



**international
steels limited**

Shaping Tomorrow

**A part of
our lives**

annual report
2017



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



A part of our lives

Since its inception in 2007, ISL has continued to have a meaningful and significant impact on our lives. ISL's cold rolled, galvanized and color coated steel sheets are a major component in countless items that touch our lives in a myriad of ways. ISL's steel is used in a broad spectrum of applications from HVAC systems and split A/C units to oil drums, steel tubes and water tanks. Pakistan's growing industrial complex is heavily reliant on ISL's products and ISL is proud to be in a position to meet the significant portion of domestic steel requirements in Pakistan.

Thus, whether as a part of buildings, factories, homes, cars and motorbikes or art installations and sculptures, ISL is and promises to remain, an integral part of our lives.



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Company Profile

International Steels Limited (ISL) was incorporated in 2007 with the vision to become the leading manufacturer of flat steel products in Pakistan.

At its inception, ISL was the largest private investor in the value-added flat-rolled and coated steel industry in the country. Established with a \$165 million investment, and with equity contributions from Sumitomo Corporation, JFE-Japan and the International Finance Corporation (A division of the World Bank) brought added impetus and confidence in the engineering and hi-tech manufacturing segment in the country.

With an annual installed capacity of 550,000 tons ISL produces Cold Rolled coils, Galvanized coils and Color Coated Steel from hot rolled coils in various specifications. Over the years, ISL products have found a wide range of applications in the engineering and manufacturing industry as material of Choice and have found success in domestic and export markets.

ISL believes in sustainability of operations and aims to maintain good relationship with the society. Driven by the Clean, Green and Lean approach, the company has successively reduced its carbon footprint, promoted effective utilization of resources to minimize waste and promoted green practices through recycling and reusing of resources.

The Company also undertakes various social initiatives to promote wellbeing and welfare of society, especially in the segments that are most challenged. ISL is a frequent supporter of various health care and educational initiatives in the country.



Company Information

Chairman (Independent)

Mr. Kemal Shoaib

Independent Directors

Mr. Tariq Iqbal Khan
Mr. Kamran Y. Mirza
Syed Salim Raza

Non-Executive Directors

Mr. Kamal A. Chinoy
Syed Hyder Ali
Mr. Riyaz T. Chinoy
Mr. Kazuteru Mihara

Executive Director

Mr. Towfiq H. Chinoy
Mr. Samir M. Chinoy

Chief Executive Officer

Mr. Yousuf H. Mirza

Chief Financial Officer

Mr. Tauqir Hasan

Company Secretary

Mrs. Fauzia Noorani

Chief Internal Auditor

Mr. Usman Ahmed

External Auditors

M/s KPMG Taseer Hadi & Co.

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Dubai Islamic Bank (Pak) Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd
Meezan Bank Ltd.
NIB Bank Ltd.
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisor(s)

Mrs. Sana Shaikh Fikree

Registered Office

101, Beaumont Plaza, 10, Beaumont Road,
Karachi – 75530
Tel: +9221-35680045-54, UAN: 021-111-019-019
Fax: +9221-35680373,
e-mail: fauzia.noorani@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000
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Fax: 9242-37249755
e-mail: lahore@isl.com.pk

Islamabad Office

Office #.2, First Floor, Ahmed Centre,
I-8 Markaz, Islamabad.
Tel: +9251-2524650 +9251-4864601-2

Multan Office

Office No. 708-A, "The United Mall",
Plot No. 74, Abdali Road, Multan

Factory

399 - 404, Rehri Road, Landhi, Karachi.
Tel: +9221-35013104 - 5
Fax: 9221 35013108
e-mail: info@isl.com.pk

Website

www.isl.com.pk

Investor Relations Contact Shares Registrar

THK Associates (Pvt.) Ltd
40-C, Block-6, P.E.C.H.S,
Off: Shahrah-e-Faisal, Karachi
Tel: +9221-111-000-322
Fax: +9221-34168271
e-mail: info@thk.com.pk

Assistant Company Secretary

Mr. Mohammad Irfan Bhatti
101 Beaumont Plaza,
10 Beaumont Road, Karachi.
UAN: +9221-111-019-019,
Fax: +9221-35680373
e-mail : irfan.bhatti@isl.com.pk





A part of Utility

ISL's steel sheets are transformed into everyday items that provide undeniable value in the lives of millions of Pakistanis'. Steel buckets, trunks and water tanks are a common part of almost every Pakistani household and wheat silos made of ISL steel protect one of our most vital commodities: food. Store front shutters made of steel provide security to commercial and retail spaces across the Nation. ISL steel is also a major component in hi-tech home utility items such as refrigerators, deep freezers, split A/C units and washing machines.



A part of Industries

With sustained growth in Pakistan's industrial sector, ISL continues to contribute to industry in all its forms. From production sheds to warehousing, ISL's steel sheets and profiles are extensively used in industrial settings across the nation. Pakistan's burgeoning auto-industry utilizes ISL's steel in various applications for cars, motorcycles, tractors and heavy vehicles alike. ISL continues to forge its position as a vital part of industry across the Nation.





707-453-7241



A part of Art

ISL has pioneered an “Artist in Residency” program that brings together some of Pakistani’s most talented emerging artists. The program is a manifestation of ISL’s commitment to incubate and facilitate the culture of art by nurturing individual artists and providing an enabling environment to allow art to flourish. This is in line with ISL’s vision to be a good corporate citizen that supports the often overlooked social initiatives of society.

The background of the advertisement is a photograph of a modern building with a distinctive, curved, metallic facade. The building's surface is composed of many small, rectangular panels that reflect light, giving it a shimmering appearance. The sky above is a clear, vibrant blue. A large, dark green, semi-transparent geometric shape, resembling a stylized 'A' or a series of overlapping planes, is positioned in the foreground, partially obscuring the building and serving as a backdrop for the text.

A part of Architecture

ISL's steel sheets play an integral role in architecture. From the decking sheet used in roofing, the galvanized sheets used in wall partitions and HVAC systems to the various steel profile sheets that are used in sheds and warehouses, ISL's products are a part of the structures and buildings in which we live and work.





A large industrial steel plate is being cut by a laser in a factory setting. The laser beam is visible as a bright green line on the surface of the steel. The steel plate is supported by a metal frame. The background shows other industrial equipment and a factory floor.

A part of livelihood

As a catalyst for downstream industry, ISL has made significant contributions to the lives of local Pakistani's by creating an environment where industry can flourish thereby driving employment which provides livelihood to millions. From steel workers, welders and fabricators, to small and medium enterprises to large industrial concerns, ISL touches the lives and livelihoods of millions of Pakistan's each day.

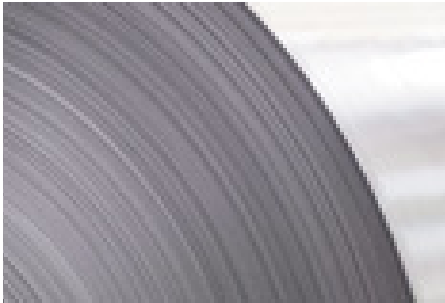


A part of the future

As Pakistan's well established industries continue to grow and its nascent industries begin to flourish, ISL is perfectly poised to cater to the demands of the future. With a firmly entrenched foothold in the market, proven technological and human expertise and capacity expansions in the pipeline, ISL continues to ensure that it will be a comprehensive part of our future in continuation with its brand promise of 'Shaping Tomorrow'



Business at a Glance

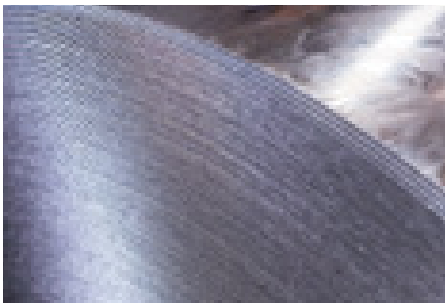


Cold Rolled Steel

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

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

Cold rolled steel manufactured by ISL is available in thicknesses ranging from 0.25mm to 3.0mm and is offered in a maximum width of 1250mm. ISL's CRC is provided in a range of product specifications, ranging from drawing to structural and surface finishes from bright to matt to meet our customer specific requirements. After the recent expansion during the year, ISL's rolling capacity increased to over 550,000 MT.



Hot Dip Galvanized Steel

Our Hot Dipped Galvanized Steel is produced on a state-of-the-art, fully automated production line. The best available raw materials and processes are applied under controlled conditions to produce material of the highest quality. Our manufacturing facility, a dynamic production team and adherence to strict quality control measures ensures a product of the highest grade. After addition of our new galvanizing line, ISL's capacity to produced Galvanized materials increased to 450,000 MT. Hot Dip Galvanized steel is available in thicknesses ranging from 0.2mm – 2.50mm.



Color Coated Steel

Our Continuous Color Coil Coating facility was developed using wet paint coating technology. The 84,000 MT facility allows us to produce high quality color coated sheets on various substrates like Cold Rolled, Galvanized, Galvalume, Aluminum and Stainless Steel sheets. The high quality color coating enhances the corrosion resistance substrate and adds to the aesthetic appeal. Color coated steel is available in thicknesses ranging from 0.2mm – 1.50mm.



Vision

To be the premium manufacturer of Flat Steel Products in Pakistan



Mission

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





Strategic Objectives

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



Our Values

We share core set of values which incorporate:

Integrity:

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

Diversity:

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

Respect for People:

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

Fairness:

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

Calendar of Major Events

Q1

Annual General Meeting (AGM) held in Karachi

Highest ever Q1 sales Recorded

Sina clinic established in Landhi Industrial Area to provide improved health care facilities to the people in the area

Q2

Participated in 'Big Five International Building & Construction Show' in Dubai

Participated in 'The Saudi Build Expo 2016' in Riyadh, Saudi Arabia

Broke the highest Q2 sales record during the period

Board of Directors Meeting held

Debottlenecking project of pickling line enhancing capacity to 550,000 tons per annum successfully completed

Q3

Expansion project increasing capacity to 1 million tons announced

Participated in 'The Single Country Exhibition' in Colombo, Sri Lanka

Participated in the 'Pakistan Auto Show' in Karachi

Increased geographic coverage of markets served; 184 Towns mapped Vs. 102 SPLY (+80% Coverage Increased)

Board of Directors Meeting

Highest ever sales in Q3, breaking the past Q3 records

Antidumping duties announced on imports of CR and GP

Civil works for expansion project started

Q4

Annual Sales Conference held

Board of Directors Meeting

Closed the 4th Quarter with consecutive highest ever sales in Q4

ISL recognised as local manufacturer of cold rolled and galvanized sheets and coils under CGO 2 /2017

Interim cash dividend of 25% announced and paid

Geographical Presence

ISL's production facility and head office are located in Karachi with regional offices in Lahore, Islamabad and Multan.

ISL's ever-expanding commercial and institutional customer base is spread across the country.



▲ Factory ● Offices

Code of Conduct

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

A. BUSINESS ETHICS

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

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

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

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

D. ENVIRONMENT

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

E. REGULATORY COMPLIANCE

- i. The company is committed to make prompt public disclosure of "material information" regarding the company as prescribed in the 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 strict confidence by the employee involved until it is publicly released.
- iii. The employees shall abide by the appropriate Competition Laws and shall not enter into understandings, arrangements or agreements with competitors which have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers.

F. PERSONAL CONDUCT

- i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on company business.
- ii. The employees shall be careful while dealing with personal or business associates and not disclose, divulge or provide any information regarding the company to anyone except where the same is used as a part of his/ her official obligations and as required for official purpose and shall abide by the Closed period announced by the company from time to time and also sign a Non- Disclosure Agreement if the need arise.
- iii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.
- iv. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.
- v. Any legally prohibited or controlled substances if found in the possession of any employee will be confiscated and where appropriate, turned over to the authorities.

G. MISCELLANEOUS

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

Milestones Achieved

- Assets and liabilities of steel unit hived down from International Industries Limited



- Production exceeded 221,000 MT
- Turnover exceeded Rs.20 billion



- Commencement of Commercial Operations
- Certifications acquired
 - ISO 9001 Quality Management System
 - ISO 14001 Environmental Management Systems
 - OHSAS 18001 Occupational Health & Safety Management System
- Listed as Public Company on the Pakistan Stock Exchange



- Production exceeded 280,000 tons
- Turnover exceeded Rs.24 billion

- Commenced major expansion projects valued over Rs. 3 billion
 - Addition of a second stand on the 4 Hi Reversing mill, transforming it into a continuous compact mill and doubling its capacity
 - Successful installation of a second galvanizing plan with a capacity of 250,000 tons and a thickness up to 2.0 mm.
- Maiden Dividend @ 10% to Shareholders
- Production exceeded 465,000 MT
- Sales volume exceeded 490,000MT
- Sales value of over Rs. 33 billion
- SNI Certification for Indonesia Acquired
- Successful debottlenecking of Pickling line, increasing capacity from 450,000 MT to 600,000 MT
- Successful commissioning of additional Annealing capacity from 160,000 MT to approximately 200,000 MT
- ISL announced expansion of a new cold rolling mill increasing capacity to one (1) million tons at an investment of Rs. 5.6 billion



- Production exceeded 380,000 MT
- Increase cold rolling mill capacity from 250,000 MT to 500,000 MT
- Added:
 - Second galvanizing line increasing galvanizing capacity from 150,000 MT to 400,000 MT
 - First ever color coating line in Pakistan
 - Electrolysis plant to produce hydrogen
 - New product by selling oxygen to the non-medical industry





Chairman's Review

Chairman's Review

The board of Director met 7 times during the year. Apart from dealing with the normal and routine functions, board also reviewed and approved Company's expansion plan. In February 2017 an investment of Rs. 5.6 billion was approved doubling the cold rolling capacity of the Company to one (1) million tons. The investment involves addition of a cold rolling mill, a continuous Pickling line, expansion in Annealing capacity and Acid regeneration plant. The project is in execution stage and it is on track to be completed within second half of the current financial year. The new capacity will cater for the increasing demand in Automobile, appliances, pipe and construction industry.

