's case for a level playing field for locally manufactured Flat Steel Products is being regularly placed at the highest levels in the Ministry of Commerce, FBR, Pakistan Customs, National Tariff Commission and the Engineering Development Board. We continue to take up these issues alongside other manufacturers at various levels of Government, seeking redressal as this will not only benefit the local industry but the country at large.

The company also re-aligned its procurement strategy for sourcing raw material in a volatile market from diversified and reliable supply sources.

Our product quality enabled us to enter and establish our brand not only in the local but also in the export markets of South Africa, West Indies, Sri Lanka, United Arab Emirates, Jordan, Saudi Arabia, and Afghanistan. In addition, careful consideration was given to quality control as well as safety & environmental measures. Particular attention was paid to customer service via customized engagement in the backdrop of product development with significant engagements with the customers.

Manufacturing Operations

During 2014-15 production of the 4 Hi Mill was 238,640 tons, lower than last year by 15% primarily due to 5 weeks shut down owing to installation and commissioning of an expansion of rolling mill capacity. This production included approximately 169,000 tons of Galvanized Steel and 70,000 tons of Cold Rolled products.

Sales

During 2014-15, sales volumes were lower by 7% over the preceding financial year primarily owing to the stiff competition from low priced imports at concessional or no duty, as explained in detail earlier. The net sales value however was lower by 16% owing to sharp decline in steel prices globally.

Your Company continued to consolidate and leverage its nation-wide dealer network, which has been integral in reaching smaller commercial as well as industrial end-consumers.

Sale of Electricity to K- Electric

Company's 19 MW power plant continued to operate satisfactorily and in line with our practice we continued to supply excess energy to K- Electric at a price that remains amongst the cheapest by any I.P.P. in the country.

The management has invested Rs. 85 million in installing a 132 KV interconnection to replace the 11 KV and overcome the frequent tripping. The production of electricity remained at last year's level.

Health, Safety & Environment

In line with our objective in being an organization that does not harm people or the environment your company implemented and followed rigorous safety standards. The expansion project was completed without a major accident or a loss time incident. We ensured compliance to environmental standards and best practices for air emissions, noise, drinking water and industrial effluent in line with National Environmental Quality standards (NEQ's).

Human Resource

The Company continued its operations with an optimal headcount. The headcount at end 2014-15 was 532.

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

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 analyze 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.

Financials

Net Sales for the year were Rs. 17.94 billion, lower by 16% compared to the last financial year. 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 a gross profit of Rs. 1,485 million at 8.3% to net sales as against 10.6% last Year. This was, however, adversely impacted by lower PKR / USD parity in the second half of the year, thereby, placing pressure on margins to cover inventory purchased at the higher exchange rate in first quarter. Despite this, your Company has recorded a profit before and after tax of Rs. 236 million and Rs. 202 million respectively as against Rs. 874 million and Rs. 690 million last year.

Considering the lower profit for the year compared to last year and new expansion projects, financed through long term debts, no dividend is declared for the year 2014-15.

Earnings per share at June 30, 2015 was Rs. 0.46 as opposed to Rs.1.59 per share at June 30, 2014

Your Company is focused on improved working capital and cash flow management. During Fiscal 2014-15, your company generated a net cash flow from operations of Rs. 1,498 million. Rs. 750 million of this was used to repay long-term debts.

Contribution to National Exchequer and the Economy

The Company made a contribution of Rs. 3.86 billion to the National Exchequer during the year under review. This comprises income tax, sales tax, custom duties and other taxes.

Future Prospects

During the year, the Company launched major expansion projects valued over Rs. 3 billion.

- The addition of a second stand on the 4 Hi Reversing Mill converting it to Continuous Compact Mill and virtually doubling capacity.
- Installation of a 2nd galvanizing plant with a capacity of 250,000 tons and a thickness up to 2.0 mm

The Galvanizing plant was commissioned in early July 2015 and has increased production gradually so that Insh Allah it will reach full capacity by the end of the month.

Similarly, the second stand of 4 Hi Reversing mill was commissioned late July and is increasing production levels so that Insh Allah it will reach full capacity by early September 2015

- A color coating line was successfully commissioned during quarter 3, becoming first in the country to produce color coated steel sheets, providing significant import substitution. This will help in attracting high end product manufacturers.

In addition, your company has approached government and relevant institutions to rationalize import duties on raw material and finished goods that we produce which, when happens, would lay a very strong foundation to company's sustainable growth and higher contribution to the national exchequer. The management is hopeful that the government will consider this matter fairly and favorably.

Currently, the most significant challenge remains the pressure on domestic margins due to anomaly in duty structure, particularly from China under FTA. The management continues to raise this issue at all appropriate forums and is hopeful that the government will consider this matter fairly and favorably.

Appointment of Chief Executive Officer and Advisor

Mr. Towfiq H. Chinoy has retired as Managing Director of the Company effective August 13, 2015. He served the group for 51 years, of these 37 years as Managing Director. He is the principal architect behind the formation of International Steels Limited and has been with the Company as Managing Director since its inception. It is under his visionary leadership that your company has grown into one of the leading companies in Pakistan's steel sector. He has been invited and has agreed to continue his strategic engagement as an Advisor and continue to be a Director of the Company

In his place, Mr. Yousuf H. Mirza has been appointed as CEO w.e.f. August 14, 2015. He joined the Company as the Chief Operating Officer in 2013, after leading Linde Pakistan for over 3 years as CEO. He has vast and diversified international business experience in manufacturing.

We are confident that your company will benefit from this enhancement in the management.

The necessary notice for shareholders' information under section 218 of the Companies Ordinance 1984 is appended on page 95 of this report.

Acknowledgement

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

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

Kemal Shoaib
Chairman
Karachi : 13 August, 2015

Key Operating Highlights

	2015	2014	2013	2012	2011
			Rs. million		
FINANCIAL POSITION					
Balance sheet					
Property, plant and equipment	12,332	9,772	9,952	8,898	8,788
Other non current assets	1	4	8	14	16
Current assets	6,742	7,103	4,801	6,922	5,495
Total assets	19,075	16,879	14,761	15,834	14,299
Share capital	4,350	4,350	4,350	4,350	4,350
Reserves	628	856	158	(197)	(92)
Surplus on revaluation of fixed assets	552	563	573	-	-
Total equity	5,530	5,770	5,081	4,153	4,258
Non current liabilities	6,133	3,381	3,597	3,915	4,432
Current liabilities	7,412	7,728	6,083	7,766	5,609
Total liabilities	13,545	11,109	9,680	11,681	10,041
Total equity & liabilities	19,075	16,879	14,761	15,834	14,299
Net current assets	(670)	(625)	(1,282)	(844)	(114)
OPERATING AND FINANCIAL TRENDS					
Profit and Loss					
Net turnover	17,938	21,291	17,603	13,249	3,691
Gross profit	1,485	2,248	1,606	1,206	349
EBITDA	1,806	2,369	1,868	1,406	533
Operating profit	1,150	1,970	1,409	1,056	241
Profit / (Loss) before taxation	236	874	441	(120)	(62)
Profit / (Loss) after taxation	202	690	363	(104)	(79)
Capital expenditure (addition during the year)	3,122	344	797	466	1,027
Cash Flows					
Operting activities	1,498	7	3,449	(1,069)	(4,799)
Investing activities	(3,095)	(335)	(782)	(466)	(997)
Financial activities	2,405	(404)	(331)	(113)	1,000
Cash & cash equivalents at the end of the year	(4,032)	(4,840)	(4,108)	(6,443)	(4,796)

Key Indicators

		2015	2014	2013	2012	2011
Profitability Ratios						
Gross profit ratio	%	8.28	10.56	9.12	9.10	9.46
Net profit to Sales	%	1.12	3.24	2.06	(0.79)	(2.15)
EBITDA Margin to Sales	%	10.07	11.13	10.61	10.61	14.44
Operating Leverage	%	1.51	1.28	1.00	0.63	-
Return on Shareholders' Equity	%	3.65	11.96	7.14	(2.52)	(1.86)
Operating profit on Capital Employed	%	9.86	21.53	16.23	13.09	2.77
Return on Total Assets	%	1.06	4.09	2.46	(0.66)	(0.56)
Liquidity Ratios						
Current ratio		0.91	0.92	0.79	0.89	0.98
Quick / Acid test ratio		0.31	0.44	0.36	0.21	0.30
Cash to Current Liabilities		0.005	0.005	0.002	0.001	0.05
Cash flow from Operations to Sales		0.15	0.07	0.28	0.03	(1.17)
Activity / Turnover Ratios						
Inventory turnover ratio	times	3.71	5.19	6.11	3.33	1.75
Inventory turnover in days	days	98	70	47	110	209
Debtor turnover ratio (KE)	times	9.87	11.29	14.81	2.68	1.98
Debtor turnover in days (KE)	days	37	32	25	136	185
Total assets turnover ratio	times	0.94	1.26	1.19	0.84	0.26
Fixed assets turnover ratio	times	1.45	2.18	1.77	1.49	0.42
Capital employed turnover ratio	times	1.54	2.33	2.03	1.64	0.42
Investment / Market Ratios						
Earnings / Loss per share - basic and diluted	Rs	0.46	1.59	0.83	(0.24)	0.22
Price earning ratio	times	60.58	14.54	21.22	(49.83)	61.31
Market value per share at the end of the year	Rs	28.10	23.05	17.69	11.96	13.61
Market value per share high during the year	Rs	32.24	26.00	19.35	14.29	15.06
Market value per share low during the year	Rs	21.75	15.30	11.25	9.05	13.26
Break-up value per share		12.71	13.26	11.68	9.55	9.79
Capital Structure Ratios						
Financial leverage ratio		1.93	1.50	1.63	2.63	2.27
Total Debt : Equity ratio		66:34	60:40	62:38	72:28	70:30
Interest cover	times	1.23	1.89	1.44	0.90	0.86
Value Addition						
Employees as remuneration	Rs. in million	454	392	328	308	133
Government as taxes	Rs. in million	3,860	3,906	3,468	3,092	1,432
Financial charges to providers of finance	Rs. in million	1,028	982	993	1,169	433