This was the third year that the board carried out its self-evaluation and found its performance during the year to be most satisfactory. The Board also identified areas of improvement in line with the global best practices.

The Board received comprehensive agendas and supporting papers in a timely manner for its Board meetings. The Board was fully involved the strategic planning process and in developing the vision for the Company.

All Directors, including Independent Directors, fully participated in and made contributions to the decision-making process of the Board.

The Board has in place comprehensive policies for all relevant areas of the Company's operations and these policies are reviewed and updated from time to time

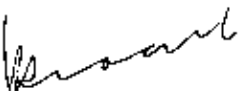
The Board Audit Committee (BAC) and Human Resources & Remuneration committee met regularly to strengthen the functions of the board.

The company has an independent Internal Audit department, which leads the Internal Audit function and follows a risk based Audit methodology. Audit reports are presented to the Board for review and actions where necessary.

Looking ahead, with improved regulatory climate the company will continue to strengthen its position in the domestic market while maintaining its export foot print. The commissioning of the expansion project will be timely to tap opportunities likely to emerge with the China Pakistan Economic Corridor (CPEC).

During the year Mr. Mustapha A. Chinoy stepped down, and Mr. Riyaz T. Chinoy and Mr. Samir M. Chinoy joined the board. I wish to thank Mr. Mustapha A. Chinoy for his valuable contribution in development of ISL.

In the closing on behalf of the Board I wish to acknowledge the contribution of all our employees in the success of the Company. I wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.



Kemal Shoaib

Chairman

Karachi: 15th August 2017

چیمبر مین دریلو

اس سال بورڈ آف ڈائریکٹرز کے 17 اجلاس ہوئے۔ ان میں عام اور معمول کے امور کی انجام دہی کے علاوہ بورڈ نے کئی کے توسیعی منصوبہ کا بھی جائزہ لیا اور اس کی منظوری دی۔ فروری 2017 میں کئی کی کولڈ ورلڈ کی گنجائش کو گھٹا کر کے ایک ملین ٹن کرنے کیلئے 5.6 ملین روپے کی سرمایہ کاری کی منظوری دی۔ اس سرمایہ کاری میں ایک کولڈ ورلڈ مل کا اضافہ، ہالنگ کی لائن کے تسلسل، ہالنگ کی توسیع اور ایسڈری جنریشن پلانٹ شامل ہیں۔ یہ منصوبہ پختل کے مراحل میں ہے اور موجودہ مالیاتی سال کی دوسری ششماہی میں مکمل ہو جائے گا۔ اس نئی گنجائش سے آٹو موٹائل، پینچنر، پائپ اور تعمیراتی صنعت کی بڑھتی ہوئی طلب کو پورا کرنے میں مدد ملے گی۔

یہ تیسرا سال تھا جب بورڈ نے خود تشخیصی کے ذریعہ بہترین عالمی معمولات کے مطابق ان چیزوں کی نگرانی کی جہاں بہتری کی گنجائش ہے بورڈ کو اپنی بروقت میٹنگز میں جامع ایجنڈا اور سپورٹنگ پیپرز موصول ہوئے۔

بورڈ حکمت عملی کی چالاک کے پریس میں اور کئی کے ڈیون کے ڈیولپمنٹ میں مکمل طور پر شامل رہا۔ تمام ڈائریکٹرز موصول اطرینڈنٹ ڈائریکٹرز نے فیصلہ سازی کے پریس میں بھی حصہ لیا۔

بورڈ نے کئی کے تمام شعبہ جات میں جامع پالیسیاں پیش کی ہیں اور وقتاً فوقتاً ان کا جائزہ لیا جاتا ہے اور ان کو بہتر بنا دیا جاتا ہے۔ بورڈ آڈٹ کمیٹی (BAC) اور جوین ریسورسز اینڈ مینجمنٹ کمیٹی بورڈ کے امور کی انجام دہی کیلئے باقاعدگی سے میٹنگ کرتی رہی ہیں۔ کئی کا اپنا خود مختار آڈٹ ڈیپارٹمنٹ ہے جو اندرونی آڈٹ کے امور انجام دیتا ہے اور ریسک پتلی آڈٹ کے طریقے کار کی پیروی کرتا ہے۔ آڈٹ رپورٹیں بورڈ کو جائزے اور حسب ضرورت کارروائی کیلئے بھیجی جاتی ہیں۔

مستقبل پر نظر رکھتے ہوئے، بہتر ٹیکنالوجی ماحول کے ساتھ کئی مقامی مارکیٹ میں اپنی حیثیت کو مضبوط تر کرنے اور برآمدات میں اپنے قدم جمانے کیلئے کوشاں ہے۔ توسیعی منصوبہ کی کھنگ چانکا پاکستان اکٹاک کو پٹرول (سی پیک) جیسے مواقع حاصل کرنے کیلئے بروقت ہوگی۔ اس سال کے دوران میں جناب مصطفیٰ چنائے اپنے عہدے سے دست بردار ہو گئے اور جناب دپاش چنائے اور جناب کیر چنائے بورڈ میں شامل ہوئے۔ میں جناب مصطفیٰ چنائے کی ISL کی ترقی میں قابل قدر خدمات انجام دینے پر ان کا شکریہ ادا کرتا ہوں۔

آخر میں بورڈ کی جانب سے میں کئی کی کامیابی میں اپنے تمام ملازمین کی خدمات کا اعتراف کرتا ہوں اور اپنے صمیم داران، صارفین، سپلائرز، بینکرز اور دیگر کاروباری ساتھیوں کا ہم پر اعتماد کرنے اور تعاون کرنے پر شکریہ ادا کرتا ہوں۔

کرچی

15 اگست 2017

اسامہ
کمال شعیب
چیمبر مین
بورڈ آف ڈائریکٹرز



The background image shows a large industrial facility, likely a steel mill or manufacturing plant. The upper portion features a complex network of steel beams and structural supports, with bright light filtering through the roof. The lower portion shows heavy machinery, including a large green machine with a rotating component and a yellow safety cabinet with a high-voltage warning symbol. A dark green, semi-transparent trapezoidal overlay covers the middle-right section of the image, serving as a background for the title text.

Directors' Review

Directors' Report



The Directors of International Steels Limited are pleased to present the 10th Annual Report accompanied by the audited financial statements for the year ended June 30, 2017.

Global Steel Scenario

World crude steel production touched 1.63 billion metric tons during the year, which is almost equal to the last year's production. China produced about 50% of global steel output at 808 million metric tons. On the demand side, metal consumption in China rebounded in response to the authorities' policies in support of credit growth, resulting in price stability.

Pakistan's Economy

On an overall basis, the country's economic fundamentals looked strong with the highest GDP growth rate of 5.3% in the last ten years. Industrial sector recorded a growth of 5.02% as compared to 5.80% last year. Large Scale Manufacturing (LSM) with the share of 51.26% in industrial sector posted growth of 5.1% against 4.6% last year. The construction sector continued to raise its share in GDP to 2.74% from last year's 2.65% supporting other allied industries including the steel industry.

Specific data shows that Iron & Steel products recorded the highest growth of 16.58% compared to a negative growth of 7.48% last year. Flat steel products grew by 12%. Robust construction activities mainly led to an increase in demand for steel and allied products. The improved energy supply as well as industry gained some comfort after recovery in global prices which provided room to local players to increase their prices which ultimately helped them to enhance their capacity utilization.

The macro-economic fundamentals during the fiscal year remained strong which lead to SBP to maintain the last years' policy rate of 5.75%. Ongoing stability in money market are the main instruments for private sector credit cycle for fixed investment and for working capital adding positives to the enabling business environment of the country. Furthermore, elevation of Pakistan by the Morgan Stanley Capital International (MSCI) from the status of Frontier Markets to Emerging Markets also indicates positive developments for Pakistan's economy. Overall encouraging signs about the economy and its revival are mainly attributable to CPEC (China Pakistan Economic Corridor), ongoing energy projects and improved security situation.

Beneath the surface of the growing economy, some threatening signals are also evolving which are mainly attributable to structural holdups within Pakistan combined with low growth in destination markets resulted in weakened textile exports. Remittances are also starting to taper off, declining for the first time in over a decade. This was largely driven by deteriorating economic conditions in GCC countries, which account for almost two-thirds of Pakistan's remittances. Privatisation efforts have stalled, which has also affected the broader reform efforts in the electricity sector, with the resurgence of circular debt. However, the government's increased focus on infrastructure has resulted in the initiation of a series of development projects during the last two years. These include foreign funded projects. Given the critical role of steel in the development of roads, railway, dams and power infrastructure, as well as the current pace of development projects being pursued in the country, the demand for steel and allied products is expected to increase significantly. Furthermore, Pakistan needs a clear and consistent policy which should identify segments in the steel chain that need protection to ensure fair competition in the market. This policy should also consider the level of protection available to steel manufacturers in Pakistan's competitors, especially China.

Business Review

Over 2017, the flat steel products reflected a growth of 12%. Your company's sales grew by 35% following successful execution of de-bottle necking project for the pickling line.

The National Tariff Commission (NTC) imposed anti-dumping duties on cold rolled and galvanized sheets from China and Ukraine. The duties for cold rolled ranged from 13.17% - 19.04% and for GP 6.09% - 40.47%. The NTC decisions were challenged in Lahore High Court and were finally dismissed in May 2017. The company expects that the enforcement of Anti-Dumping duties will create a level playing field for local manufacturers.

The company was also recognized as a local manufacturer of cold rolled and galvanized steel under CGO 02/2017 resulting in applicability of all the exemptions/concessionary notifications from customs duties and sales tax.

Manufacturing Operations

The company successfully completed a debottlenecking project for pickling line thereby taking cold rolling capacity to 550,000 tons. Current year production was 464,000 tons, reflecting an increase of 25% over the previous year. Various productivity based initiatives resulted in increased plant reliability and operational efficiencies.

Sales

The company maintained its growth momentum exhibited a substantial increase of 35% in volumes over the preceding financial year exceeding 491,000 metric tons of prime products comprising 300,000 metric tons of Galvanized and 191,000 metric tons of Cold Rolled Products despite the influx of low priced imports primarily from China and Russia. The net sales value also increased by 65% mainly due to stable global steel prices.

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

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 production of electricity remained at last year's level. The Company has undertaken a major overhaul of the Generator Sets which will further enhance the efficiency of the power plant.

Health, Safety & Environment

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

Human Resources

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

All the Human Resource related aspects viz. remuneration, allowances, benefits, performance appraisals, working conditions etc. are governed under robust HR related policies and procedures, overseen by a dedicated Human Resource department.

The Company successfully continued its operations with an optimal headcount. The headcount at year end 2016-17 was 567 compared with 570 of the previous year.

Risk Management

The Risk Management Infrastructure of the company is based upon Enterprise Risk Management methodology/framework addressing the major risk categories including Strategic, Operational, Compliance and Financial Reporting Risk.

Adequate controls, manual as well as automated, have been designed and communicated to the staff via various policy and procedural guidelines which are executed and self-assessed by the process/control owners.

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

Financials

The Company continued its growth momentum in the current year resulting an increase of 65% (Rs. 33.7 billion) in Net sales. The Gross Margins stood at Rs. 5.9 billion (17.5%) compared with Rs. 2.9 billion (14.2%) in the same period last year despite the under invoiced and secondary grade materials being imported into the country. The company's improvement in gross margins was attributable to building of operational efficiencies, reaping economies of scale and controlling unproductive costs.

Administrative expenses were well contained at Rs. 215 million whereas, Selling and Freight expenses were increased by 61%, which was in line with increased sales volume for the current year.

Other operating expenses at Rs. 424.9 million were significantly higher than last year primarily due to higher WPPF and WWF charges (which were directly related to profit). Financial charges recorded at Rs. 456 million depicted a reduction of 37.7% mainly due to lower mark up on borrowings which was a result of better cash flows coupled with a lower exchange loss on FE financing.