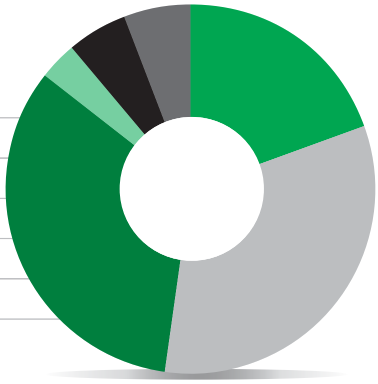
Vertical Analysis

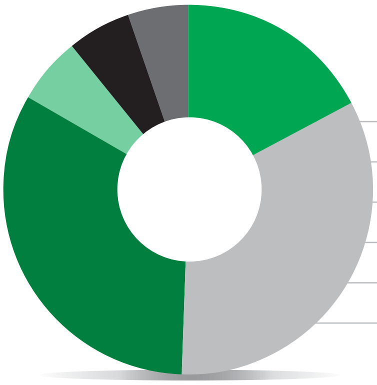
	2015		2014		2013		2012		2011	
	Rs. million	%	Rs. million	%	Rs. million	%	Rs. million	%	Rs. million	%
OPERATING RESULTS										
Sales - Net	17,938	100	21,291	100	17,603	100	13,249	100	3,691	100
Cost of sales	16,453	92	19,043	89	15,997	91	12,043	91	3,342	91
Gross profit	1,485	8	2,248	11	1,606	9	1,206	9	349	9
Administrative, Selling and Distribution expenses	336	2	278	1	197	1	150	1	108	3
Other operating expenses	22	0	186	1	44	0	106	1	2	0
Other operating income	136	1	72	0.3	69	0	99	1	133	4
Operating Profit before finance costs	1,264	7	1,856	9	1,434	8	1,048	8	371	10
Finance costs	1,028	6	982	5	993	6	1,169	9	433	12
Profit / (Loss) before taxation	236	1	874	4	441	3	(120)	(1)	(62)	(2)
Taxation	34	0	184	1	79	0	(16)	(0)	17	0
Net Profit / Loss	202	1	690	3	362	2	(104)	(1)	(79)	(2)
BALANCE SHEET										
Property, plant and equipment	12,332	65	9,772	58	9,952	67	8,928	56	8,788	61
Intangible Assets	0.6	0.0	3.8	0.0	7.9	0.1	13.4	0.1	-	-
Other non current assets	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	16	0.1
Current assets	6,742	35	7,103	42	4,801	33	6,891	44	5,495	39
Total assets	19,075	100	16,879	100	14,761	100	15,833	100	14,299	100
Shareholders' equity	4,978	26	5,206	31	4,508	31	4,149	26	4,258	30
Revaluation reserves	552	3	563	3	573	4	-	-	-	-
Non current liabilities	6,133	32	3,381	20	3,597	24	3,918	25	4,432	31
Current portion of long term financing	850	4	750	4	783	5	639	4	263	2
Short term borrowings	4,069	21	4,876	29	4,121	28	6,448	41	5,058	35
Other current liabilities	2,493	13	2,101	12	1,179	8	679	4	288	2
Total equity and liabilities	19,075	100	16,879	100	14,761	100	15,833	100	14,299	100
CASH FLOWS										
Net cash generated from/ (used in) operating activities	1,498	185	7	(1)	3,449	147	(1,069)	65	(4,799)	100
Net cash outflows from investing activities	(3,095)	(383)	(335)	46	(782)	(33)	(466)	28	(997)	21
Net cash (outflows)/inflows from financing activities	2,405	298	(404)	55	(331)	(14)	(113)	7	1,000	(21)
Net increase/ (decrease) in cash and cash equivalents	808	100	(732)	100	2,336	100	(1,648)	100	(4,796)	100

Key Financial Indicators - Graphs

Conversion cost

	2014-2015 Rs in Million
Salaries, wages and benefits	274
Electricity, gas and water	455
Depreciation and amortisation	465
Stores and spares consumed	46
Repairs and maintenance	74
Others	80
Total	**1,394**



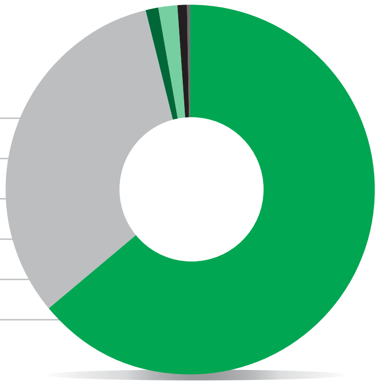


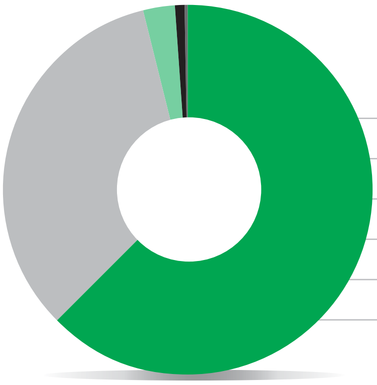
Conversion cost

	2013-2014 Rs in Million
Salaries, wages and benefits	232
Electricity, gas and water	445
Depreciation and amortisation	439
Stores and spares consumed	80
Repairs and maintenance	76
Others	67
Total	**1,339**

Product wise sales break up

	2014-2015 Rs in Million
Galvanized Coils	11,403
Cold rolled Coils	5,758
Colored Coils	203
End cuts	306
Bi-Product Zinc	137
Bi-Product Remeltable Scrap	14
TOTAL	**17,822**

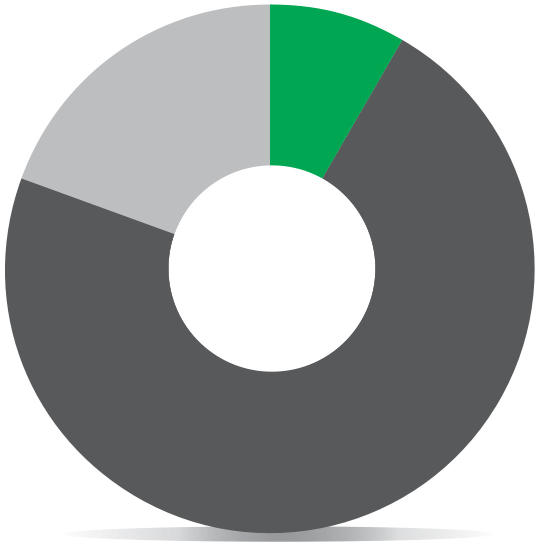




Product wise sales break up

	2013-2014 Rs in Million
Galvanized Coils	13,359
Cold rolled Coils	7,125
Colored Coils	-
End cuts	608
Bi-Product Zinc	163
Bi-Product Remeltable Scrap	25
TOTAL	**21,280**

Key Financial Indicators - Graphs

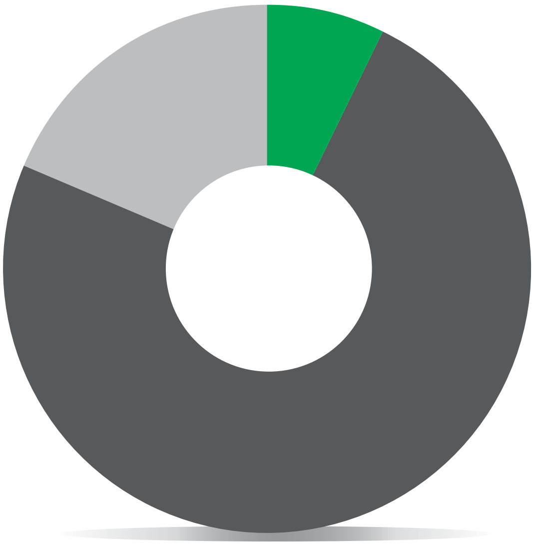


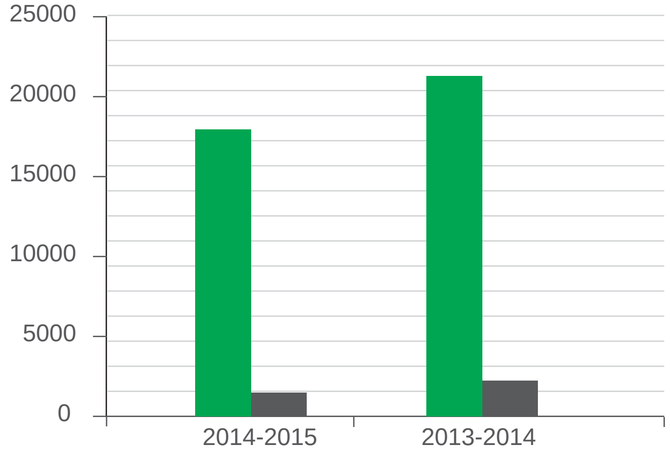
Value addition & distribution

		2014-2015 Rs in Million
■	Employees as remuneration	454
■	Government as taxes	3,860
■	Financial charges	1,028
	TOTAL	**5,342**

Value addition & distribution

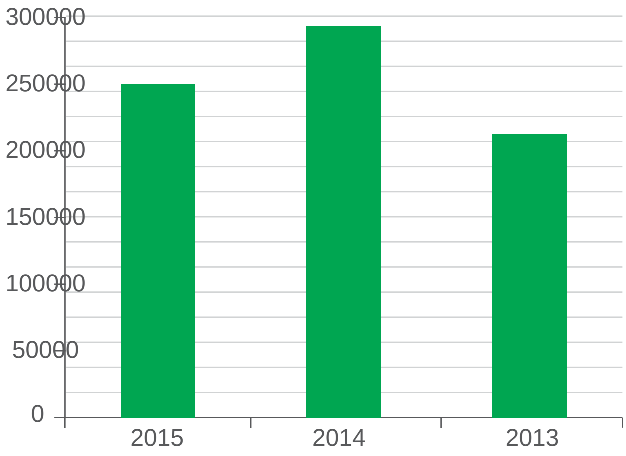
		2013-2014 Rs in Million
■	Employees as remuneration	392
■	Government as taxes	3,906
■	Financial charges	982
	TOTAL	**5,280**





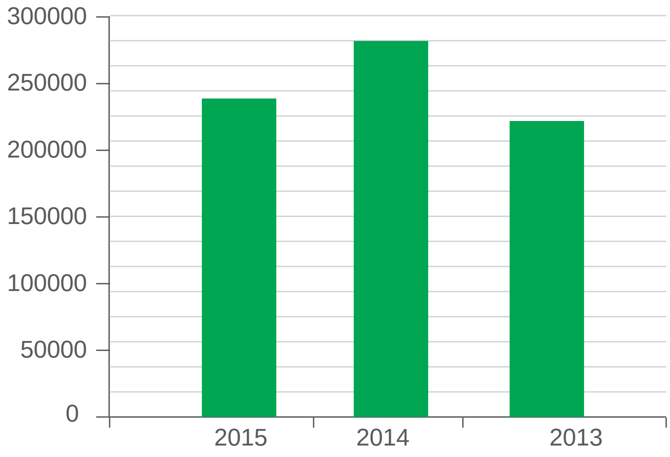
Net sales / gross profit

	2014-2015	2013-2014
	Rs in Million	
Net sales	17,938	21,291
Gross profit	1,485	2,248



Raw material purchases (in tons)

	2015	2014	2013
Tons	250,391	293,841	212,632



Production (in tons)

	2015	2014	2013
Tons	238,640	281,772	221,859

Corporate Governance

Statement of Directors' Responsibility:

- 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.

Roles and Responsibilities of the Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer 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 Officer performs his duties under the powers vested by the law and the Board. He is responsible for preparing business strategy, overall control and operation of the company as well as for implementing the business plans approved by the Board.

Business Philosophy

We believe in ethical 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 operational and financial plans. The roles of Board and the Chief Executive Officer / Managing Director have been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business while the Managing Director is responsible for day to day operations and execution of the business strategy by devising business plans and monitoring the same.

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 (05) 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 was 84%.

The Board Committees

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

A. 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
- Mr. Usman Ahmad, Secretary – Chief Internal Auditor

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 have 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 report 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 and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Reporting of all such matters shall be to the Chairman of Board Audit Committee only.

k) Review and provide oversight to prepare the "Code of Conduct" annually and oversee that the same is properly disseminated and acknowledged 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 five (05) times, during the financial year ended June 30, 2015.

B. HUMAN RESOURCES & REMUNERATION COMMITTEE:

The Human Resources & 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

Terms of Reference of Human Resources & Remuneration Committee [HR&RC]:

The role of the Human Resources & Remuneration 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 and Company Secretary, 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 Four (04) times, during the financial year ended June 30, 2015.

C. STRATEGIC PLANNING COMMITTEE :

The Strategic 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
- Mr. Alee Arsalan, Secretary - CFO & Company Secretary

The Meetings of this Committee take place as and when the Board desires a focused strategic oversight, while the strategic guideline is discussed in the Board Meetings frequently.