Overall your Company posted a record profit before and after taxation of Rs. 4,609 million and Rs. 3,044 million respectively compared with Rs. 1,654 million and Rs. 1,179 million last year. Your Company is focused on improving working capital and cash flow management. During the year, your company generated a net cash flow from operations of Rs. 1,569 million, a decrease of Rs. 1,032 million over last year, due to high volumes of stock in transit. An interim dividend of Rs. 1,088 million (Rs 2.5 per share) was paid during the year.

Earnings per share

Earnings per share for the year ended June 30, 2017 was Rs. 7.00 compared with Rs. 2.71 per share last year.

Dividend

In view of the financial results of the Company for the year 2016-17, the Board of Directors of the Company has recommended a cash dividend of 10% i.e., Rs. 1.00 per share in addition to 25% interim cash dividend announced and paid, making a total dividend payout of Rs. 3.50 (35%) per share for the financial year ended June 30, 2017.

Contribution to National Exchequer and the Economy

Your Company made a contribution of Rs. 7,220 million to the National Exchequer during the year by way of income tax, sales tax, custom duties and other levies.

Provident Fund & Gratuity Scheme

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

The values of the Provident Fund and the Gratuity Scheme at the year end were Rs. 114.40 million and Rs. 75.18 million.

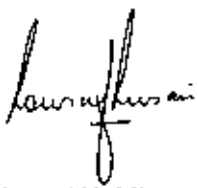
Future Prospects

The company announced an investment of Rs.5.6 billion to increase its cold rolling capacity by 500,000 tons to 1 million tons. The project involves cold rolling mill, a continuous pickling line and expansion in annealing capacity. The expanded capacity will cater for the robust growth in the industrial sector. Company expects the project to be commissioned during the next financial year under review.

Acknowledgement

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

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



Yousuf H. Mirza
Chief Executive Officer
Karachi: 15th August 2017

قومی خزانے اور معیشت میں حصہ

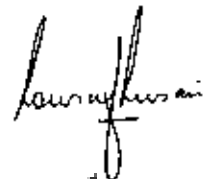
آپ کی کمپنی نے سال کے دوران میں انکم ٹیکس، سیلز ٹیکس، ششم ڈیوٹیز اور دیگر محصولات کی شکل میں قومی خزانے میں 7,220 ملین روپے جمع کرائے ہیں۔

مستقبل کے امکانات

کمپنی نے کولڈ روٹنگ کی گنجائش 500,000 ٹن سے ایک ملین ٹن تک بڑھانے کیلئے 5.6 ملین روپے کی سرمایہ کاری کی ہے۔ اس منصوبہ میں کولڈ روٹنگ مل، ایک مستقل Pickling Line اور Annealing کی گنجائش کی وسعت شامل ہے۔ گنجائش کے بڑھنے سے صنعتی شعبہ میں بڑے پیمانے پر ترقی کی ضروریات پوری کرنے میں مدد ملے گی۔ کمپنی کو توقع ہے کہ یہ منصوبہ زیر جانزوا گلے مالی سال کے آخر تک کام شروع کر دے گا۔

اعتراف

پورا تمام کاروباری ساتھیوں، ملازمین، صارفین، حصص داران، بینکرز اور جن افراد یا اداروں نے ہم سے تعاون کیا اور سرپرستی کی، سب کا شکریہ ادا کرتا ہے۔ یہ تعاون نہ صرف عام تجارتی چیلنج کے مقابلے کیلئے ضروری ہوتا ہے بلکہ سکورٹی کے مسائل اور سخت معاشی حالات میں بھی اہم کردار ادا کرتا ہے۔ کاروباری ساتھیوں کے استحکام اور غلوں کی بناء پر ہی کمپنی سالہا سال فعال رہتی ہے اور ترقی کی خوشلیں نئے کرتی ہے۔ ہم اللہ تعالیٰ سے ہمیشہ آپ کی اس کمپنی کیلئے اور تمام کاروباری ساتھیوں اور اس ملک کی خوشحالی کیلئے دعا گو ہیں۔



یوسف علی مرزا

چیف ایگزیکٹو آفیسر

کراچی

15 اگست 2017

ایک خود مختار عدرونی آڈٹ ڈپارٹمنٹ، جو براہ راست بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے، کنٹرول کے نظام اور عمل درآمد کے موثر ہونے کی جانچ پڑتال کرتا ہے۔

مالیاتی امور

موجودہ سال میں کمپنی کی ترقی کی رفتار برقرار ہے جس کے نتیجے میں خالص سیکڑ میں 65% (33.7 ملین روپے) کا اضافہ ہوا۔ کل مارجن 5.9 ملین روپے (17.5%) ہے جو کہ گزشتہ سال کے اسی عرصہ میں 2.9 ملین روپے (14.2%) تھا۔ موجودہ سال کے کارپوریٹ ٹیکس کے علاوہ ملک میں دوسرے درجے کے ٹیکس کی دوائیات کی گئیں۔ کمپنی کے کل مارجن میں بہتری کی وجہ آپریشن کی استعداد، درجہ بندی میں بچت کے فائدے اور غیر بیجا اداری لاگت پر کنٹرول تھی۔

انتظامی اخراجات 215 ملین روپے کی مناسب سطح پر رہے جب کہ موجودہ سال میں کل کے زیادہ حجم کے باعث سیکڑ اور مال برداری کے اخراجات میں 61% اضافہ ہوا۔

دوسرے آپریٹنگ اخراجات 424.9 ملین روپے کے ہوئے جو کہ گزشتہ سال کے مقابلے میں نمایاں طور پر زیادہ ہیں۔ اس کی وجہ WPPF اور WWF چارجز ہیں (جو براہ راست منافع سے متعلق ہیں)۔ مالیاتی چارجز 37.7% کی کے ساتھ 456 ملین روپے ہوئے جس کی وجہ قرضوں پر کم مارک اپ تھی جس کے نتیجے میں نقد رقم کا بہاؤ بہتر اور FE کانسٹک پر کم آپیکس کا نقصان ہوا۔

مجموعی طور پر کمپنی کو کل انویسٹمنٹ اور بعد از ٹیکس منافع یا تریب 4,608 ملین روپے اور 3,044 ملین روپے حاصل ہوا اس کے مقابلے میں گزشتہ سال یہ تریب 1,654 ملین روپے اور 1,179 ملین روپے تھا۔

آپ کی کمپنی کی وجہ در ملک کی عمل اور نقد رقم کے بہاؤ کے انتظامات کو بہتر بنانے پر مرکوز ہے۔ اس سال ک دوران میں آپ کی کمپنی نے آپریشنز کے ذریعے 1,589 ملین روپے کا خالص کیش فلو حاصل کیا جو کہ گزشتہ سال کے مقابلے میں 1,032 ملین روپے کم ہے۔ اور ایسا اسٹاک کی بڑی مقدار کے نقل و حمل کے مرحلے میں ہونے کی وجہ سے تھا۔ سال کے دوران میں 1,088 ملین روپے کی رقم (2.5 روپے فی شیئر) عبوری منافع کی مدد میں ادا کی گئی۔

آمدنی فی شیئر

سال بخیرہ 30 جون 2017 کیلئے فی شیئر آمدنی 7.00 روپے تھی جب کہ گزشتہ سال 2.71 روپے تھی۔

منافع محترمہ

کمپنی کے مالیاتی نتائج برائے سال 2016-2017 کے پیش نظر کمپنی کے بورڈ آف ڈائریکٹرز نے حتمی نقد منافع 10% کی شرح سے یعنی 1.00 روپے فی شیئر نکال کرنے کی سفارش کی ہے۔ جو پہلے سے ادا شدہ 25% عبوری منافع محترمہ کے علاوہ ہے جس کو شامل کرتے ہوئے سال 2016-2017 کا کل منافع محترمہ 35% یعنی 3.50 روپے فی شیئر بنتا ہے۔

کبھی نے ملک بھر میں اپنے ایلبرٹ ورک کو جمع رکھنے اور ان میں اضافہ کا سلسلہ جاری رکھا جو پھولے کرشل کے علاوہ صنعتی حتیٰ سارا فنگ کلچے کا سوڈا راولہ ہے۔

کے لیکٹرک کو بجلی کی فروخت

کبھی 19 MW پاور ازمینان بخش طور پر کام کر رہا ہے اور معمول کے مطابق ہم اضافی بجلی کے لیکٹرک کو ایسی قیمت پر فروخت کرتے ہیں جو ملک میں کسی بھی I.P.P. کے مقابلے میں سب سے سستی ہے۔

بجلی کی پیداوار گزشتہ سال کے مساوی رہی۔ کبھی نے جزیئر میں کوئٹل اور ہال کر لیا ہے جس کے نتیجے میں پاور پلانٹ کی استعداد میں اضافہ ہوا ہے۔

صحت، تحفظ اور ماحولیات

تحفظ اور ماحولیات کے کڑے معیارات کی پابندی اور انتظامیہ کی سخت نگرانی کے باعث کوئی بڑا حادثہ پیش نہیں آیا اور منسوبہ کو توسیع دینے کا کام بھی بغیر وقت کے زیاں کے جاری رہا۔ ہم نے ماحولیات کے معیار کی پابندی کو یقینی بنایا ہے جس میں ہوا کے اخراج کا بہترین طریقہ کار شور، پرنجیل پانی اور صنعتی فضلہ کا اخراج قوی ماحولیات کے معیارات کے عین مطابق ہیں۔

انسانی وسائل

کبھی صنعتی امن کو برقرار رکھتی ہے اور ادارے میں صاف کوئی اور حفاظت کے فروغ سے تمام ملازمین کیلئے مثبت اور بہترین کام کا ماحول فراہم کرتی ہے۔ آپ کی کبھی ہر سطح پر اپنے عمل کی ترقی، صلاحیتوں کو ابھارنے کے عمل اور کاروباری تسلسل کیلئے باصلاحیت افراد کو ساتھ رکھنے کیلئے کوششیں کرتی ہے۔

انسانی وسائل سے حلقہ تمام پہلوؤں، جیسے مشاہرے، ڈائمنڈس، فوٹو گرافنگ، کارکردگی کی قدر، کام کرنے کا ماحول وغیرہ کے بارے میں جانچ آڑے حلقہ سخت پالیسی اور طریقہ کار اختیار کیا جاتا ہے جس کی نگرانی مخصوص ہیومن ریسورسز پارٹمنٹ کرتا ہے۔ کبھی کے امور بہترین افرادی قوت کے ساتھ کامیابی سے انجام دیے جا رہے ہیں۔ سال 2016-17 میں 87 ملازمین کی کل تعداد 567 ہے جب کہ گزشتہ سال یہ تعداد 570 تھی۔

رہنما مینجمنٹ

کبھی کارمکن مینجمنٹ انٹرپرائسز کے مینجمنٹ کے طریقہ کار اور مینجمنٹ کی بنیاد پر کام کر رہا ہے جو رہنما کی بڑی اقسام بشمول حکمت عملی، آپریشنل، عمل درآمد اور مالیاتی رپورٹنگ رہنما کے مینجمنٹ اور مقابلے کیلئے روڈ پل ہے۔

مناسب ترین کنٹرول کیلئے میٹنگ اور خود کاروباروں طریقہ وضع کئے گئے ہیں جن کے بارے میں عمل کو مختلف پالیسی اور طریقہ کار کی رہنما ہدایات کے ذریعہ آگاہ کیا جاتا ہے اور طریقہ کار کنٹرول کے ذمہ داران عمل درآمد کرتے ہیں اور خود ان کی جانچ کرتے ہیں۔

ترسیلات ذریعہ کا تقریباً دو تہائی حصہ وصول ہوتا ہے۔ بجکاری کی کوششیں بھی رک گئی ہیں جس کی وجہ سے بجلی کے شعبہ میں بڑی اصلاحات متاثر ہوئی ہیں اور اس کے ساتھ گروتھ کی ترغیبات میں بھی سرگرمی دیکھنے میں آ رہی ہے۔ تاہم حکومت کی انفراسٹرکچر پر زیادہ توجہ کے سبب گزشتہ دو سالوں کے دوران میں کئی ترقیاتی منصوبوں کا آغاز ہوا ہے۔ اس میں بیرونی فنڈز کے منصوبے بھی شامل ہیں۔ سڑکوں، دریلے، ڈیمز اور پاور انفراسٹرکچر میں اسٹیل کے اہم کردار کے علاوہ ملک میں ترقیاتی منصوبوں کی موجودہ لہر کی وجہ سے اسٹیل اور اس سے متعلقہ پروڈکٹس کی طلب میں نمایاں اضافہ ہونے کی توقع ہے۔ اس کے علاوہ پاکستان کو ایک واضح اور متوازن پالیسی کی ضرورت ہے جو اسٹیل بھٹن میں ایسے شعبوں کی ترقی ترقی کرے جن کو تحفظ کی ضرورت ہے تاکہ وہ مارکیٹ میں شفاف طریقے سے مقابلہ کر سکیں۔ پالیسی میں اس پر بھی غور کیا جائے کہ پاکستان کے اسٹیل میونسپلٹیز کو مسابقتی ماحول خصوصاً بھٹن کے مقابلے میں کس درجہ کا تحفظ حاصل ہے

کاروبار کا جائزہ

2017 میں قیث اسٹیل پروڈکٹس میں 12% کا اضافہ ہوا۔ آپ کی کمپنی کی بیکٹری میں 35% اضافہ ہوا جس کی بنیاد پر Pickling Line کی ٹیکنیکی خامیوں پر کامیابی سے قائم ہوا ہے۔

بھٹن نیٹ ورک کمپن (NTC) نے بھٹن اور پورٹریٹ سے درآمد شدہ کوئلہ درآمد کرنے والے ڈسٹریبیوٹرز پر پابندی ڈیپک ڈیوٹی نافذ کر دی ہے۔ کوئلہ درآمد پر ڈیوٹی کی شرح کی شرح 19.04% - 13.17% ہے جب کہ گیلونا ڈیوٹی پر شرح 40.47% - 6.08% کے فیصلوں کو لاہور ہائی کورٹ میں چیلنج کیا گیا اور آخری فیصلہ 2017 میں یکس خارج کر دیا گیا۔ کمپنی کو توقع ہے کہ بھٹن ڈیپک ڈیوٹی پر بھٹن نیٹ ورک کیلئے مساوی مواقع فراہم کریں گے۔

کمپنی کو CGO 02/2017 کے تحت کوئلہ درآمد کرنے والے ڈسٹریبیوٹرز کو اسٹیل کے ٹکی میونسپلٹیز کی حیثیت سے تسلیم کیا گیا جس کے نتیجے میں اس پر کسٹم ڈیوٹی اور سٹیل ٹیکس سے تمام ماحولیاتی ارماعیات لاگو ہوتے ہیں۔

میونسپلٹیز پر اثر

کمپنی نے نہایت کامیابی کے ساتھ Pickling Line کی ٹیکنیکی خامیوں پر کامیابی سے قائم ہوا جس سے کوئلہ درآمد کی کمپن 550,000 ٹنک بھٹن گئی۔ اس سال 464,000 ٹن پیداوار ہوئی جو گزشتہ سال کے مقابلے میں 25% زیادہ ہے۔ پیداوار سے متعلق مختلف منصوبوں کے اقدامات کے نتیجے میں پلانٹ کی پائیداری اور آپریشن کی استعداد میں اضافہ ہوا ہے۔

سبز (Sales)

کمپنی نے ترقی کی رفتار کو برقرار رکھتے ہوئے حجم کے لحاظ سے گزشتہ مالی سال کے مقابلے میں 35% کا نمایاں اضافہ حاصل کیا۔ اگرچہ بھٹن اور دوسرے کم قیمت درآمدات کا سلسلہ جاری رہا لیکن اس کے باوجود ہماری اہم پروڈکٹس کی پیداوار 491,000 میٹرک ٹن سے چھانڈ کر گئی جس میں 300,000 میٹرک ٹن گیلونا درآمد اور 191,000 ٹنک کوئلہ درآمد پروڈکٹس شامل ہیں۔ خالص سبز کی دلچسپی میں بھی 65% اضافہ ہوا جس کی وجہ عالمی سطح پر اسٹیل کی قیمتوں کا مستحکم رہنا تھا۔

ڈائریکٹرز کی رپورٹ

اعتراف: اسٹیل اینڈل کے ڈائریکٹرز سمیت کئی کی 10 ویں سالانہ رپورٹ مع آؤٹ شدہ مالیاتی گوشوارے برائے سال 2017 جنوری 2017 میں پیش کرتے ہیں۔

اسٹیل کا مالی مظہر

اس سال کے دوران میں دنیا میں خام اسٹیل کی پیداوار 1.63 بلین میٹرک ٹن رہی جو گزشتہ کی پیداوار کے برابر ہے۔ اس مالی پیداوار میں چین کا حصہ تقریباً 50% تھا جہاں 808 ملین ٹن خام اسٹیل کی پیداوار کا ریکارڈ کی گئی۔ چائینیز اتھارٹیز کی کریڈٹ میں اضافہ کی تھخانی پالیسیوں کے نتیجے میں چین میں ادھارت کے استعمال میں اضافہ کیا گیا جس کی وجہ سے قیمتوں میں استحکام رہا۔

پاکستان کی معیشت

گزشتہ دس سالوں میں مجموعی ملکی پیداوار (GDP) میں اضافہ شرح 5.3% رہی جس کی بنیاد پر مجموعی طور پر ملک کی معیشت کی بنیادیں مضبوط نظر آتی ہیں۔ صنعتی شعبہ میں اس سال ترقی کی شرح 5.02% ریکارڈ کی گئی جب کہ گزشتہ سال یہ شرح 5.80% تھی۔ صنعتی شعبہ کی ترقی میں بڑے پیمانے کی میچنگ (LSM) کا حصہ 51.26% رہا جس میں گزشتہ سال کے 4.6% اضافہ کے مقابلے میں اس سال اضافہ کی شرح 5.1% رہی۔ GDP میں تعمیری شعبہ کے حصہ میں مسلسل اضافہ ہو رہا ہے جو گزشتہ سال کے 2.65% سے بڑھ کر 2.74% ہو گیا۔ اس سے دوسری حلقہ صنعتوں بشمول اسٹیل کی صنعت کو بھی فائدہ حاصل ہو رہا ہے۔

آئرن اور اسٹیل کے بارے میں خصوصی معلومات سے پتہ چلتا ہے اس میں اضافہ کی شرح سب سے زیادہ یعنی 16.58% رہی جب کہ اس شعبہ میں یہ شرح گزشتہ سال 7.48% تھی۔ قیث اسٹیل کی پروڈکشن میں 12% اضافہ ہوا۔ مگر یہ تعمیری سرگرمیوں کے سبب اسٹیل اور دیگر متعلقہ پروڈکشن کی طلب میں بھی نمایاں اضافہ ہوا۔ اسی طرح توانائی کی فراہمی میں بحری اور عالمی قیمتوں میں بحالی کے بعد صنعتوں کو کچھ آسانی میسر آئی جس کے نتیجے میں کئی تاجروں کو قیمتیں بھرت کرنے میں مدد ملی اور اپنی گنجائش کے زیادہ استعمال کا موقع ملا۔

مالی سال کے دوران میں بیکرواکنک کی بنیادی صورتحال مضبوط رہی جس سے اسٹیٹ بینک آف پاکستان کو گزشتہ سال کے 5.75% کے پالیسی ریٹ کو برقرار رکھنے میں مدد ملی۔ مٹی مارکیٹ میں جاری استحکام جہاں ملٹی شعبہ کے کریڈٹ سرکل کو لاہرہ (Fixed) سرمایہ کاری کا موقع فراہم کرتا ہے وہاں زیر کار سرمایہ (Working Capital) سے ملک میں کاروباری ماحول پر بھی مثبت اثرات پڑتے ہیں۔ اس کے علاوہ مورگن اسٹیٹسٹیکس انٹرنیشنل (MSCI) کے مطابق پاکستان فری ٹریڈ مارکیٹ سے بڑھ کر امریکہ کے درجہ میں شامل ہو گیا ہے۔ اس سے بھی پاکستان کی معیشت میں مثبت ترقی کا اظہار ہوتا ہے۔ مجموعی طور پر معیشت میں امید افزا اشارے اور اس کی بحالی کی بڑی ہجی پیک (چائنا پاکستان اکٹا کورڈینر) توانائی کے جاری منصوبے اور سیکورٹی کی صورتحال میں بہتری ہے۔

اقتصادی ترقی کی اس سطح کے پیچھے کچھ غفرت کی علامات بھی موجود ہیں جو پاکستان کے اندر مختلف ڈھانچوں میں رکاوٹ اور بیرونی منڈیوں میں طلب کے کم اضافہ کے سبب ہیں جس کے نتیجے میں پاکستان کی ٹیکسٹائل کی برآمدات میں کمی آئی ہے۔ ترسیلات سود میں بھی کمی کارخانوں پایا جا رہا ہے جو ایک دہائی میں ملکی مرتبہ نظر آیا ہے۔ اس کی بڑی وجہ ملکی ہی اسی ممالک کی بگڑتی ہوئی معاشی صورتحال ہے۔ جہاں سے پاکستان کو





A photograph of a large industrial facility, likely a steel mill or manufacturing plant. In the foreground, a worker wearing a white hard hat and a white shirt stands at a control panel, looking at a display. The panel is mounted on a concrete base. To the right of the worker is a set of concrete stairs with yellow safety railings. In the background, a large orange overhead crane spans the width of the facility. The crane has a sign that reads "30 m/s 5" and a smaller sign that reads "14". The structure is made of green-painted steel beams and supports. The floor is a light-colored concrete. The overall scene is brightly lit, suggesting a large, open industrial space.

Corporate Governance

Profile of the Board of Directors

Mr. Kemal Shoaib
Chairman

Director Since:
November 22, 2010

Mr. Kemal Shoaib was a Whitney Fellow at M.I.T., Cambridge, Massachusetts, where he received an M.S. degree in Chemical Engineering. He currently serves on the Board of several companies including Century Paper & Mills Ltd., ZIL 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. 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
Director / Advisor

Director Since:
September 3, 2007

Mr. Towfiq Habib Chinoy has been associated with IIL since 1964. He retired in August 2011 from IIL after having been Managing Director for 37 years. He founded ISL in 2007 where he was Managing Director until 2015 and is currently Advisor to both companies. He is also the non-executive Chairman of Jubilee General Insurance Company Ltd., Packages Ltd., and HBL Asset Management Ltd., Vice Chairman of the Pakistan Business Council and Director of IGI Investment Bank Ltd. Mr. Chinoy has served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority – Government of Pakistan. He has been Chairman of Pakistan Cables Ltd and PICIC Commercial Bank Ltd and a Director of National Refinery Ltd., Linde Pakistan Ltd and Jubilee Life Insurance Co. Ltd.

Mr. Yousuf H. Mirza
Chief Executive Officer

CEO Since:
August 14, 2015

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

Mr. Kamal A. Chinoy
Director

Director Since:
September 3, 2007

Mr. Kamal A. Chinoy is Chief Executive of Pakistan Cables Ltd. He graduated from the Wharton School, University of Pennsylvania, USA. He serves on the Board of Directors of Askari Bank Ltd., ICI Pakistan Ltd, International Industries Ltd., International Steels Ltd, NBP Fullerton Asset Management Ltd (NAFA), and Atlas Power Ltd. & is Chairman of Jubilee Life Insurance Co. Ltd. He is also Honorary Consul General of the Republic of Cyprus. Mr. Kamal A. Chinoy is a member of the Executive Committee of the International Chamber of Commerce (ICC) Pakistan and Past President of the Management Association of Pakistan (MAP). He has previously served as the Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank (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 has also served on the Board of Governors of Army Burn Hall Institutions. He is 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. Tariq Iqbal Khan
Director

Director Since:
November 22, 2010

Mr. Tariq Iqbal Khan is a fellow of the Institute of Chartered Accountants, Pakistan, with diversified experience of more than 40 years. He was pivotal in founding Islamabad Stock Exchange where he subsequently served as President as well. He has also served as the Member Tax Policy & Co-ordination in the Central Board of Revenue, followed by being appointed as Commissioner SECP, where he was instrumental in restructuring the SECP. He also held the charge of Chairman SECP (acting) for a brief period. He has served on prominent national level committees like Chairman of Committee for formulation of Take Over law. CLA Committee for review of Security and Exchange Ordinance 1969, Committee for formulation of CDC law and regulations and Prime Minister's Committee for Revival of Stock Market. He served as the Chairman and MD of NIT for more than 8 years, which played the role of a catalyst in establishing, strengthening and stabilizing the capital markets. Additionally, during this period, he held the charge of Chairman & MD of ICP, for almost 5 years. He has served on Boards of the top companies like CDC, Faysal Bank, Bank Al Habib, Askari Bank GSK, Sanofi Aventis, ICI, BOC, PSO, OGDC, Mari Petroleum, SSGC, Siemens, Gillette Pakistan Limited, PICIC Insurance Co., and remained Chairman of SNGPL and ARL etc. Presently he is a member of the Boards of eminent listed companies including International Steels Limited, Lucky Cement Limited, National Refinery Limited, Pakistan Oil Fields Ltd., Packages Limited and Silk Bank Limited, while the non-listed companies include FFC Energy (Pvt.) Limited, Khyber Pakhtunkhaw Oil & Gas Co. Ltd. and CAS Management (Pvt.) Ltd.