DIRECTORS' PARTCIPATION IN BOARD AND SUB-COMMITTEE MEETINGS:

Board / Sub-Committee Members	Board Meetings	Audit Committee	HR&R Committee
Number of Meetings Held	**5**	**5**	**4**
Mr. Kemal Shoaib	5		4
Mr. Towfiq H. Chinoy	5		4
Mr. Mustapha A. Chinoy	4		2
Mr. Kamal A. Chinoy	4	4	1 *
Mr. Tariq Iqbal Khan	5	5	1 *
Syed Salim Raza	5		
Kamran Y. Mirza	4	4	
Syed Hyder Ali	3		2
Mr. Otomichi Yano	3		

'* attended Special meeting of HR&RC to review nomination of Mr. Yousuf H. Mirza as CEO

Since all the retiring directors were re-elected in the Annual General Meeting held on October 2, 2013, no formal orientation was conducted. Additionally the Board is regularly briefed on various developments in the business fields in each meeting.

Stakeholders and Social Responsibility

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

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

Board Performance Evaluation

The Board has adopted a mechanism for self- evaluation of its performance evaluation, which encompasses the evaluation of the Board as an entity. The annual review of the Board is aimed at evaluation in the following:-

• Board composition • Skill and experience • Board functions • Internal controls • Statuary obligation • Corporate Governance • Operational performance • Strategic guidance • Risk Management etc.

Whistle Blowing Policy

In order to ensure accountability and integrity in our conduct, we have placed an effective whistleblowing mechanism for sounding of alerts against deviations from policies, applicable regulations or the code of professional conduct.

Pattern of Shareholding

On June 30, 2015 there were 1908 shareholders on record of the Company's ordinary shares.

A statement on the pattern of shareholding along with a pattern of shareholding of certain classes of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on June 30, 2015 is placed on Page 90.

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, shareholders' interests and regulatory compliance.

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

Mr. Towfiq H. Chinoy
Managing Director & CEO

Mr. Samir Chinoy
GM Sales & Marketing

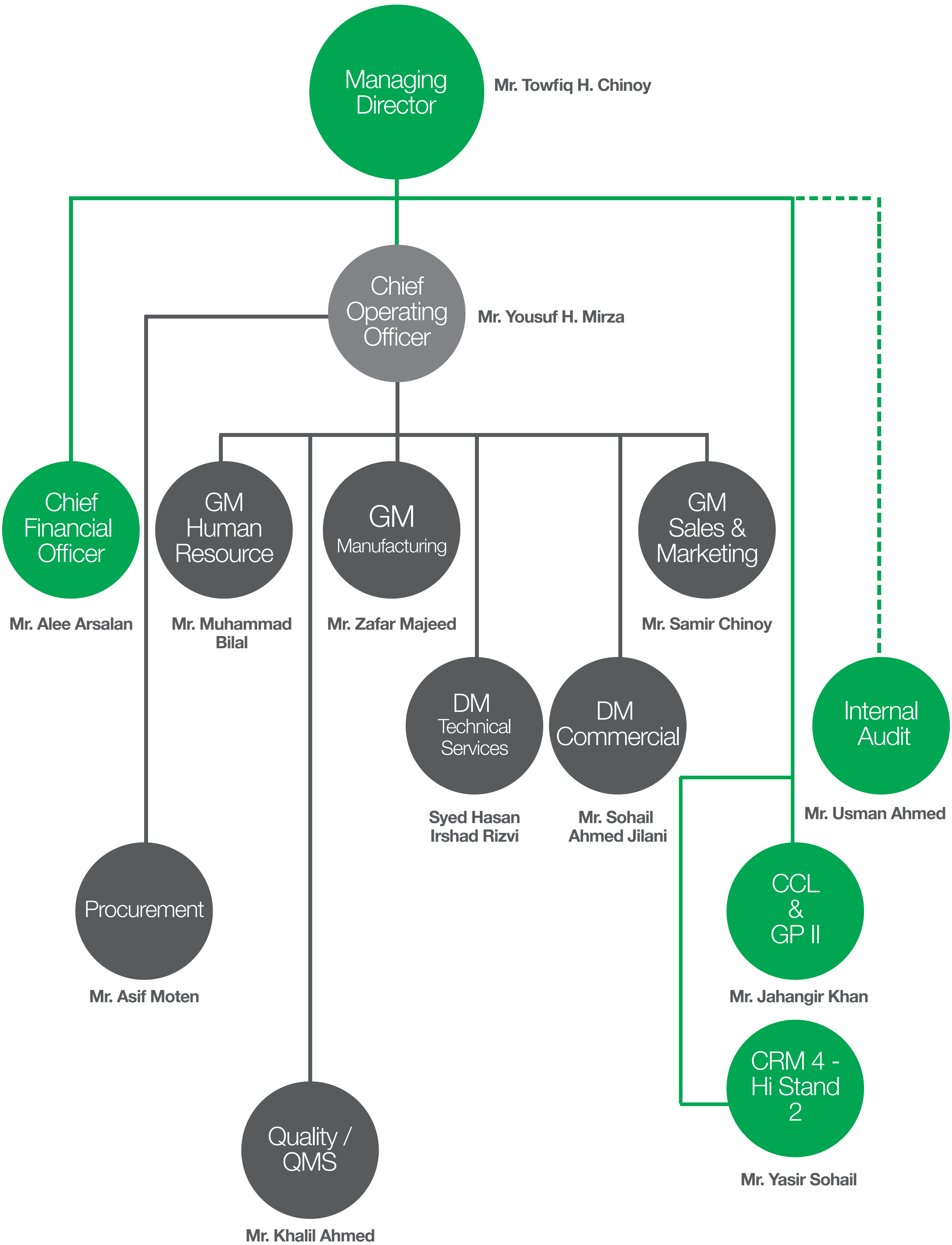
Mr. Zafar Majeed
GM Manufacturing

Mr. Yousuf H. Mirza
Chief Operating Officer

Mr. Alee Arsalan
CFO & Company Secretary

Mr. Bilal Khawar
GM Human Resources

Organization Chart



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 30 June 2015 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 Stock Exchange, 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 30 June 2015, 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 in house Internal Audit function which is headed by Head of Internal Audit.
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Company maintains an established internal control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes under oversight of Board of Directors. All policies and control procedures are documented in manuals.
- As a part of internal control framework, the Board of Directors acts in accordance with the recommendations of the Audit Committee as documented in its terms of reference.
- In line with the requirements of Code of Corporate Governance, the Company has established an independent Internal Audit function who reports to the Audit Committee. During the year, the Internal Audit function carried out its activities in accordance with its approved Audit Program and made its recommendations for value addition and improvement in existing internal controls / operations. Internal Audit function has played a vital role in improving the overall control environment within the organization. It is also acting as an advisor to other functions for streamlining systems in addition to ensuring effective implementation of Company's policies and suggesting procedures for revenue maximization and cost savings.

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 30 June 2015 and shall retire on the conclusion of the 8thAnnual 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 the reappointment of M/s KPMG Taseer Hadi & Co. for the financial year 30 June 2016 on remuneration, as negotiated by the Managing Director.

Karachi
Dated:
13 August, 2015

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, 2015

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. The Directors have confirmed that 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. There was no change on the Board of Directors of the Company. However, The Board of Directors have appointed Mr. Yousuf H. Mirza as Chief Executive Officer of the Company w.e.f. 14 August, 2015 to replace Mr. Towfiq H. Chinoy, who is retiring on 13 August, 2015.

5. The Company has prepared and updated 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 and reviews and approves business plans and overall corporate strategy. The Company has also developed significant policies which were approved by the Board of Directors after due consideration. A complete record of particulars of significant policies and procedures, where needed, 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) Related Party Transaction Policy
   i) Human Resource Policies
   j) Directors' Remuneration Policy
   k) Speak Up Policy
   l) Investment Policy
   m) Policy for Write-off of Bad Debts, Advances and Receivables
   n) Borrowing Policy
   o) Policy for CSR
   p) Board Evaluation Policy & Procedure
   q) Stores and Spares Policy
   r) Credit Policy
   s) Investors Relations Policy

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, other executives 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 BOD 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. All the directors have been re-elected in October 2013; the management keeps the Board abreast with the latest changes in the business environment and regulatory framework.

10. Four directors have acquired the formal training certificates in earlier years. Majority of the 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

11. The Board approves the appointment, remuneration and terms & conditions of employment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However, during the year CFO also became the Company Secretary effective from December 5, 2014.

12. 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.

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

14. 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.

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

16. 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.

17. 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.

18. The Board has formed a Human Resources & Remuneration Committee. It comprises 4 members; the Chairman of the committee is an independent director, whereas the remaining members comprise one executive director and two non-executive directors. The Terms of Reference of Human Resources & Remuneration Committee has been approved by the BOD and noted by the Human Resources & Remuneration Committee for compliance.

19. The Board has setup an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

20. 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.

21. 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.

22. 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).

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

24. 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 – Board Audit Committee

Towfiq H. Chinoy
Managing Director / CEO

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of International Steels Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

KPMG Taseer Hadi & Co.

Date: 13 August 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Financial Statements

Contents

Auditors' Report to the Members

We have audited the annexed balance sheet of International Steels Limited ("the Company") as at 30 June 2015 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, the 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 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi

Date: 13 August 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Balance Sheet

As at 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Non Current Assets			
Property, plant and equipment	4	12,332,043	9,771,509
Intangible assets	5	551	3,821
Long term deposit with Central Depository Company Pakistan Limited		100	100
Total Non Current Assets		12,332,694	9,775,430
Current Assets			
Stores and spares	6	349,577	319,322
Stock-in-trade	7	4,437,944	3,667,240
Receivable from K-Electric Limited (KE) - unsecured, considered good		56,895	49,717
Trade debts - secured, unsecured and considered good	8	362,464	1,185,880
Advances - considered good	9	47,918	266,127
Trade deposits and prepayments	10	15,135	11,717
Sales tax receivable		38,295	434,380
Taxation - net	11	1,396,122	1,132,133
Cash and bank balances	12	37,731	36,560
Total Current Assets		6,742,081	7,103,076
Total assets		19,074,775	16,878,506
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
500,000,000 (2014: 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		628,114	856,325
Total shareholders' equity		4,978,114	5,206,325
Surplus on revaluation of property, plant and equipment - net of tax	14	551,828	563,415
LIABILITIES			
Non Current Liabilities			
Long term finances - secured	15	5,740,767	3,000,990
Staff retirement benefits	30	20,686	14,698
Deferred taxation-net	16	371,243	365,480
Total Non Current Liabilities		6,132,696	3,381,168
Current Liabilities			
Trade and other payables	17	2,280,259	1,955,866
Short term borrowings - secured	18	4,069,462	4,876,307
Current portion of long term finances	15	849,878	749,877
Accrued mark-up		212,538	145,548
Total Current Liabilities		7,412,137	7,727,598
Contingencies and Commitments	19		
Total Equity and Liabilities		19,074,775	16,878,506

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

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

Profit and Loss Account

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
Net sales	20	17,938,077	21,291,115
Cost of sales	21	(16,452,775)	(19,043,439)
Gross profit		1,485,302	2,247,676
Administrative expenses	22	(168,022)	(135,116)
Selling and distribution expenses	23	(167,707)	(142,512)
		(335,729)	(277,628)
Financial charges	24	(1,028,277)	(981,530)
Other operating charges	25	(22,119)	(186,177)
		(1,050,396)	(1,167,707)
Other income	26	136,368	71,825
Profit before taxation		235,545	874,166
Taxation - net	27	(33,765)	(184,431)
Profit for the year		201,780	689,735
		(Rupees)	
Earnings per share - basic and diluted	28	0.46	1.59