Mr. Kamran Y. Mirza
Director

Director Since:
November 22, 2010

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 he joined PBC (Pakistan Business Council) as its Chief Executive Officer, a position he retained till his retirement on December 31, 2015. PBC is a Think Tank cum Business Policy Advocacy Forum. He is the Chairman of Philip Morris (Pakistan) Ltd. and Unilever Pakistan Foods Ltd. (UPFL). 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 and the Education Fund for Sindh (EFS). Further, he represented 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), Education Fund for Sindh (EFS), 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), 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

Director Since:
November 22, 2010

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

Profile of the Board of Directors

Syed Hyder Ali
Director

Director Since:
January 20, 2011

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

Mr. Riyaz T. Chinoy
Director

Director Since:
September 27, 2016

Mr. Riyaz T. Chinoy took over as CEO of International Industries Limited on August 12, 2011 after serving in the Company since 1992 and growing through various positions. A qualified engineer by profession with a BSc in Industrial Engineering from Case Western Reserve University, USA. He is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance. He has had extensive experience of production operations, procurement and all project and development activity at IIL. He was previously employed by Pakistan Cables Limited as Commercial Projects Manager and prior to that, as Project Engineer. He has served as Chairman of the Landhi Association of Trade and Industry and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, Pak-Australia Business Forum, The Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of IIL Australia Pty Limited and IIL Stainless Steel (Pvt.) Limited, the two fully owned subsidiaries of IIL. Lastly, he is also a director of the Citizens Trust against Crime (CTAC), Pakistan Institute of Corporate Governance (PICG) and LITE Development and Management Company.

Mr. Samir M. Chinoy
Executive Director

Director Since:
September 27, 2016

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

Mr. Kazuteru Mihara
Director

Director Since:
April 13, 2016

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



List of Other Directorships

Present Name or Sur Name in Full	Other Business occupation and directorship (if any)
Mr. Kemal Shoaib Chairman	International Steels Ltd. Century Paper & Board Mills Ltd. ZIL Limited Al-Aman Holdings (Pvt) Ltd. Mind Sports Association of Pakistan Public Interest Law Association of Pakistan
Mr. Yousuf H. Mirza Chief Executive Officer	International Steels Ltd. Pakistan Japan Business Forum
Mr. Towfiq H. Chinoy Director & Advisor	International Steels Ltd. Jubilee General Insurance Co. Ltd. Packages Ltd. IGI Investment Bank Ltd. HBL Asset Management Ltd. Pakistan Business Council Habib University Foundation Mohatta Palace Gallery Trust Beaumont Plaza Owners / Occupants Welfare Association
Mr. Kamal A. Chinoy Director	International Steels Ltd. International Industries Ltd. Pakistan Cables Ltd. Atlas Power Ltd. ICI Pakistan Ltd. Jubilee Life Insurance Company Ltd. Askari Bank Ltd. NBP Fullerton Assets Mgmt. Ltd.
Mr. Tariq Iqbal Khan Director	International Steels Ltd. Attock Refinery Ltd. Lucky Cement Ltd. National Refinery Ltd. Pakistan Oilfields Ltd. Packages Ltd. Silkbank Ltd. FFC Energy Ltd.
Syed Salim Raza Director	International Steels Ltd. Indus Earth - NGO Tameer Micro Finance Bank Layton Rahmatullah Benevolent Fund (LRBT) Habib University Foundation
Mr. Kamran Y. Mirza Director	International Steels Ltd. Abbot Laboratories (Pak) Ltd. Bank Al Falah Ltd. Unilever Pakistan Foods Ltd. Phillip Morris (Pakistan) Ltd. Education Fund for Sindh (EFS) Karwan-e-Hayat Safari & Outdoor Club of Pakistan

Present Name or Sur Name in Full	Other Business occupation and directorship (if any)
Syed Hyder Ali Director	International Steels Ltd. IGI Insurance Limited IGI Life Insurance Ltd. KSB Pumps Company Ltd. Nestle Pakistan Limited Packages Ltd. Sanofi Aventis Pakistan Ltd. Tetra Pak Pakistan Limited Tri-Pack Films Limited Bulleh Shah Packaging (Pvt) Ltd. 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. Riyaz T. Chinoy Director	International Steels Ltd. International Industries Limited Citizens Trust Against Crime (CTAC) IIL Australia Pty Ltd. IIL Stainless Steel (Pvt) Ltd. Pakistan Institute of Corporate Governance LITE Development and Management Company
Mr. Samir M. Chinoy Director	International Steels Ltd. Mirpur Khas Sugar Mills Ltd Intermark (Pvt) Ltd. IIL Australia Pty Ltd. Amir Sultan Chinoy Foundation Landhi Association of Trade & Industries
Mr. Kazuteru Mihara Director	International Steels Ltd.

Corporate Governance

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

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

Compliance Statement

Living up to its standards the Board of Directors has, throughout the year 2016-17, complied with the Code of Corporate Governance, the listing requirements of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following has been complied:

- a) The financial statements have been prepared which fairly represent the state of affairs of the company, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The Internal Audit function is led by the Chief Internal Auditor supported by in-house staff.
- f) There are no significant doubts upon the company's ability to continue as a going concern.
- g) There is no material departure from the best practices of corporate governance as per regulations.

The Board of Directors

We continue to believe in adequate representation of majority Independent directors and have a good mix of independent directors and non-executive directors, while there are three (3) executive directors on Board i.e. the Chief Executive, Director / Advisor and the Head of Sales & Marketing. The Board consists of Eleven [11] eminent directors (as detailed on page 48) 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) other independent directors and four (4) non-executive directors. The Board has constituted Audit Committee, HR&R Committee, Strategic Planning Committee and Treasury Committee. The composition, role and responsibilities of the Committees are clearly defined in their Terms of References.

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, six (6) 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 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, Audit Committee, HR&RC 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 2016-17, the Board had Seven (7) meetings, out of which Four (4) were held for the quarter results, while two were held to consider business expansion and budget for the ensuing year and one meeting was to consider and approve 25% interim cash dividend to Company's shareholders. The average attendance of the directors at board meetings during the year was 81%.

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

Changes in the Board of Directors

The Board of Directors, fixed the number of the seats of the Board of Directors, at ten (10) increasing it by one (1) for the fresh election at the 9th AGM of the Company on September 27, 2016. Whereby, except for Mr. Mustapha A. Chinoy, who retired and did not opt for re-election, eight (8) retiring directors namely M/s Kemal Shoaib, Towfiq H. Chinoy, Kamal A. Chinoy, Tariq Iqbal Khan, Syed Salim Raza, Kamran Y. Mirza, Syed Hyder Ali, Kazuteru Mihara were re-elected and Mr. Riyaz T. Chinoy and Mr. Samir M. Chinoy were elected for a term of three (3) years commencing September 27, 2016, whereas Mr. Yousuf Mirza is continuing as the Chief Executive of the Company.

Roles and Responsibilities of the Chairman and Chief Executive

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

The Chairman and the Chief Executive 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 is responsible for day to day operations and execution of the business strategy by devising business plans and monitoring the same and 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 implementing the business plans approved by the Board.

Business Philosophy & Best Corporate Practices

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

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

All periodic financial statements and other working papers for the consideration of the Board/ Committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held seven (7) meetings, agendas of which were duly circulated at least a week before the meetings except for an emergency board meeting which was held on June 2, 2017 to approve the first interim dividend to be paid on or before June 30, 2017 in order to pass on the benefit of lower tax rates on dividend payments to the shareholders.

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

Timely Communication of Financial Statements

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within one month and two months respectively along with the Directors' Report. Annual financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being approved within 46 days from the close of financial year for consideration and approval by the shareholders. Additionally all important disclosures, including the financial statements, are also made on the company website to keep the stakeholders duly informed.

Board Performance Evaluation

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

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

Risk Management

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

Internal Control framework

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

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

Risk and Opportunity

Pakistan' s per capita steel consumption is still way low as per world standards, hence there is a potential for growth in domestic market as well as regional markets. During the year the Board focused on future business strategy to assess the opportunities and evaluated all significant risks attached with the business proposals and decided to move towards its Vision of being the premium manufacturer of Flat Steel Products in Pakistan.

In continuation of its strategy, the Company commenced addition of manufacturing facilities by addition of Cold Rolling Mill, a pickling line and related facilities at a cost of Rs.5.6 billion. On implementation of this expansion,

the Cold Rolling Capacity will be enhanced to 1,000,000 tons per annum. After the expansion the Country will have a capacity sufficient to meet most of the Domestic demand of Cold Rolled and Galvanized sheets and coils.

The energy crises, law and order situation and un-predictable exchange rates are significant risk factors for any manufacturing industry based on imported raw material. The management is however mitigating all these external challenges by trying to buy raw material at the right time and price, keeping other costs low and improving operating efficiencies and efficacies.

The Company anticipates growth in domestic market in 2017-18. The Company expects increase in demand as a result of opportunities emerging from The China Pakistan Economic Corridor (CPEC).

Policy on Disclosure of Conflict of Interest

The Company has taken measures to prevent conflict of interests between directors, employees and the Company. In this regard, a clear policy on conflict of interests is contained in the Code of Conduct duly approved by the Board of Directors which is placed on the page No.26.

As per the code of corporate governance, the company annually circulates and obtains acknowledgement of code of conduct from all employees and directors. Further, the directors and key employees are reminded of insider trading and avoiding dealing in shares during closed period.

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

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

Policy for Corporate Social Responsibility

The Company has implemented policy for Corporate Social Responsibility to perform its social and environmental responsibilities.

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

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

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

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

Sustainability Measures

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

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

For more details, please refer to our Group Sustainability report, published on our website at www.isl.com.pk.

Policy for Engaging Stakeholders & Transparency

Development of stakeholders' relationship is of significant importance for the company. Building "stakeholders engagement", compliance with regulatory requirement and terms and conditions are one of the main business principles.

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

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

Policy For Investor Grievances

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

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

1. Investors are treated fairly at all times
2. Complaints raised are dealt with in a courteous and timely manner
3. Various modes of communication like email, telephone, meetings and raising matters at the Annual General Meeting are available to investors to raise grievances
4. Queries and complaints are treated fairly and efficiently
5. Employees work in good faith and without prejudice towards the interest of the creditors.

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

Policy for the Safety of Records of the Company

International Steels Limited has a firm "Document & Record Control policy" for establishing, approving, reviewing, changing, maintaining, replacing, retrieving, retaining, distributing and administering control of all documents

and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records and creating a paperless environment.

- All important documents such as, minutes and proceedings of the Board & its sub-committees, annual general meetings, statutory certificates, title documents of the Company property and all other important communications and records are digitally scanned and archived on secured Company servers.
- All important original documents are placed at a neutral, secured and well known vault.
- Record keeping of accounting books has been outsourced.

Human Resources Management Policies and Succession Planning

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

Policy on Information Technology

To achieve efficient and effective use of IT resources for the Company so as to establish priorities, strategy delivery, increase productivity and deliver right services to users.

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

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

Speak-up Policy (Whistle Blowing)

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.

We are committed to create an atmosphere that our people can freely communicate their concerns to their supervisors and Functional Heads. Since last many years as ISL's 'whistle-blowing' system to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes.

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 9th Annual General Meeting of the company held on September 27, 2016 - no significant issues were raised.

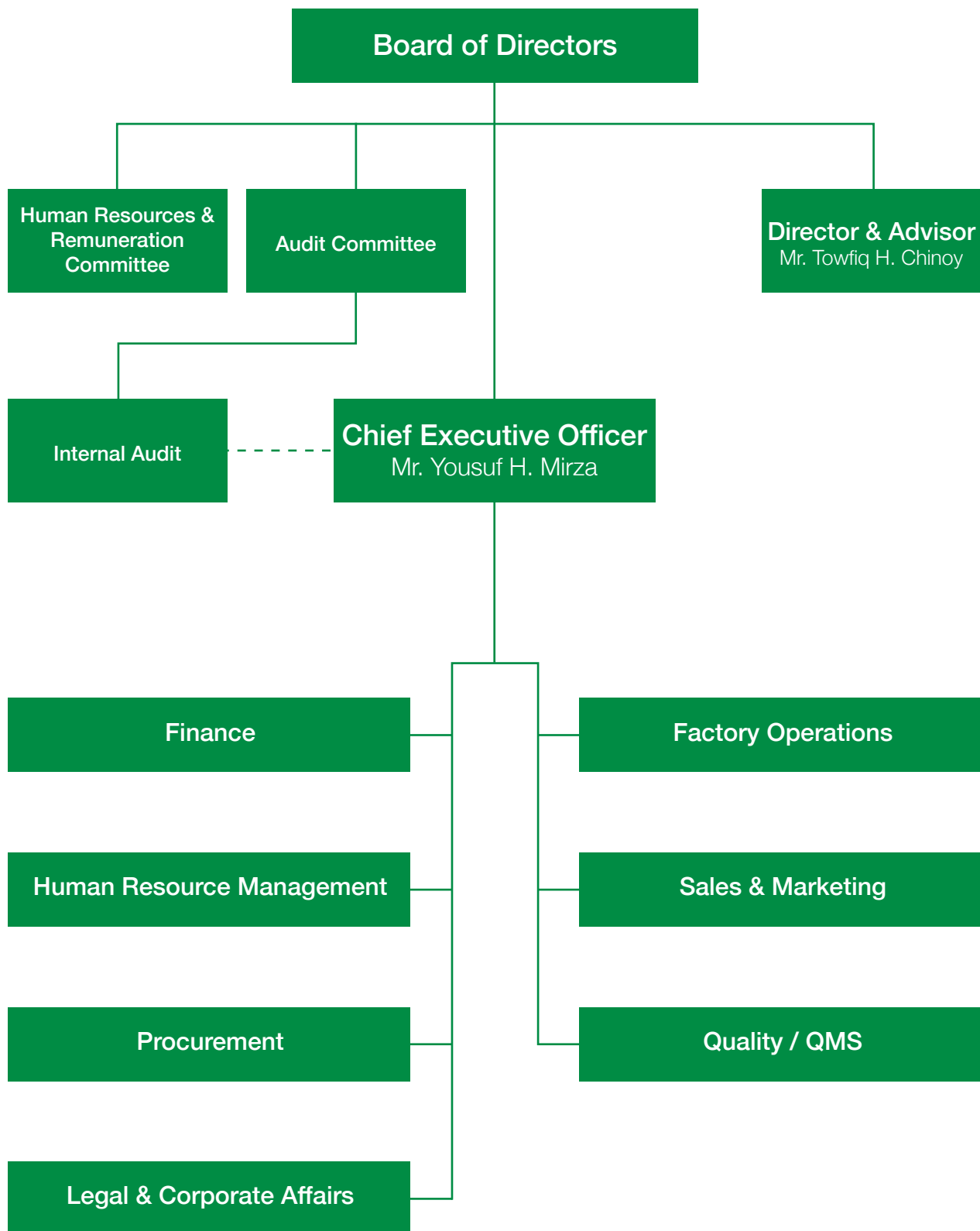
Dividend to Shareholders

During the year, the Company paid an interim dividend of 25% per share to all eligible shareholders and the Board of Directors is recommending a final dividend of 10% per share, making a total of 35% in respect of the financial year ended June 30, 2017 which is subject to shareholders approval.

Pattern of Shareholding

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, 2017 is placed on Page 126.

Organization Chart



Mechanism for Providing Information

FORMAL REPORTING LINE

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

EMPLOYEES

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

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

SHAREHOLDERS

Every year the Annual general meeting of shareholders is held in accordance with the requirements of the companies' ordinance 1984 which is attended by the board, CEO, Company Secretary, CFO and the senior management of the Company. The interactive session with the shareholders allows the shareholders to ask questions on financial, economic, social and other issue and also give suggestions and recommendations. The CEO responds to all questions.

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

The Board Committees

The Board has formed four sub-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. Towfiq H. Chiony Member - Director / Advisor
- 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 assess 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 four (04) times, during the financial year ended June 30, 2017.

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 - Director / Advisor
- Syed Hyder Ali Member – Non Executive Director
- Mr. Kamal A. Chinoy Member – Non Executive Director
- Mr. Yousuf H. Mirza Member – Chief Executive Officer
- Mr. Bilal Khawar Secretary-Head of HR

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

The role of the Human Resources & Remuneration Committee is to assist the Board of Director 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 CEO, 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 two (2) times, during the financial year ended June 30, 2017.

C. STRATEGIC PLANNING COMMITTEE

The Strategic Committee of the Board is as follows:

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

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.

D. TREASURY COMMITTEE

The Treasury Committee of the Board is as follows:

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

The objective of the Committee is to set treasury related policies within the overall policy framework established by the Board. The formation of Treasury committee does not impair or limit the management of day to day treasury operations and routine activities. Any deviation arising due to special circumstances or financial market behavior shall be placed in subsequent Committee meeting for ratification.

The Committee shall aim to meet each quarter but it is required that a majority of the Committee members shall meet at least two times each financial year and also at other times as the Chairman of the Committee shall require. The Committee shall carry out the following:

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

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

Board Meetings held outside Pakistan

No board meetings were held outside Pakistan during the financial year 2016-17.

DIRECTORS' PARTICIPATION IN BOARD AND SUB-COMMITTEE MEETINGS

Board / Sub Committee	Board Meetings	Audit Committee Meetings	Human Resources & Remuneration Committee
Meetings held during FY 2016-17	7	4	2
Mr. Kemal Shoaib	7/7		2/2
Mr. Towfiq H. Chinoy	7/7	2/2	2/2
Mr. Yousuf H. Mirza	7/7		2/2
Mr. Mustapha A. Chinoy *	1/1		
Mr. Kamal A. Chinoy	5/7	4/4	1/2
Mr. Tariq Iqbal Khan	7/7	4/4	
Syed Salim Raza	6/7		
Kamran Y. Mirza	7/7	3/4	
Syed Hyder Ali	1/7		1/2
Mr. Riyaz T. Chinoy	6/6		
Mr. Samir M. Chinoy	5/6		
Mr. Kazuteru Mihara	3/7		

**Mr. Mustapha A. Chinoy retired in September 2016 and did not opt for re-election.

Orientation of Directors

Since the majority of the retiring directors were re-elected in the Annual General Meeting held on September 27, 2016, no formal orientation was conducted. Further, newly elected directors i.e. Mr. Riyaz T. Chinoy and Mr. Samir M. Chinoy have been associated with the Company since its inception and as such are well versed with its operations and responsibilities as directors. However, additionally the Board is regularly briefed on various developments in the business fields in each meeting.

Management Team

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

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

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

Approval & Communication of Financial Results during 2016-17

FINANCIAL CALENDAR

RESULTS

Year ended June 30, 2016	Approved & Announced on	Aug. 12, 2016
First quarter ended September 30, 2016	Approved & Announced on	Oct. 18, 2016
Half year ended December 31, 2016	Approved & Announced on	Jan. 24, 2017
Third quarter ended March 31, 2017	Approved & Announced on	Apr. 18, 2017
Announcement of 25% Interim Cash Dividend	Approved & Announced on	Jun. 2, 2017
Year ended June 30, 2017	Approved & Announced on	Aug. 15, 2017

DIVIDEND

Final – Cash (2016)	Approved on Entitlement date Statutory limit upto which payable Paid on	Aug. 12, 2016 Sep. 27, 2016 Oct. 26, 2016 Oct. 21, 2016
Interim – Cash (2017)	Approved on Entitlement date Statutory limit upto which payable Paid on	Jun. 2, 2017 Jun. 16, 2017 Jul. 15, 2017 Jun. 23, 2017

LATEST ANNUAL REPORT ISSUED ON

August 30, 2017

10TH ANNUAL GENERAL MEETING

September 26, 2017

TENTATIVE DATES OF FINANCIAL RESULTS 2017-18

For the Period	To be Announced on
1st Quarter	17-10-2017
2nd Quarter	23-01-2018
3rd Quarter	17-04-2018
Annual Accounts	15-08-2018

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 2017 and reports that:

- The Company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange Limited, 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 2017, 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 led by the 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 2017 and shall retire on the conclusion of the 10th Annual General Meeting.
- The Audit Firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors have indicated their willingness to continue as Auditors.
- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends the reappointment of M/s KPMG Taseer Hadi & Co. for the financial year 30 June 2018 on remuneration, as negotiated by the Chief Executive Officer.

Karachi:
Dated: 8 August, 2017



Tariq Iqbal Khan
Chairman – Board Audit Committee

Statement of Compliance

with the Best Practices of the Code of Corporate Governance

INTERNATIONAL STEELS LIMITED
30 June 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.5.19 of the listing regulations of the Pakistan Stock Exchange Limited 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	<ul style="list-style-type: none"> • Mr. Kemal Shoaib • Mr. Tariq Iqbal Khan • Syed Salim Raza • Mr. Kamran Y. Mirza
Executive Directors	<ul style="list-style-type: none"> • Mr. Towfiq H. Chinoy • Mr. Yousuf H. Mirza • Mr. Samir M. Chinoy
Non-Executive Directors	<ul style="list-style-type: none"> • Mr. Kamal A.Chinoy • Syed Hyder Ali • Mr. Riyaz T. Chinoy • Mr. Kazuteru Mihara

The independent directors meet the criteria of independence under clause 5.19.1.(b) of the Code of Corporate Governance.

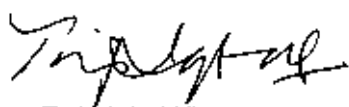
2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Board of Directors, fixed the number of the seats of the Board of Directors, at ten (10) increasing it by one (1) for the fresh election at the 9th AGM of the Company on September 27, 2016. Whereby, except for Mr. Mustapha A. Chinoy, who retired and did not opt for re-election, eight (8) retiring directors namely M/s Kemal Shoaib, Towfiq H. Chinoy, Kamal A. Chinoy, Tariq Iqbal Khan, Syed Salim Raza, Kamran Y. Mirza, Syed Hyder Ali, Kazuteru Mihara were re-elected and Mr. Riyaz T. Chinoy and Mr. Samir M. Chinoy were elected for a term of three (3) years commencing September 27, 2016.
5. The Company has prepared and updated a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate the same 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, overall corporate strategy, and significant policies of the company. 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, along with the date on which they were approved or amended has been maintained. 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
 - t) Group I.T 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 executive and non-executive directors, have been taken by the Board/Shareholder.
 8. All the meetings of the Board were presided over by the Chairman, who is an independent non-executive director. The board met seven 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 all the meetings were appropriately recorded and circulated.
 9. Orientation Program for the Board of Directors was last conducted in 2010. Subsequently, the Board of Directors were updated on changes in the Listing Regulations of the Pakistan Stock Exchange Ltd., the Memorandum and Articles of Association and the Code of Corporate Governance and the directors are well versed with their duties and responsibilities. The management keeps the Board abreast with the latest changes in the business environment and regulatory framework.
 10. Seven directors have acquired the formal training certificates and the rest 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 Rule 5.19.7 of the Listing Regulations of the Pakistan Stock Exchange/Code of Corporate Governance. The Company however intends to facilitate further training for the directors in near future as per the Code of Corporate Governance.
 11. The Board approved the appointment, remuneration and terms & conditions of employment of the Chief Financial Officer (CFO), Company Secretary and Chief Internal Auditor earlier, including their remuneration and terms and conditions of employment.
 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.

Due to security reasons the Company has not disclosed the information as required under clause (5.19.11) and sub-clauses (x-iii) directors and their spouse(s) and minor children (name wise details), (x4-iv) executives (name-wise), and clause (xii) all trade in the shares of the listed company, carried out by its directors,

executives and their spouses and minor children as mentioned in the Code of Corporate Governance. The Company has applied for relaxation before Securities and Exchange Commission of Pakistan for the above on August 1, 2017. However, reply is yet to be received.

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 of 4 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 advised to the committee for compliance.
18. The Board has formed a Human Resources & Remuneration Committee. It comprises 5 members; the Chairman of the committee is an independent director, whereas the remaining members comprise one executive director and three non-executive directors. The Terms of Reference of Human Resources & Remuneration Committee has been approved by the BOD and advised to 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 the Pakistan Stock Exchange Limited.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by Company Secretary in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles contained in the CCG have been complied with except for those stated above towards which reasonable progress is being made by the Company for compliance by the end of next accounting year.



Tariq Iqbal Khan

Chairman – Board Audit Committee



Yousuf H. Mirza
Chief Executive Officer



Review Report to the Members on Statment 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 2017 to comply with the requirements of Listing Regulations of Pakistan 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 2017.

Further, we highlight instances of non-compliance with the requirement of the Code as reflected in paragraph 12 of the annexed Statement with respect to non-disclosure of pattern of shareholding and trades in the shares of the Company by certain persons as required under clause 5.9.11 (f) (x) of the Code of Corporate Governance. The Company has applied to the Securities and Exchange Commission of Pakistan (SECP) for relaxation from such compliance and currently awaits their response in this regard.