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

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

Statement of Comprehensive Income

For the year ended 30 June 2015

	2015	2014
	(Rupees in '000)	
Profit for the year	201,780	689,735
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit liability	(9,674)	(4,851)
Recognition of tax	3,096	1,601
Total other comprehensive income - net of tax	(6,578)	(3,250)
Total comprehensive income for the year	195,202	686,485

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
Officer

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		235,545	874,166
Adjustments for:			
Depreciation		539,205	507,402
Amortisation		3,270	5,896
Gain on sale of property, plant and equipment		(4,284)	(2,669)
Plant and machinery written-off		-	8,995
Provision for staff gratuity		8,715	8,720
Provision for compensated absences		12,660	1,791
Financial charges		1,028,277	981,530
		1,823,388	2,385,831
Movement in working capital	29	939,009	(999,942)
Net cash from operations		2,762,397	1,385,889
Payment of compensated absences		(1,512)	(1,763)
Financial charges paid		(961,287)	(993,207)
Gratuity paid		(12,401)	(8,720)
Taxes paid - net		(288,895)	(375,332)
Net cash from operating activities		1,498,302	6,867
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(3,121,573)	(344,078)
Proceeds from sale of property, plant and equipment		26,118	9,426
Net cash used in investing activities		(3,095,455)	(334,652)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / (repayment) of long term financing - net		2,839,778	(404,278)
Dividend paid		(434,609)	-
Net cash generated from / (used in) financing activities		2,405,169	(404,278)
Net increase / (decrease) in cash and cash equivalents		808,016	(732,063)
Cash and cash equivalents at beginning of the year		(4,839,747)	(4,107,684)
Cash and cash equivalents at end of the year		(4,031,731)	(4,839,747)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	12	37,731	36,560
Short term borrowings	18	(4,069,462)	(4,876,307)
		(4,031,731)	(4,839,747)

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
Officer

Statement of Changes in Equity

For the year ended 30 June 2015

	Issued, subscribed & paid up capital	Unappropriated profit	Total
	(Rupees in '000)		
Balance as at 01 July 2013	4,350,000	158,093	4,508,093
Profit for the year	-	689,735	689,735
Total other comprehensive income for the year	-	(3,250)	(3,250)
Total comprehensive income for the year	-	686,485	686,485
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	11,747	11,747
Balance as at 30 June 2014	4,350,000	856,325	5,206,325
Balance as at 01 July 2014	4,350,000	856,325	5,206,325
Profit for the year	-	201,780	201,780
Total other comprehensive income for the year	-	(6,578)	(6,578)
Total comprehensive income for the year	-	195,202	195,202
Transactions with owners, recorded directly in equity - Distributions			
Dividend:			
- Final dividend @ 10% (Re. 1 per share) for the year ended 30 June 2014	-	(435,000)	(435,000)
Total transactions with owners of the Company	-	(435,000)	(435,000)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	11,587	11,587
Balance as at 30 June 2015	4,350,000	628,114	4,978,114

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

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

Notes to the Financial Statements

For the year ended 30 June 2015

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the 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 there against 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 2015, the Holding Company held 245,055,543 shares (2014: 245,055,543 shares) of the Company.

The primary activities of the Company are business of manufacturing of cold rolled steel coils and galvanized coils. 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 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 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 ongoing 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, advances and other receivables (note 3.3.1.1)
- Inventories (note 3.4)
- Taxation (note 3.5)
- Staff retirement benefits (note 3.6)
- Impairment (note 3.9)

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 effect 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 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortisation for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRS. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 ‘Separate Financial Statements’ (effective for annual periods beginning on or after 01 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company’s financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company’s financial statements.

Annual Improvements 2012-2014 cycles (amendments effective for annual period beginning on or after 01 July 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 ‘Financial Instruments- Disclosures’. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by ‘Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)’ are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 ‘Employee Benefits’. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 ‘Interim Financial Reporting’. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

- IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

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 item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

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

(a) its purchase price including import duties, non-refundable purchase taxes after deducting trade discounts and rebates;

(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; and

(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, plant and machinery, furniture, fixture, computer 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 buildings on freehold land is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Surplus on revaluation of freehold land and buildings on freehold land is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued 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 of.

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 equivalents. 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 balances 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 costs, if any, and subsequently measured at amortised costs.

3.3.3 Derivative financial instruments - other than hedging

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 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in profit or loss. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset. The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

3.3.5 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when 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 Inventories

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.

3.5 Taxation

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

Current

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

Provision 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.

3.6 Staff retirement benefits

3.6.1 Defined benefit plan

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

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

3.6.2 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.

3.6.3 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.

3.7 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.

3.8 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides either with date of shipping bill or upon delivery to customer or its representative, based on terms of arrangement.

- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited (formerly Karachi Electric Supply Company Limited (KESC)).

- Mark-up on bank deposits accounts is recognised on time proportion basis taking into account effective yield.

- Toll manufacturing income is recognised when services are rendered.

3.9 Impairment

3.9.1 Financial assets

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

3.9.2 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 in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

3.10 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.

3.11 Segment reporting

Segment results that are reported to the Company's Chief Executive Officer ('CEO') - the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, comprise mainly corporate assets , head office expenses, and tax assets and liabilities. Management has determined that the Company has a single reportable segment and therefore it has only presented entity wide disclosures (refer note 36).

3.12 Dividend and appropriations

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

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Operating assets	4.1	10,722,479	9,419,768
Capital work-in-progress	4.2	1,609,564	351,741
		12,332,043	9,771,509

4.1 Operating assets

	2015													
	Cost / Revalued Amount						Depreciation						Net book value as at 30 June 2015	Rate %
	As at 01 July 2014	Additions/ transfers *	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2015	As at 01 July 2014	For the year	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2015		
	(Rupees in '000)													
Freehold land	1,216,875	-	-	-	-	1,216,875	-	-	-	-	-	-	1,216,875	-
Buildings on freehold land *	1,169,752	32,151	-	-	-	1,201,903	61,992	62,081	-	-	-	124,073	1,077,830	3% - 5%
Plant and machinery*	8,383,229	1,788,984	(2,990)	-	-	10,169,223	1,344,423	453,615	-	-	-	1,798,038	8,371,185	3% - 33%
Furniture, fixture, computer and office equipment	35,869	3,747	-	-	(99)	39,517	19,839	6,713	-	-	(99)	26,453	13,064	10% - 33%
Vehicles	71,595	41,908	(50)	-	(30,966)	82,487	31,298	16,796	-	-	(9,132)	38,962	43,525	20%
	10,877,320	1,866,790	(3,040)	-	(31,065)	12,710,005	1,457,552	539,205	-	-	(9,231)	1,987,526	10,722,479	
		1,821,135												

	2014													
	Cost / Revalued Amount						Depreciation						Net book value as at 30 June 2014	Rate %
	As at 01 July 2013	Additions/ transfers *	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2014	As at 01 July 2013	For the year	Revaluation surplus (note 4.4) / (adjustment)	Other adjustment	(Disposals)	As at 30 June 2014		
	(Rupees in '000)													
Free hold land	1,216,875	-	-	-	-	1,216,875	-	-	-	-	-	-	1,216,875	-
Buildings on freehold land	1,169,752	-	-	-	-	1,169,752	-	61,992	-	-	-	61,992	1,107,760	3% - 5%
Plant and machinery *	8,058,952	333,272	-	(8,995)	-	8,383,229	918,647	425,776	-	-	-	1,344,423	7,038,806	3%-33%
Furniture, fixture, computer and office equipment	29,453	6,452	-	19	(55)	35,869	13,295	6,555	-	-	(11)	19,839	16,030	10% - 33%
Vehicles	55,704	26,844	-	125	(11,078)	71,595	22,585	13,079	-	-	(4,366)	31,298	40,297	20%
	10,530,736	366,568	-	(8,851)	(11,133)	10,877,320	954,527	507,402	-	-	(4,377)	1,457,552	9,419,768	
		333,272												

* Includes capital spares having cost of Rs. 135 million (2014: 122 million) and net book value of Rs. 116 million (2014: Rs 111 million) capitalised.

4.2 Capital work-in-progress

	2015				2014			
	Cost As at 01 July 2014	Additions	(Transfers)	As at 30 June 2015	Cost As at 01 July 2013	Additions	(Transfers)	As at 30 June 2014
	(Rupees in '000)							
Building	-	32,151	(32,151)	-	-	-	-	-
Plant and machinery	351,741	3,046,114	(1,788,984)	1,608,871	376,025	308,988	(333,272)	351,741
Furniture, fixture, computer and office equipment	-	693	-	693	-	-	-	-
	351,741	3,078,958	(1,821,135)	1,609,564	376,025	308,988	(333,272)	351,741

4.2.1 Additions to plant and machinery include interest and other charges on loan obtained for expansion project amounting to Rs. 127 million (2014: Nil). Rate of mark-up capitalisation ranges from 5.5% to 11.25% per annum (2014: Nil).

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

	Note	2015	2014
		(Rupees in '000)	
Cost of sales	21	461,957	432,698
Administrative expenses	22	6,853	5,443
Selling and distribution expenses	23	2,767	2,253
Income from power generation	26.1	67,628	67,008
		539,205	507,402

4.4 The Company had carried out valuation of freehold land and buildings on freehold land as at 30 June 2013. The resulting revaluation surplus was credited to revaluation surplus account net of related tax effect and disclosed in note 14 to the financial statements. The valuation was conducted by an independent valuer who is located in Karachi. Land was valued on the basis of inquiries 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 been carried at historical cost, at 30 June 2015 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	1,040,735	213,255	827,480
As at 30 June 2015	1,877,334	213,255	1,664,079
As at 30 June 2014	1,845,183	168,214	1,676,969

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

	Original cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
	(Rupees)					
Computers						
Laptop	99,175	99,174	1	43,000	Insurance Claim	Jubilee General Insurance
	99,175	99,174	1	43,000		
Vehicles						
Suzuki Mehran	667,139	111,190	555,949	617,000	Negotiation	Mr. S.Riaz Ahmed
Suzuki Cultus	990,000	313,500	676,500	925,000	Negotiation	Mr. S.Riaz Ahmed
Suzuki Cultus	868,000	694,399	173,601	800,000	Negotiation	Al- Ghani Motors
Toyota Corolla	1,888,163	1,888,162	1	1,265,000	Negotiation	Mr. S.Riaz Ahmed
Honda City	1,198,163	1,198,162	1	925,000	As per Company Policy	Mr. Muhammad Ateequllah
Suzuki Cultus	824,163	824,162	1	459,000	As per Company Policy	Major (Retired) Imtiaz Haider
Suzuki Mehran	494,000	354,033	139,967	375,000	Negotiation	Mrs. Safiha Javed
Toyota Corolla	1,414,000	1,249,032	164,968	1,215,000	Negotiation	Mr. S.Riaz Ahmed
Toyota Land Cruiser	21,603,422	2,160,342	19,443,080	18,799,845	Negotiation	Toyota Defence Motors
Suzuki Cultus	1,019,000	339,666	679,334	693,750	Insurance Claim	Jubilee General Insurance
	30,966,050	9,132,648	21,833,402	26,074,595		
Grand total	31,065,225	9,231,822	21,833,403	26,117,595		

5 INTANGIBLE ASSETS

	2015							
	Cost			Amortisation			Net book value as at 30 June 2015	Rate % / Life
	As at 01 July 2014	Additions	As at 30 June 2015	As at 01 July 2014	For the year	As at 30 June 2015		
	(Rupees in '000)							
Computer software	17,691	-	17,691	13,870	3,270	17,140	551	33% / 3 years
Computer software as at 30 June 2014	16,041	1,650	17,691	7,974	5,896	13,870	3,821	33% / 3 years

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

6 STORES AND SPARES

	Note	2015	2014
		(Rupees in '000)	
Stores		114,215	117,636
Spares		231,115	198,825
Loose tools		4,247	2,861
		349,577	319,322

7 STOCK-IN-TRADE

Raw material - in hand		2,211,014	1,254,244
Raw material - in transit		294,169	-
Work-in-process		365,261	1,134,423
Finished goods		1,552,343	1,277,652
Scrap Material		15,157	921
		4,437,944	3,667,240

8 TRADE DEBTS - secured, unsecured and considered good

- Secured	8.1	337,940	1,169,822
- Unsecured		24,524	16,058
		362,464	1,185,880

8.1 This represents trade debts arising on account of export sales of Rs. 297.05 million (2014: Rs. 1,145.74 million) which are secured by way of Export Letters of Credit and Documents of Acceptance and Rs. 40.89 million (2014: Rs. 24.08 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit.

9 ADVANCES - Considered good

	2015	2014
	(Rupees in '000)	
Advances:		
- to suppliers	47,918	265,627
- to employees	-	500
	47,918	266,127

10 TRADE DEPOSITS AND PREPAYMENTS

Trade deposits	11,067	5,535
Short term prepayments	4,068	6,182
	15,135	11,717

11 TAXATION - NET

	Note	2015	2014
		(Rupees in '000)	
Tax receivable as at 01 July		1,132,133	787,216
Tax payments / adjustments during the year - net of refund		288,895	375,332
		1,421,028	1,162,548
Less: Provision for tax - current year	27	(24,906)	(30,415)
		1,396,122	1,132,133

12 CASH AND BANK BALANCES

	Note	2015	2014
Cash in hand		52	-
Cash at bank - current accounts in local currency	12.1	30,312	34,292
- deposit accounts in foreign currency	12.2	7,367	2,268
		37,731	36,560

12.1 Deposits in current account include Rs. 0.29 million maintained with a Bank (related party).

12.2 Mark-up rate on deposit accounts ranges from 6% to 9% per anum (2014: 7% to 9% per annum).

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
30,000	30,000	Fully paid ordinary shares of Rs. 10 each issued for cash	300	300
417,716,700	417,716,700	Fully paid ordinary shares of Rs. 10 each issued against transfer of net assets	4,177,167	4,177,167
17,253,300	17,253,300	Fully paid ordinary shares of Rs. 10 each issued as right shares	172,533	172,533
435,000,000	435,000,000		4,350,000	4,350,000

13.1 As at 30 June 2015, the Holding Company and other associates held 245,055,543 (2014: 245,055,543) and 79,936,457 (2014: 79,936,457) ordinary shares respectively of Rs. 10 each.

14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	(Rupees in '000)	
Freehold land		
Balance as at 01 July	380,276	380,276
	380,276	380,276
Buildings on freehold land		
Balance as at 01 July	267,390	284,505
Transferred to retained earnings in respect of incremental depreciation charged during the year	(17,040)	(17,115)
Related deferred tax liability	(78,798)	(84,251)
	171,552	183,139
	551,828	563,415

15 LONG TERM FINANCES - secured

	Note	2015	2014
		(Rupees in '000)	
Long-term finances utilised under mark-up arrangements	15.1	6,590,645	3,750,867
Current portion of long term finances shown under current liabilities		(849,878)	(749,877)
		5,740,767	3,000,990

15.1 Long term finances utilised under mark-up arrangements

		Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2015	2014
		(Rupees in '000)					(Rupees in '000)	
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	2,341,715	2,842,684
ii)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.2)	1,790,721	4,675,000	32 quarterly instalments 16-Jul-14	22-Dec-24	1.00% over SBP Refinance rate	1,790,747	-
iii)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.3)	900,000	1,263,602	08 half yearly instalments 27-Dec-12	2-Oct-17	1.25% over 6 months KIBOR	383,183	608,183
iv)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.4)	300,000	406,886	08 half yearly instalments 2-Jun-15	18-Apr-19	1.25% over 6 months KIBOR	275,000	300,000
v)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.5)	800,000	1,580,037	20 quarterly instalments 30-Nov-15	1-Aug-20	1.00% over 6 months KIBOR	800,000	-
vi)	**Long Term Finance** - Local currency Assistance for plant and machinery (note 15.1.6)	1,000,000	1,743,300	08 half yearly instalments 26-Dec-16	26-Jun-20	0.20% over 6 months KIBOR	1,000,000	-
							6,590,645	3,750,867

15.1.1 The syndicated term financing has been 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 buildings), as per the terms of syndicated term financing agreement.

15.1.2 The finance has been obtained from United Bank Limited and Bank Al Habib Limited and is secured by way of pari passu charge over fixed assets of the Company.

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

15.1.4 This finance has been obtained from various banks for plant & machinery and is secured by way of pari passu charge over fixed assets of the Company.

15.1.5 This finance has been obtained from MCB Bank Limited and is secured by way of ranking charge over fixed assets of the Company.

15.1.6 This finance has been obtained from Meezan Bank Limited and is secured by way of ranking 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:

	2015				
	Opening	Charge / (reversal)	Recognised in other comprehensive income	Adjustment in surplus on revaluation	Closing
	(Rupees in '000)				
Taxable temporary difference					
Accelerated tax depreciation	1,712,419	(75,170)	-	-	1,637,249
Deductible temporary differences					
Provision for unavailed leaves	(508)	(855)	-	-	(1,363)
Staff retirement benefits	(4,949)	-	(3,096)	-	(8,045)
Unrealised exchange losses	(4,716)	4,692	-	-	(24)
Pre-commencement expenditure	(5,234)	5,234	-	-	-
Tax loss	(1,331,532)	74,958	-	-	(1,256,574)
	365,480	8,859	(3,096)	-	371,243

	2014				
	Opening	Charge / (reversal)	Recognised in other comprehensive income	Adjustment in surplus on revaluation	Closing
	(Rupees in '000)				
Taxable temporary difference					
Accelerated tax depreciation	1,751,167	(36,472)	-	(2,276)	1,712,419
Deductible temporary differences					
Provision for unavailed leaves	(487)	(21)	-	-	(508)
Staff retirement benefits	(3,348)	-	(1,601)	-	(4,949)
Unrealised exchange losses	(2,371)	(2,345)	-	-	(4,716)
Pre-commencement expenditure	(10,650)	5,416	-	-	(5,234)
Tax loss	(1,518,970)	187,438	-	-	(1,331,532)
	215,341	154,016	(1,601)	(2,276)	365,480

17 TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in '000)	
Trade creditors	17.1	1,610,845	1,354,184
Payable to provident fund		1,916	1,550
Sales commission payable	17.2	20,396	24,316
Accrued expenses		163,388	116,606
Advances from customers		158,587	164,109
Provision for infrastructure Cess	17.3	287,508	211,800
Provision for government levies	17.4	568	742
Unclaimed dividend		391	-
Short term compensated absences		12,759	1,611
Workers' Profit Participation Fund	17.5	12,664	46,998
Workers' Welfare Fund		5,752	28,321
Others		5,485	5,629
		2,280,259	1,955,866

17.1 Trade creditors includes Rs. 1,196.7 million (2014: Rs. 1,352.4 million) payable to an associated company.

17.2 Sales commission payable includes Rs. 0.41 million (2014: Rs. 1.04 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).

	Note	2015	2014
		(Rupees in '000)	
Opening balance		211,800	118,000
Provided during the year		75,708	93,800
Closing balance		287,508	211,800

17.4 Provision for government levies

Opening balance	742	947
Provided during the year	-	-
	742	947
Payment / adjustment during the year	(174)	(205)
Closing balance	568	742

17.5 Movement of Workers' Profit Participation Fund

Opening balance		46,998	23,806
Allocation for the year	25	12,664	46,998
Payment during the year		(46,998)	(23,806)
Closing balance		12,664	46,998

18 SHORT TERM BORROWINGS - secured

Running finance under mark-up arrangement	18.1	50,505	979,538
Running finance under FE-25 Import Scheme	18.2	1,590,724	2,093,869
Running finance under Export Refinance Scheme	18.3	1,225,000	612,000
Short term finance under Istisna	18.4	399,110	397,194
Short term finance under Musharakah	18.5	798,102	793,706
Short term finance under Running Musharakah	18.6	6,021	-
		4,069,462	4,876,307

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 + 0.2% to KIBOR + 1.75% (2014: KIBOR+0.3% 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 are for an amount of USD 15.61 million equivalent to Rs.1,590.7 million (2014: USD 21.2 million equivalent to Rs. 2,094.9 million) The rates of mark-up on these finances range from 2.50% to 4.0% (2014: 2.75% to 3.82%) per annum. These facilities mature within six months and are renewable.

18.2.1 This includes FE-25 borrowing of Rs. 354.3 million (2014: Nil) from a Bank (related party).

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. 1,225 million (2014: Rs. 612 million). The rate of mark-up on this facility is 5.53% (2014: 8.96%) per annum. This facility matures within six months and is renewable.

18.4 The Company has obtained facilities for short term finance under Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.2% (2014: KIBOR + 0.3%) per annum. This facility matures within twelve months and is renewable.

18.5 This represents Islamic Term Musharakah under FE Import financing for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs.798 million. It carries mark-up at the rate of 2.75% inclusive of 6 months LIBOR (2014: 2.75%) per annum.

18.6 The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is KIBOR + 0.2% (2014: Nil) per annum. This facility matures within twelve months and is renewable.

18.7 As at 30 June 2015, the unavailed facilities from the above borrowings amounted to Rs. 5,205.54 million (2014: 5,123.69 million).

18.8 The above facilities are secured by way of joint and pari passu charge 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 on C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court on petition filed, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amount to Rs. 298.5 million (2014: Rs. 216.50 million), have been provided to the Department. However, a provision to the extent of amount utilised from the limit 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.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned Cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction there for under the constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

During the period, Government passed a new law "Gas Infrastructure Development Cess Act 2015 'The Act'", by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs 100/MMBTU on industrial and Rs 200/MMBTU on captive power consumption, effective July 1, 2011. The Company has obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs.380.8 million (from July 1, 2011 till May 22, 2015) 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.

The Company based on legal councils' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.51 million was determined for the tax years 2012 and 2013. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65B of the Income Tax Ordinance, 2001, accumulated minimum tax liability amounting to Rs. 568.06 million has not been recorded on the same basis in the financial statements for the year ended 30 June 2015.

19.1.4 Guarantee issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 222.7 million (2014:Rs. 177.2 million) as a security for supply of gas.

19.1.5 Guarantees issued in favour of Pakistan State Oil issued by bank on behalf of the Company amounted to Rs. 2.5 million (2014: Nil).

19.2 Commitments

19.2.1 Capital expenditures commitments outstanding as at 30 June 2015 amounted to Rs. 407.68 million (2014: Rs.2,020.32 million).

19.2.2 Commitments under letters of credit for raw materials and spares as at 30 June 2015 amounted to Rs. 2,552.60 million (2014: Rs. 2,976.72 million).

19.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 8,500 million (2014: Rs. 6,503 million) and Rs. 293 million (2014: Rs. 362.30 million) respectively.