Date: 15 August 2017
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt





Financial Summary

Key Operating Highlights

2017 2016 2015 2014 2013 2012
----- Rs in Million -----

FINANCIAL POSITION

Balance sheet

Property, plant and equipment	13,639	12,620	12,332	9,772	9,952	8,928
Other non current assets	4	-	1	4	8	14
Current assets	12,728	8,364	6,742	7,103	4,801	6,891
Total assets	26,371	20,984	19,075	16,879	14,761	15,833
Share capital	4,350	4,350	4,350	4,350	4,350	4,350
Reserves	3,250	1,818	628	856	158	(201)
Surplus on revaluation of property, plant & equipment	954	974	552	563	573	-
Total equity	8,554	7,142	5,530	5,770	5,081	4,149
Non current liabilities	5,101	4,880	6,133	3,381	3,597	3,918
Current liabilities	12,716	8,962	7,412	7,728	6,083	7,766
Total liabilities	17,817	13,842	13,545	11,109	9,680	11,684
Total equity & liabilities	26,371	20,984	19,075	16,879	14,761	15,833
Net current assets	12	(598)	(670)	(625)	(1,282)	(875)

OPERATING AND FINANCIAL TRENDS

Profit and Loss

Net turnover	33,733	20,492	17,938	21,291	17,603	13,249
Gross profit	5,906	2,906	1,485	2,248	1,606	1,206
EBITDA	5,833	3,097	1,806	2,369	1,868	1,406
Operating profit	5,357	2,538	1,150	1,970	1,409	1,056
Profit / (loss) before taxation	4,609	1,654	236	874	441	(120)
Profit / (loss) after taxation	3,044	1,179	202	690	363	(104)
Capital expenditure (addition during the year)	1,812	492	3,122	344	797	466

Cash Flows

Operating activities	1,568	2,872	1,498	7	3,449	(1,069)
Investing activities	(1,787)	(479)	(3,095)	(335)	(782)	(466)
Financial activities	(1,281)	(1,847)	2,405	(404)	(331)	(113)
Cash & cash equivalents at the end of the year	(4,986)	(3,486)	(4,032)	(4,840)	(4,108)	(6,443)

Key Indicators

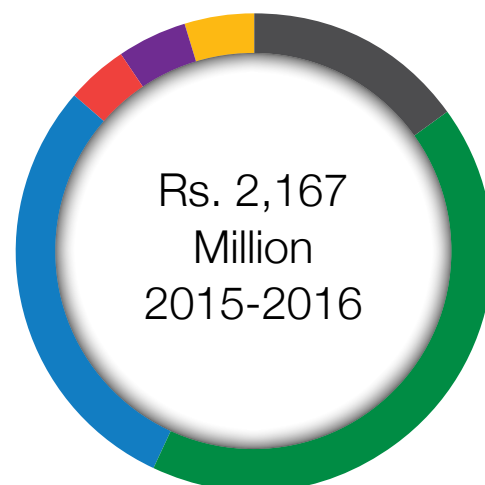
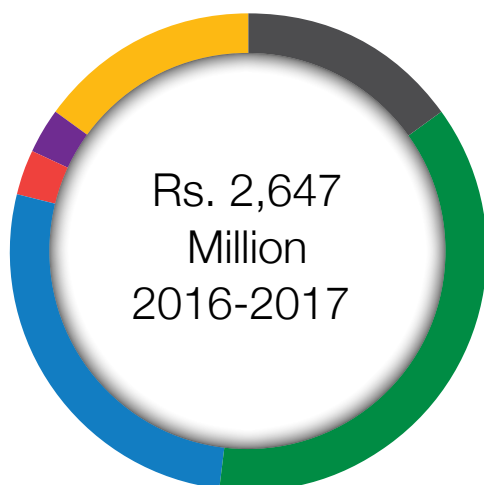
		2017	2016	2015	2014	2013	2012
Profitability Ratios							
Gross profit ratio	%	17.51	14.18	8.28	10.56	9.12	9.10
Net profit to Sales	%	9.02	5.75	1.12	3.24	2.06	(0.79)
EBITDA Margin to Sales	%	17.29	15.11	10.07	11.13	10.61	10.61
Operating Leverage	%	1.37	5.02	1.51	1.28	1.00	0.63
Return on Shareholders' Equity	%	35.58	16.51	3.65	11.96	7.14	(2.52)
Operating profit on Capital Employed	%	39.23	21.11	9.86	21.53	16.23	13.09
Return on Total Assets	%	11.54	5.62	1.06	4.09	2.46	0.66
Liquidity Ratios							
Current ratio	(x)	1.00	0.93	0.91	0.92	0.79	0.89
Quick / Acid test ratio	(x)	0.25	0.34	0.31	0.44	0.36	0.21
Cash to Current Liabilities	(x)	0.004	0.004	0.005	0.005	0.002	0.001
Cash flow from Operations to Sales	(x)	0.05	0.14	0.08	0.00	0.20	(0.08)
Activity / Turnover Ratios							
Inventory turnover ratio	times	2.92	3.31	3.71	5.19	6.11	3.33
Inventory turnover in days	days	125	110	98	70	47	110
Debtor turnover ratio (KE)	times	11.51	12.83	9.87	11.29	14.81	2.68
Debtor turnover in days (KE)	days	32	28	37	32	25	136
Total assets turnover ratio	times	1.28	0.98	0.94	1.26	1.19	0.84
Fixed assets turnover ratio	times	2.47	1.62	1.45	2.18	1.77	1.49
Capital employed turnover ratio	times	2.47	1.71	1.54	2.33	2.03	1.64
Investment / Market Ratios							
Earnings / (loss) per share - basic and diluted	Rs	7.00	2.71	0.46	1.59	0.83	(0.24)
Price earning ratio	times	18.27	13.14	60.58	14.54	21.22	(49.83)
Market value per share at the end of the year	Rs	127.89	35.62	28.10	23.05	17.69	11.96
Market value per share high during the year	Rs	167.80	45.00	32.24	26.00	19.35	14.29
Market value per share low during the year	Rs	35.89	22.80	21.75	15.30	11.25	9.05
Break-up value per share	Rs	19.66	16.42	12.71	13.26	11.68	9.55
Capital Structure Ratios							
Financial leverage ratio	(x)	1.15	1.16	1.93	1.50	1.63	2.63
Total Debt : Equity ratio	(x)	54:46	54:46	66:34	60:40	62:38	72:28
Interest cover	times	11.32	3.53	1.27	1.94	1.47	0.88
Value Addition							
Employees as remuneration	Rs. in million	620	493	454	392	328	308
Government as taxes	Rs. in million	7,220	4,734	3,860	3,906	3,468	3,092
Financial charges to providers of finance	Rs. in million	456	732	1,028	982	993	1,169

Vertical Analysis

	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
	Rs in Million		Rs in Million		Rs in Million		Rs in Million		Rs in Million		Rs in Million	
OPERATING RESULTS												
Sales - Net	33,733	100	20,492	100	17,938	100	21,291	100	17,603	100	13,249	100
Cost of sales	27,827	82	17,586	86	16,453	92	19,043	89	15,997	91	12,043	91
Gross profit	5,906	18	2,906	14	1,485	8	2,248	11	1,606	9	1,206	9
Administrative, Selling and												
Distribution expenses	549	2	368	2	336	2	278	1	197	1	150	1
Other operating expenses	425	1	265	1	22	0	186	1	44	0	106	1
Other operating income	132	0	113	1	136	1	72	0	69	0	99	1
Operating profit before												
finance costs	5,064	15	2,386	12	1,264	7	1,856	9	1,434	8	1,048	8
Finance costs	455	1	732	4	1,028	6	982	5	993	6	1,169	9
Profit / (loss) before taxation	4,609	14	1,654	8	236	1	874	4	441	3	(120)	(1)
Taxation	1,565	5	475	2	34	0	184	1	79	0	(16)	(0)
Net Profit / (loss)	3,044	9	1,179	6	202	1	690	3	362	2	(104)	(1)
BALANCE SHEET												
Property, plant and equipment	13,639	52	12,620	60	12,332	65	9,772	58	9,952	67	8,928	56
Intangible assets	3.9	0.0	-	-	0.6	0.0	3.8	0.0	7.9	0.0	13.4	0.0
Other non current assets	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Current assets	12,728	48	8,364	40	6,742	35	7,103	42	4,801	33	6,891	44
Total assets	26,371	100	20,984	100	19,075	100	16,879	100	14,761	100	15,833	100
Shareholders' equity	7,600	29	6,168	29	4,978	26	5,206	31	4,508	31	4,149	26
Revaluation reserves	954	4	974	5	552	3	563	3	573	4	-	-
Non current liabilities	5,101	19	4,880	23	6,133	32	3,381	20	3,597	24	3,918	25
Current portion of												
long term financing	1,197	4	699	3	850	4	750	4	783	5	639	4
Short term borrowings	5,039	19	3,524	17	4,069	21	4,876	29	4,121	28	6,448	41
Other current liabilities	6,480	25	4,739	23	2,493	13	2,101	12	1,179	8	679	4
Total equity and liabilities	26,371	100	20,984	100	19,075	100	16,879	100	14,761	100	15,833	100
CASH FLOWS												
Net cash generated from /												
(used in) operating activities	1,568	(104)	2,872	526	1,498	185	7	(1)	3,449	148	(1,069)	65
Net cash outflows from												
investing activities	(1,787)	119	(479)	(88)	(3,095)	(383)	(335)	46	(782)	(34)	(466)	28
Net cash (outflows) / inflows												
from financing activities	(1,281)	85	(1,847)	(338)	2,405	298	(404)	55	(331)	(14)	(113)	7
Net increase / (decrease) in												
cash and cash equivalents	(1,500)	100	546	100	808	100	(732)	100	2,336	100	(1,648)	100

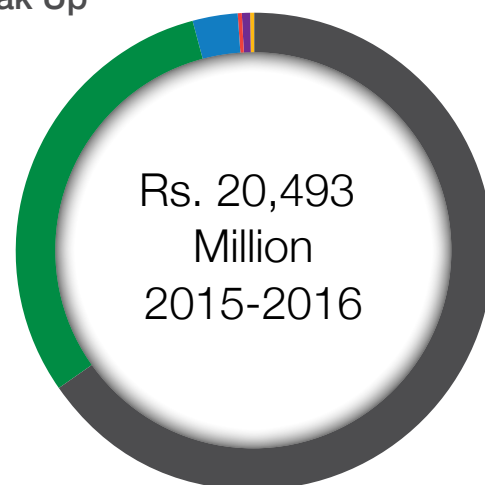
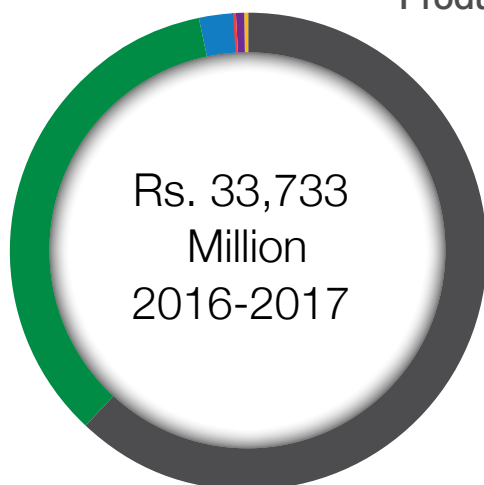
Key Financial Indicators - Graphs

Conversion Cost



	2016-2017	2015-2016
Salaries, wages and benefits	402	327
Electricity, gas and water	976	912
Depreciation and amortisation	711	634
Stores and spares consumed	87	93
Repairs and maintenance	81	100
Others	390	101

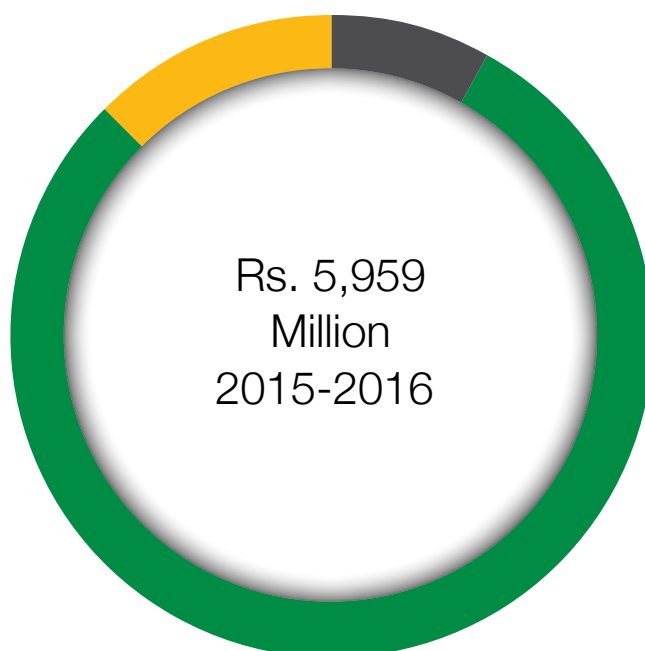
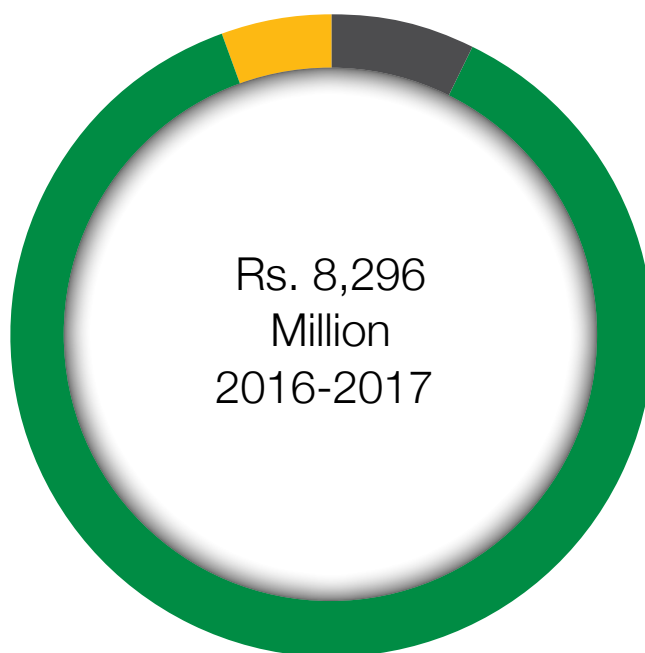
Product Wise Sales Break Up