20 NET SALES

	Note	2015	2014
		(Rupees in '000)	
Local		18,395,543	21,689,681
Export		2,490,002	3,026,245
		20,885,545	24,715,926
Toll manufacturing		135,960	10,960
		21,021,505	24,726,886
Sales tax		(2,715,402)	(3,154,426)
Trade discounts		(168,170)	(53,071)
Sales commission		(199,856)	(228,274)
		(3,083,428)	(3,435,771)
		17,938,077	21,291,115

21 COST OF SALES

	Note	2015	2014
Opening stock of raw materials and work-in-process		2,388,667	1,218,957
Purchases		15,817,795	19,374,666
Salaries, wages and benefits	21.1	273,922	231,689
Electricity, gas and water		454,764	445,348
Insurance		20,887	19,752
Security and janitorial		18,544	15,467
Depreciation	4.3	461,957	432,698
Amortisation	5	3,270	5,896
Stores and spares consumed		46,210	80,201
Repairs and maintenance		74,057	76,112
Postage, telephone and stationery		5,192	3,906
Vehicle, travel and conveyance		15,981	12,542
Internal material handling		6,254	5,458
Environment controlling expense		1,063	1,065
Computer stationery and software support fees		4,020	3,377
Sundries		7,478	5,612
Recovery from sale of scrap		(296,320)	(64,805)
		19,303,741	21,867,941
Closing stock of raw materials and work-in-process		(2,576,275)	(2,388,666)
Cost of goods manufactured		16,727,466	19,479,275
Finished goods:			
Opening stock		1,277,652	841,816
Closing stock	7	(1,552,343)	(1,277,652)
		(274,691)	(435,836)
		16,452,775	19,043,439

21.1 Salaries, wages and benefits include Rs. 14.486 million (2014: Rs. 11.001 million) in respect of staff retirement benefits.

22 ADMINISTRATIVE EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	22.1	119,962	96,307
Rent, rates and taxes		6,329	6,866
Electricity, gas and water		1,451	1,327
Insurance		721	752
Depreciation	4.3	6,853	5,443
Security and janitorial services		248	139
Printing and stationery		1,199	856
Computer stationery and office supplies		80	51
Postage and communication		588	593
Vehicle, travel and conveyance		5,526	5,588
Legal and professional charges		16,891	11,041
Certification and registration charges		315	248
Directors' fee		3,120	2,280
Others		4,739	3,625
		168,022	135,116

22.1 Salaries, wages and benefits include Rs. 1.88 million (2014: Rs. 1.935 million) in respect of staff retirement benefits.

23 SELLING AND DISTRIBUTION EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	23.1	43,611	49,308
Rent, rates and taxes		6,641	4,888
Electricity, gas and water		631	651
Insurance		721	1,816
Depreciation	4.3	2,767	2,253
Postage, telephone and stationery		1,308	1,017
Vehicle, travel and conveyance		3,932	3,798
Freight and forwarding charges		95,433	70,232
Sales promotion		7,481	6,507
Others		5,182	2,042
		167,707	142,512

23.1 Salaries, wages and benefits include Rs. 3.1 million (2014: Rs. 2.345 million) in respect of staff retirement benefits.

24 FINANCIAL CHARGES

	Note	2015	2014
		(Rupees in '000)	
Mark-up on:			
- long term finances		321,572	350,209
- short term borrowings	24.1	538,696	582,632
Bank charges		2,649	10,614
Exchange loss on FE financing		165,360	38,075
		1,028,277	981,530

24.1 Mark-up expense of Rs. 1.37 million (including Rs. 0.82 million accrued mark-up) pertains to FE borrowing from an associated company.

25 OTHER OPERATING CHARGES

	Note	2015	2014
		(Rupees in '000)	
Plant and machinery charged off		-	8,995
Auditors' remuneration	25.1	1,847	1,689
Donations	25.2	2,543	5,540
Workers' Profit Participation Fund		12,664	46,998
Workers' Welfare Fund		5,065	18,799
Loss on derivative financial instruments		-	71,648
Exchange loss - net		-	32,508
		22,119	186,177

25.1 Auditors' remuneration

	2015	2014
Audit fee	1,254	1,140
Half yearly review	358	325
Other services including certifications	110	100
Out of pocket expenses	125	124
	1,847	1,689

25.2 Donations include an amount of Nil (2014: Rs. 0.3 million) paid to a Donee in which a director is interested.

26 OTHER INCOME

	Note	2015	2014
		(Rupees in '000)	
Income from non financial assets			
Income from power generation	26.1	43,015	36,700
Income on supply of utilities		23,444	21,237
Gain on sale of property, plant and equipment		4,284	2,669
Rent income		1,716	1,716
Exchange gain - net		40,809	-
Others		23,039	7,979
		136,307	70,301
Income / return on financial assets			
- Interest on bank deposit		61	1,524
		136,368	71,825

26.1 Income from power generation

	Note	2015	2014
Net sales		479,986	479,660
Cost of electricity produced:			
Salaries, wages and benefits	26.1.1	16,008	14,810
Electricity, gas and water		616,828	625,599
Depreciation	4.3	67,628	67,008
Stores and spares consumed		17,997	18,704
Repairs and maintenance		41,024	46,689
Sundries		1,566	1,359
		761,051	774,169
Less: Self consumption		(324,080)	(331,209)
		436,971	442,960
Income from power generation		43,015	36,700

26.1.1 Salaries, wages and benefits include Rs. 0.73 million (2014: Rs. 0.570 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 K-Electric Limited under an agreement. The agreement is valid for period up to 20 years w.e.f. 31 August 2007.

27 TAXATION - net

	Note	2015	2014
		(Rupees in '000)	
Current			
- for the year		24,906	30,415
- for prior years		-	-
		24,906	30,415
Deferred	16	8,859	154,016
		33,765	184,431

27.1 Relationship between income tax expense and accounting profit

	2015	2014
Profit before taxation	235,545	874,166
Tax at the enacted tax rate of 33% (2014: 34%)	77,730	297,216
Effect of income under final tax regime	(19,293)	(20,798)
Effect of adjustments on account of change in rates and proportionate etc.	(31,327)	(91,481)
Others	6,655	(506)
Tax effective rate / tax charge	33,765	184,431

28 EARNINGS PER SHARE - BASIC AND DILUTED

	2015	2014
Profit after taxation for the year	201,780	689,735
	(Number)	
Weighted average number of ordinary shares in issue during the year	435,000,000	435,000,000
	(Rupees)	
Earnings per share	0.46	1.59

29 MOVEMENT IN WORKING CAPITAL

	2015	2014
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	(30,255)	1,369
Stock-in-trade	(476,535)	(1,051,200)
Trade debts	823,416	(635,000)
Receivable from K-Electric Limited (KE)	(7,178)	(13,974)
Advances	218,209	31,774
Trade deposits, short term prepayments and other receivables	(3,418)	1,272
Sales tax receivable	396,085	(268,702)
	920,324	(1,934,461)
Increase in current liabilities:		
Trade and other payables	18,685	934,519
	993,009	(999,942)

30 STAFF RETIREMENT BENEFITS

30.1 Provident fund

Salaries, wages and benefits include Rs. 9.113 million (2014: Rs. 7.131 million) in respect of provident fund contribution.

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

	2015	2014
	(Rupees in '000)	
Size of the fund - Total assets	74,950	51,962
Cost of investments made	57,739	46,944
Percentage of investments made	93%	92%
Fair value of investments	69,800	47,873

The break-up of fair value of investments is:

	2015		2014	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Bank balances	8,063	11.55	2,322	4.85
Government securities	47,749	68.41	9,433	19.70
Debt securities	1,132	1.62	10,041	20.97
Mutual funds	-	0.00	26,077	54.48
Equity shares	12,856	18.42	-	0.00
	69,800	100	47,873	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

The status of the gratuity fund and principal latest assumptions used in the latest actuarial valuation by Nauman Associates as of 30 June 2015 carried out under 'Projected Unit Credit Method' are as follows:

Significant actuarial assumptions

	2015	2014
Financial assumptions		
Discount rate	10.50%	13.50%
Salary increase rate	9.50%	12.50%
Demographic assumptions		
Mortality rates (for death in service)	SLIC 2001-2005	SLIC 2001-2005
Rates of employee turnover	Moderate	Moderate
Retirement Assumption	Age 60 years	Age 60 years

Defined benefit cost recognised in other comprehensive income

	2015	2014
	(Rupees in '000)	
Loss on obligation	5,425	2,788
Loss on plan assets	4,249	226
Net loss	9,674	3,014

30.2.1 Measurements during the year

Actuarial loss on obligation

Loss due to change in experience adjustments	5,425	2,788
Total actuarial loss on obligation	5,425	2,788

Actuarial loss on plan assets

Loss on plan assets	4,249	226
Total re-measurements losses during the year	9,674	3,014

30.2.2 Components of defined benefit cost for the next year

Current service cost	12,564	29,625
Interest expense on defined benefit obligation	5,882	3,031
Interest on plan assets	(4,475)	(2,340)
Net interest cost	1,407	691
Cost for the next year to be recognised in profit and loss	13,971	30,316

30.2.3 Sensitivity analysis on significant actuarial assumptions: Actuarial Liability

Discount rate + 100 basis points	52,575	37,520
Discount rate - 100 basis points	65,972	46,469
Salary increases + 100 basis points	66,093	46,551
Salary increases - 100 basis points	52,365	37,379

	(Number of years)	
Weighted average duration of the PBO	11	11

30.2.4 Composition of fair value of plan assets

	2015		2014	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Government securities	23,499	62	6,791	25
TFCs	-	-	3,405	13
Units of mutual fund	-	-	13,596	50
Shares - Listed	10,510	28	-	-
Bank deposits	3,981	10	3,118	12
Fair value of plan assets	37,990	100	26,910	100

Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

	Note	2015	2014
		(Rupees in '000)	
Government securities		23,499	6,791
Units of mutual fund			
- money market fund		-	2,178
- income fund		-	1,222
- asset allocation fund		-	10,125
- stock fund		-	71
		-	13,596
Debt instruments			
- AA		-	1,174
- AA-		-	1,900
- A		-	331
		-	3,405
Shares - Listed		10,510	-
Bank deposits		3,981	3,118
		37,990	26,910

30.2.5 Company's liability

	Note	2015	2014
Opening balance		14,698	9,847
Charge for the year	30.2.9	10,896	8,377
Other comprehensive income		9,674	3,014
Contributions paid during the year		(14,582)	(6,540)
Closing balance		20,686	14,698

30.2.6 Reconciliation of payable to gratuity fund

	Note	2015	2014
Fair value of plan assets	30.2.8	(37,990)	(26,910)
Present value of defined benefit obligation	30.2.7	58,676	41,608
Recognised liability		20,686	14,698

30.2.7 Changes in present value of defined benefit obligation

	2015	2014
At beginning of the year	41,608	29,625
Expense for the year	15,268	10,716
Benefits paid	(3,625)	(1,521)
Actuarial losses - Remeasurment component	5,425	2,788
Present value of defined benefit obligation at the end of the year	58,676	41,608

30.2.8 Changes in fair value of plan assets

	2015	2014
At beginning of the year	26,910	19,777
Expected return on plan assets	4,372	2,340
Actuarial losses	(4,249)	(226)
Benefits paid	(3,625)	(1,521)
Contribution to fund	14,582	6,540
Fair value of plan assets at the end of the year	37,990	26,910

30.2.9 Amounts recognised in the profit and loss account

	2015	2014
	(Rupees in '000)	
Current service cost	9,896	7,686
Interest cost	5,372	3,031
Expected return on plan assets	(4,372)	(2,340)
Total cost	10,896	8,377
Expected contributions to funds	13,970	12,401

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Managerial remuneration	28,519	-	98,494	127,013	28,519	-	82,525	111,044
Bonus	8,912	-	32,831	41,743	-	-	27,509	27,509
Retirement benefits	-	-	10,008	10,008	-	-	9,066	9,066
Rent, utilities, leave encashment etc.	14,259	-	49,247	63,506	14,259	-	44,284	58,543
	51,690	-	190,580	242,270	42,778	-	163,384	206,162
Number of persons	1	8	91	100	1	8	48	57

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. 3.12 million (2014: Rs. 2.28 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 and credit risk arises significantly on account of trade debts and receivable from K-Electric Limited (KE) that belong to corporate sector customers.

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 K-Electric Limited (KE), trade debts, trade deposit and bank balances. The maximum exposure to credit risk at the reporting date is as follows:

Loans and receivables

	2015	2014
	(Rupees in '000)	
Trade debts - secured	337,940	1,169,822
Trade debts - unsecured	24,524	16,058
Receivable from K-Electric Limited (KE)	56,895	49,717
Trade deposits	11,067	5,535
Bank balances	37,679	36,560
	468,105	1,277,692

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

32.1.1 Trade debts amounting to Rs. 122.31 million (2014: Rs. 89.86) million and receivable from K-Electric Limited (KE) at the balance sheet date belong only to domestic region whereas as trade debts amounting to Rs. 297.05 million (2014: Rs. 1,129.68 million) belong to foreign customers.

32.1.2 Impairment losses

The aging of trade debtors and receivable from K-Electric Limited (KE) at the balance sheet date is:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	419,359	-	1,234,959	-
Past due 1-60 days	-	-	-	-
Past due 61 days -1 year	-	-	638	-
Total	419,359	-	1,235,597	-

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 K-Electric Limited (KE) 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+	AAA
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+	AAA
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+
Allied Bank Limited	PACRA	A1+	AA+
Samba Bank Limited	JCR-VIS	A-1	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 difficulties 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:

	2015					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	6,590,645	(8,290,440)	(662,974)	(749,091)	(5,601,825)	(1,276,550)
Short-term borrowings	4,069,462	(4,069,462)	(4,069,462)	-	-	-
Accrued mark-up	212,538	(212,538)	(212,538)	-	-	-
Trade and other payables	1,973,767	(1,973,767)	(1,973,767)	-	-	-
	12,846,412	(14,546,207)	(6,918,741)	(749,091)	(5,601,825)	(1,276,550)

	2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	3,750,867	(4,722,387)	(533,851)	(532,092)	(3,288,234)	(368,210)
Short-term borrowings	4,876,307	(4,876,307)	(4,876,307)	-	-	-
Accrued mark-up	145,548	(145,548)	(145,548)	-	-	-
Trade and other payables	1,668,005	(1,668,005)	(1,668,005)	-	-	-
	10,440,727	(11,412,247)	(7,223,711)	(532,092)	(3,288,234)	(368,210)

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 rate 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, accrued mark-up and trade creditors that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees	US Dollars	Rupees	US Dollars
	(Amount in '000)			
Trade debts and bank balances in foreign currency	304,417	2,993	1,148,008	11,629
Short term borrowings	(2,388,826)	(23,447)	(2,093,869)	(21,172)
Accrued mark-up	(28,469)	(279)	(10,373)	(105)
Trade creditors	(1,628,102)	(15,981)	(1,352,400)	(13,674)
Balance sheet exposure	(3,740,980)	(36,714)	(2,308,634)	(23,322)

The following significant exchange rates were applied during the year:

	2015	2014	2015	2014
	Average Rates		Balance Sheet date rate	
	Rupees			
US Dollars to PKR	101.77	102.98	101.70/101.88	98.72 / 98.90

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 2014.

As at 30 June	2015	2014
	Profit and loss (Rupees in '000)	
Effect in Profit and loss account	321,724	182,382
Effect in Equity	321,724	182,382

A 10 percent weakening of the Rupee 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.

a) Cash flow sensitivity analysis for variable rate instruments

The Company holds various variable rate financial instruments amounting to Rs 6,527 million (2014: 5,784 million) exposing the Company to fair value interest rate risk. A change of 100 basis points as at 30 June 2015 would have increased / (decreased) profit before tax and equity for the year by Rs. 56.13 million (2014: Rs. 45.69 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

b) Cash flow sensitivity analysis for Fixed rate instruments

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

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.

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 2015, the shareholders' equity amounted to Rs. 4,978.11 million (2014: Rs. 5,206.33 million).

34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise International Industries Limited, the Holding Company, associated companies / 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 contract not arrangement. 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:

	2015	2014
	(Rupees in '000)	
Holding Company		
Transactions		
Sales	1,209,080	1,756,899
Purchases	21,196	2,261
Office rent	9,597	8,724
Income on supply of utilities	23,444	21,327
Reimbursement of expenses	2,650	320
Toll manufacturing (inclusive of sales tax)	133,507	12,823
Corporate and legal services	2,774	4,380
Purchase of fixed asset	-	490
Dividend paid	245,056	-
Associated Companies / undertakings		
Purchases	10,894,931	11,503,708
Insurance premium expense	46,541	62,969
Insurance claims received	53,325	436
Donations	-	300
Rent income	1,716	1,716
Utility expenses	2,078	-
Financial charges	1,373	-
Dividend paid	40,640	-
Associated Person		
Sales commission	5,720	8,060
Key Management Personnel		
Remuneration	129,769	136,452
Staff retirement benefits	5,418	5,325
Staff Retirement Fund		
Contribution paid - Provident Fund	9,113	7,131
Contribution paid - Gratuity Fund	12,401	8,720

35 ANNUAL PRODUCTION CAPACITY

	2015	2014
	(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	169,167	158,949
Cold rolled steel strip	238,640	281,772

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 97% (2014: 98%) of total revenue whereas remaining represents revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanising plant and Cold Rolling Plant and currently any excess electricity is sold to KE.

36.3 All non current assets of the Company as at 30 June 2015 are located in Pakistan.

36.4 88% (2014: 88%) of sales of steel sheets are domestic sales whereas 12% (2014: 12%) of sales are export / foreign sales.

36.5 Geographic Information

	2015	2014
	(Rupees in '000)	
Domestic Sales	18,531,503	21,700,641
Export Sales	2,490,002	3,026,245
	21,021,505	24,726,886

37 NUMBER OF EMPLOYEES

The details of number of employees are as follows:

	2015	2014
	Number of employees	
Average number of employees during the year	490	444
Number of employees as at 30 June	532	447

38 GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant rearrangements and reclassifications in these financial statements.

39 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 13th August 2015 by the Board of Directors of the Company.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Alee Arsalan
Chief Financial Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive
Officer

Stakeholders' Information

There were 1,908 shareholders on record as of June 30, 2015

Financial Calendar

RESULTS

First quarter ended September 30, 2014	Approved & Announced on	October 21, 2014
Half year ended December 31, 2014	Approved & Announced on	January 20, 2015
Third quarter ended March 31, 2015	Approved & Announced on	April 23, 2015
Year ended June 30, 2015	Approved & Announced on	August 13, 2015

DIVIDEND

Final – Cash (2014)	Approved on	August 12, 2014
	Entitlement date	September 03, 2014
	Statutory limit upto which payable	October 08, 2014
	Paid on	October 03, 2014

LAST ANNUAL REPORT ISSUED ON	August 22, 2015
8TH ANNUAL GENERAL MEETING HELD ON	September 15, 2015

TENTATIVE DATES OF FINANCIAL RESULTS FOR 2015 - 16

For the Period	To be Announced on
First Quarter	20-10-2015
Half Year	25-01-2016
Third Quarter	22-04-2016
Year end	12-08-2016

Pattern of Shareholding

As at 30 June 2015

Number of shareholders	Having shares		Shares held	Percentage
	From	To		
197	1	100	2,299	0.0005
393	101	500	192,203	0.0442
300	501	1,000	296,376	0.0681
472	1,001	5,000	1,467,972	0.3375
154	5,001	10,000	1,355,166	0.3115
71	10,001	15,000	925,135	0.2127
39	15,001	20,000	736,498	0.1693
42	20,001	25,000	996,284	0.2290
19	25,001	30,000	549,563	0.1263
6	30,001	35,000	201,500	0.0463
9	35,001	40,000	343,600	0.0790
13	40,001	45,000	564,090	0.1297
22	45,001	50,000	1,079,632	0.2482
12	50,001	60,000	676,575	0.1555
12	60,001	70,000	796,927	0.1832
15	70,001	80,000	1,108,968	0.2549
21	90,001	100,000	2,069,100	0.4757
11	100,001	125,000	1,236,400	0.2842
12	125,001	150,000	1,706,398	0.3923
2	150,001	175,000	330,000	0.0759
9	195,001	200,000	1,794,500	0.4125
4	200,001	225,000	865,000	0.1989
2	225,001	250,000	477,000	0.1097
6	250,001	300,000	1,704,000	0.3917
6	305,001	350,000	2,027,906	0.4662
3	355,001	390,000	1,115,110	0.2563
2	415,001	425,000	839,500	0.1930
6	470,001	500,000	2,917,000	0.6706
2	565,001	600,000	1,165,000	0.2678
5	635,001	700,000	3,337,446	0.7672
4	710,001	800,000	2,955,500	0.6794
1	835,001	840,000	837,500	0.1925
2	995,001	1,000,000	2,000,000	0.4598
1	1,050,001	1,055,000	1,052,000	0.2418
2	1,125,001	1,165,000	2,288,000	0.5260
1	1,260,001	1,265,000	1,261,000	0.2899
1	1,360,001	1,365,000	1,361,000	0.3129
1	1,400,001	1,405,000	1,402,000	0.3223
1	1,410,001	1,415,000	1,411,000	0.3244
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	1,530,001	1,535,000	1,534,500	0.3528
1	1,545,001	1,550,000	1,550,000	0.3563
1	1,720,001	1,725,000	1,721,873	0.3958
1	1,820,001	1,825,000	1,824,500	0.4194
1	1,945,001	1,950,000	1,950,000	0.4483
2	1,995,001	2,000,000	4,000,000	0.9195
1	2,040,001	2,045,000	2,040,500	0.4691
1	2,100,001	2,105,000	2,100,149	0.4828
1	2,105,001	2,110,000	2,110,000	0.4851
1	2,125,001	2,130,000	2,126,150	0.4888
1	2,145,001	2,150,000	2,150,000	0.4943
1	2,495,001	2,500,000	2,500,000	0.5747
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	2,995,001	3,000,000	3,000,000	0.6897
1	3,200,001	3,205,000	3,202,840	0.7363
1	3,565,001	3,570,000	3,565,171	0.8196
1	5,595,001	5,600,000	5,598,500	1.2870
1	5,620,001	5,625,000	5,623,556	1.2928
1	6,690,001	6,695,000	6,691,000	1.5382
1	20,225,001	20,230,000	20,229,400	4.6504
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	245,055,001	245,060,000	245,055,534	56.3346
1,908			**435,000,000**	**100.0000**

Categories of Shareholders

As at 30 June 2015

Particulars	Number of shareholders	Number of shares held	Percentage
Sponsor / Holding Company	1	245,055,543	56.3346
Directors & Spouses	7	4,071,344	0.9359
Govt. Financial Institutions	1	2,040,500	0.4691
Banks, DFI & NBFI	3	15,230,034	3.5012
Insurance Company	1	5,598,500	1.2870
Mutual Funds	7	7,492,000	1.7223
Public Companies/Trusts & Others	38	10,940,074	2.5150
Strategic Investors	2	59,707,057	13.7258
Foreign Companies	4	24,379,671	5.6045
General Public	1,844	60,485,277	13.9047
TOTAL	**1,908**	**435,000,000**	**100.0000**

Key Shareholding

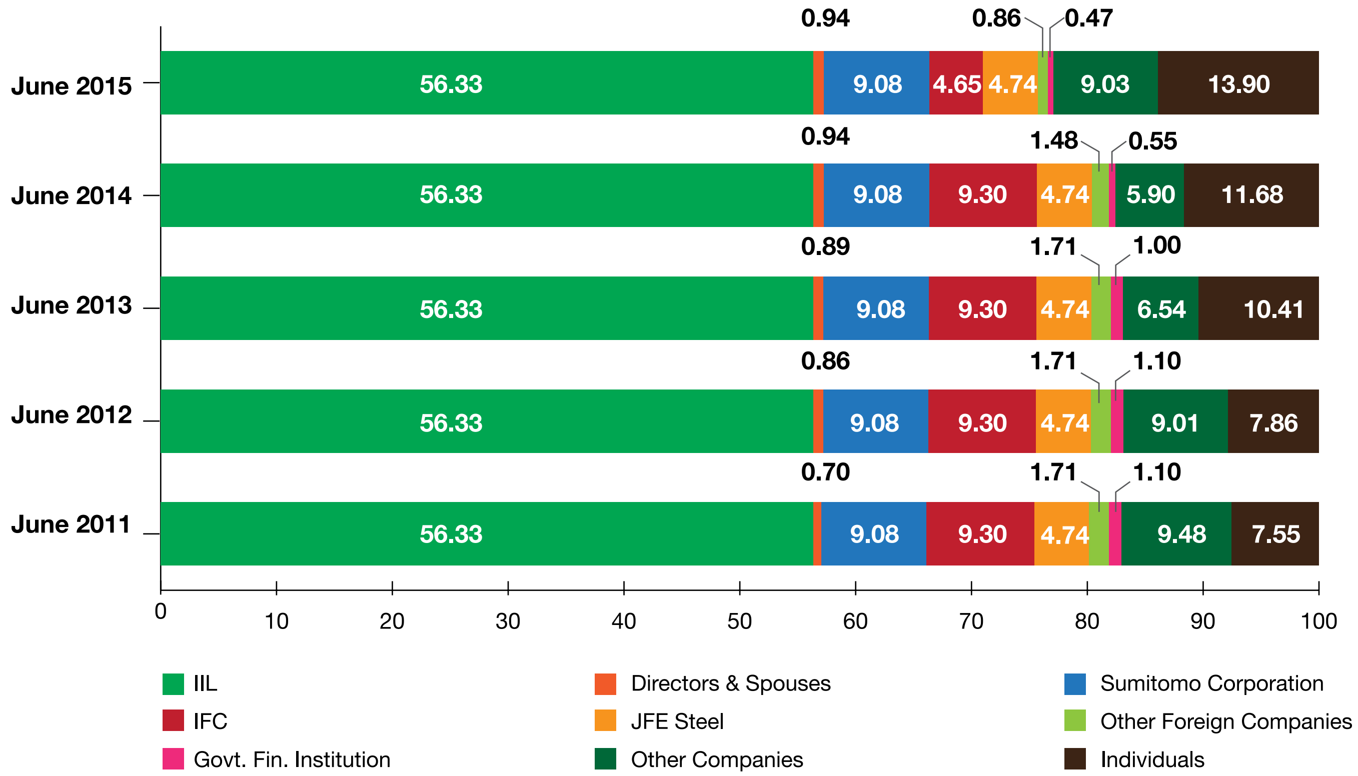
As at 30 June 2015

	No. of Shares	%
Sponsor / Holding Company		
International Industries Ltd.	245,055,534	56.3346
Nominee Directors	9	0.0000
	245,055,543	56.3346
Directors & Spouses		
Mr. Towfiq H. Chinoy	2,983,344	0.6858
Mr. Kemal Shoaib	800,000	0.1839
Mrs. Pia Kamal Chinoy	100,000	0.0230
Mr. Mustapha A. Chinoy	100,000	0.0230
Mr. Kamran Y. Mirza	68,000	0.0156
Mr. Tariq Iqbal Khan	10,000	0.0023
Syed Salim Raza	10,000	0.0023
	4,071,344	**0.9359**
Government Financial Institutions		
CDC - Trustee National Investment (Unit) Trust	2,040,500	0.4691
Strategic Investors		
International Finance Corporation	20,229,400	4.6504
Sumitomo Corporation	39,477,657	9.0753
	59,707,057	**13.7258**
Foreign Corporate Investors		
JFE Steel Corporation	20,626,500	4.7417
Others	3,753,171	0.8628
	24,379,671	**5.6045**
Executives		
Yousuf Hussain Mirza	18,000	0.0041
Syed Hasan Irshad Rizvi	14,025	0.0032
	32,025	**0.0074**

Shares Trading by Directors / Executives

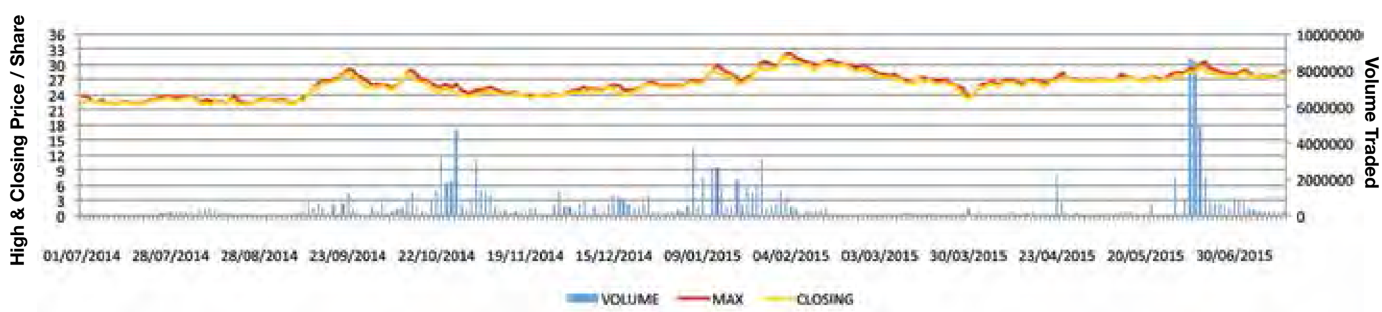
During July 1, 2014 to June 30, 2015 no transaction in Company shares was made by Directors / Executives and their spouses / minor children.

Shareholders Composition



ISL Share Prices

Trend V/S Volume Traded - FY 2014-15



Notice of Annual General Meeting

For the year ended June 30, 2015

Notice is hereby given to the Members that the 8th Annual General Meeting of the Company will be held on September 15, 2015 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, 2015 and the Directors' Report and Auditors' Report thereon.
2. To appoint Auditors for the year 2015-2016 and fix their remuneration.
3. 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

Karachi
Dated: August 13, 2015

ALEE ARSALAN
CFO & Company Secretary

Notes:

1. The Share Transfer Books of the Company shall remain closed from September 05, 2015 to September 15, 2015 (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 guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall produce proof of his / her identity by showing original Computerized National Identity Card (CNIC) at the time of attending the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing Proxy

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall submit the proxy form as per the above requirement.
- Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form.

  The proxy shall produce his original CNIC at the time of the meeting.

c) For CNIC & Zakat

4. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission of CNIC (copy), all future dividend warrants may be withheld.

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

E-DIVIDEND

In compliance of Securities and Exchange 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 whereby shareholders can get the 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.

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

CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS

With reference to SRO 787(I/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s THK Associates (Pvt) Ltd. at 1st Floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530 to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However, if a shareholder, in addition, request for a hard copy of Audited Financial Statements the same shall be provided free of cost within seven days of receipt of such request.

FILER AND NON FILER STATUS

i) The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a) For filers of income tax returns	12.5%
b) For non-filers of income tax returns	17.5%

All the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL.

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

ISL Shares Department	ISL Shares Registrar
Mr. Mohammad Irfan Bhatti	THK Associates (Pvt) Ltd.
021-35680045 – 54	021-111-000-322
irfan.bhatti@iil.com.pk	info@thk.com.pk

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

INTERNATIONAL STEELS LIMITED
Shaping Tomorrow

To All Members, International Steels Limited

Notice under Section 218 of the Companies Ordinance, 1984

Pursuant to the provisions of Section 218 of the Companies Ordinance, 1984 the members of the Company are informed that the Board of Directors in their meeting held on July 02, 2015 has approved the appointment of Mr. Yousuf H. Mirza as Chief Executive Officer of the Company with effect from August 14, 2015. His remuneration, perquisites and allowance were approved as follows:

Remuneration:	Gross aggregate annual sum Rs.30.0 million
Perquisites and allowances	
Conveyance	Company maintained 2 cars with drivers
Provident Fund, Medical, Bonuses Leave and Retirement Benefits, Group Insurance, Telephone Bills and Security	As per Company policy, rules and regulations in force from time to time

Mr. Yousuf H. Mirza, the appointed Chief Executive Officer of the Company has interest to the extent of remuneration and avail perquisites, benefits and allowances to which he is entitled.

For & on behalf of
International Steels Limited
ALEE ARSALAN
CFO & Company Secretary

Karachi
Dated: August 13, 2015

International Steels Limited

Shaping Tomorrow

CONSENT FOR ANNUAL REPORT THROUGH EMAILS

Dear Shareholder(s)

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

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

Email Address: ______________________________

CNIC Number: ☐☐☐☐☐-☐☐☐☐☐☐☐-☐

FOLIO / CDS ACCOUNT # ______________________

____

SIGNATURE OF SHAREHOLDER

Share Registrar:
THK Associates (Pvt) Ltd.
1st Floor, State Life Building 3,
Dr. Ziauddin Ahmed Road, Karachi-75530
Phone: 009221-111-000-322
Email: info@thk.com.pk
Website: www.thk.com.pk

Yours faithfully,
For INTERNATIONAL STEELS LIMITED
ALEE ARSALAN
CFO & Company Secretary

INTERNATIONAL STEELS LIMITED

Shaping Tomorrow

Proxy Form

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 8th annual general meeting of the Company to be held on September 15, 2015 and at any adjournment thereof.

Signed this __________________ day of __________________ 2015

WITNESS:

1 Signature ____________________________

Name ____________________________

Address ____________________________

CNIC or ____________________________

Passport No. ____________________________

Signature

Revenue Stamp

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

2 Signature ____________________________

Name ____________________________

Address ____________________________

CNIC or ____________________________

Passport No. ____________________________

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

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

Head Office:
101, Beaumont Plaza,
10 Beaumont Road,
Karachi-75530, Pakistan
Tel: (92 21) 111-019-019
Fax: (92 21) 35680373
Email: info@isl.com.pk

Lahore Office:
Chinoy House, 6-Bank Square,
Lahore, Pakistan
Tel: (92 42) 111-019-019
Fax: (92 42) 37249755

Islamabad Office:
Office # 2, 1st floor, Ahmed Centre
I-8 Markaz, Islamabad, Pakistan
Tel: (92 51) 4864601-2

Factory:
399-404, Rehri Road, Landhi,
Karachi, Pakistan
Tel: (92 21) 35013104-05
Fax: (92 21) 35013108

www.isl.com.pk