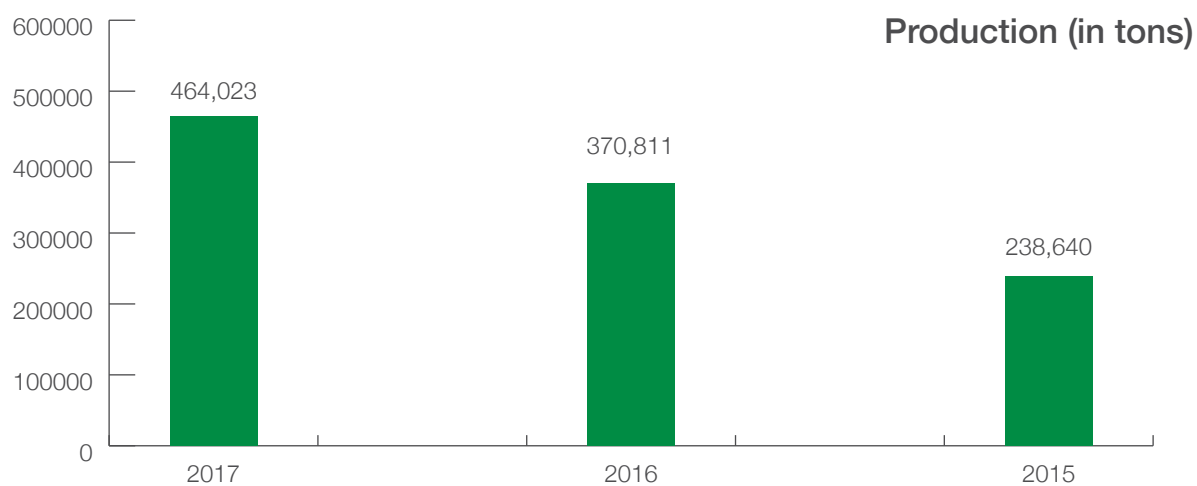
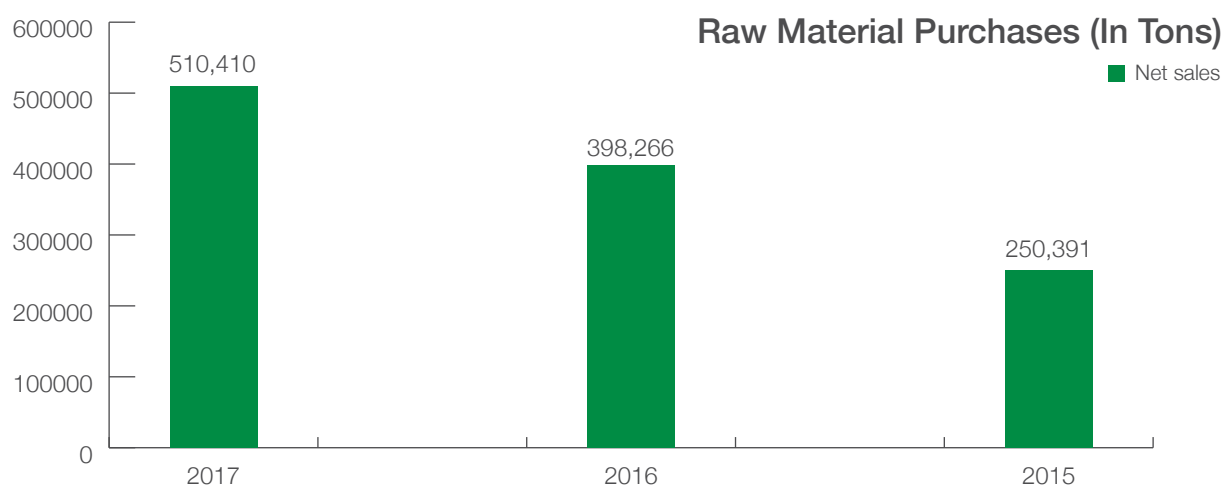
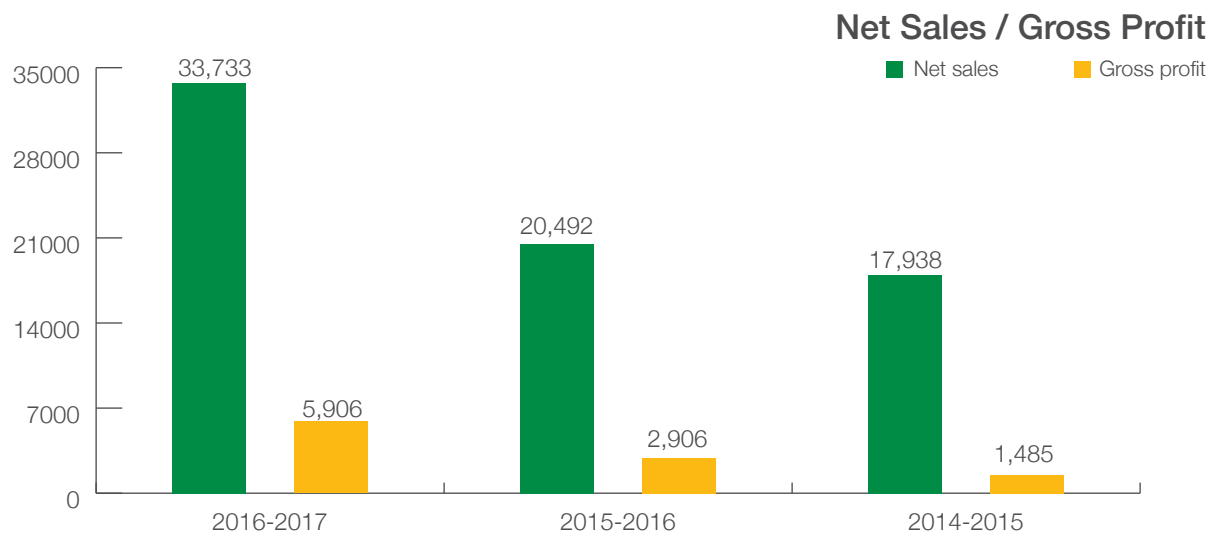
	2016-2017	2015-2016
Galvanized Coils	20,928	13,427
Cold rolled Coils	11,758	6,260
Colored Coils	786	625
End cuts	5	13
Bi-Product Zinc	245	158
Bi-Product Remeltable Scrap	11	10

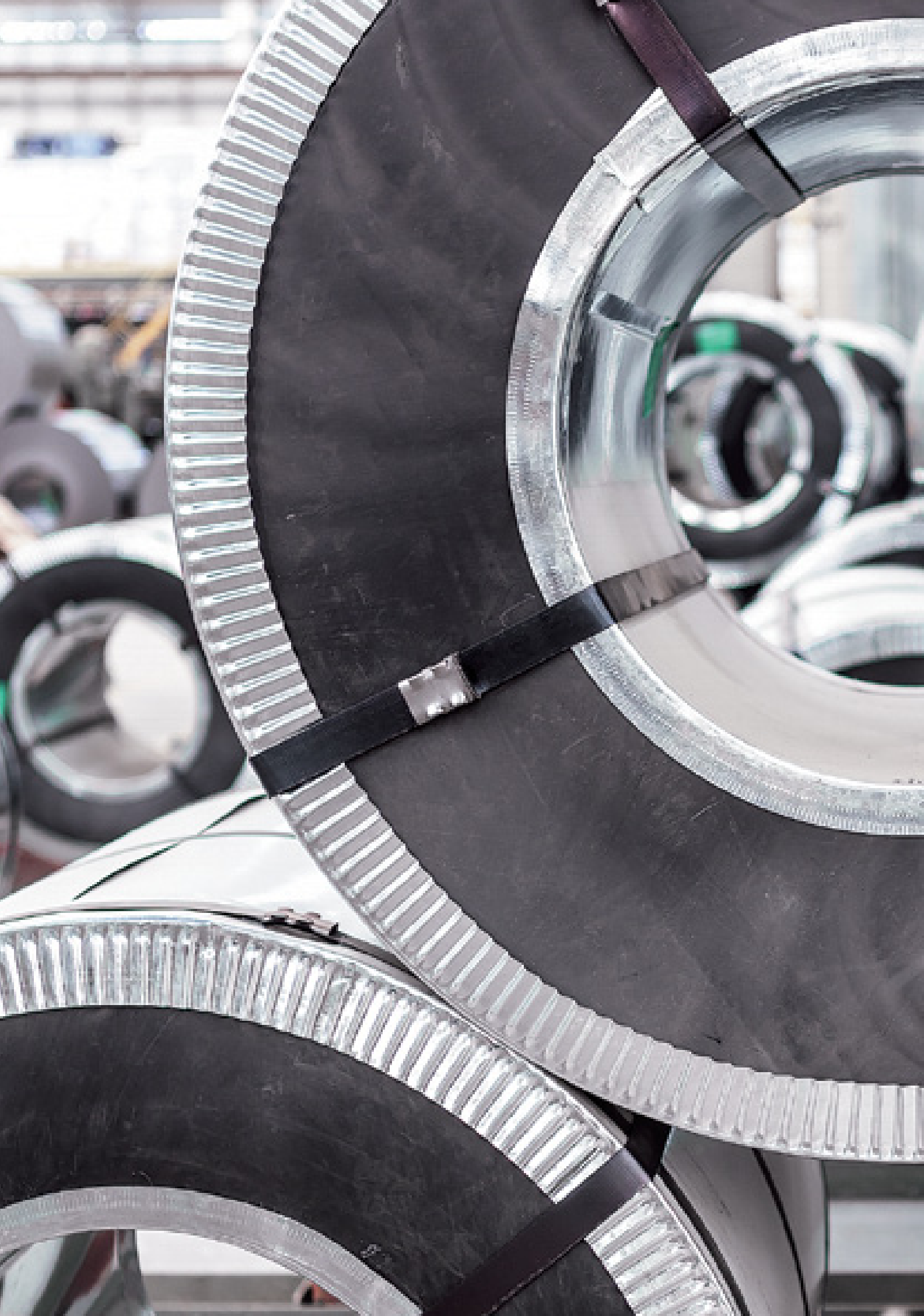
Key Financial Indicators - Graphs

Value Addition & Distribution



	2016-2017	2015-2016
■ Employees as remuneration	620	493
■ Government as taxes	7,220	4,734
■ Financial charges	456	732







Financial Statements

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Auditors' Report to the Members

We have audited the annexed balance sheet of **International Steels Limited** ("the Company") as at 30 June 2017 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.

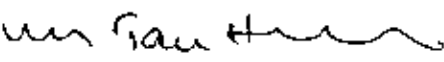
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to 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 accounts have been kept by the Company as required by the repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of accounts 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 repealed 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 2017 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.

Date: 15 August 2017
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at June 30, 2017

	Note	2017 (Rupees in '000)	2016
ASSETS			
Non Current Assets			
Property, plant and equipment	4	13,639,451	12,620,022
Intangible assets	5	3,903	-
Long term deposit with Central Depository Company of Pakistan Limited		100	100
Total Non Current Assets		13,643,454	12,620,122
Current Assets			
Stores and spares	6	507,696	442,597
Stock-in-trade	7	9,537,846	5,314,131
Trade debts - considered good	8	764,043	520,801
Receivable from K-Electric Limited (KE) - unsecured, considered good		42,987	40,513
Advances - considered good	9	48,463	35,069
Trade deposits and prepayments	10	22,533	12,324
Sales tax receivable		1,134,288	410,259
Taxation - net	11	616,557	1,550,697
Cash and bank balances	12	53,228	37,615
Total Current Assets		12,727,641	8,364,006
Total Assets		26,371,095	20,984,128
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized Capital			
500,000,000 (2016: 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		3,250,374	1,818,328
Total shareholders' equity		7,600,374	6,168,328
Surplus on revaluation of property, plant and equipment - net of tax	14	953,873	974,298
LIABILITIES			
Non Current Liabilities			
Long term finances - secured	15	3,621,272	4,044,973
Staff retirement benefits	30.2	23,578	24,496
Deferred taxation - net	16	1,456,421	810,748
Total Non Current Liabilities		5,101,271	4,880,217
Current Liabilities			
Trade and other payables	17	6,410,128	4,694,800
Short term borrowings - secured	18	5,039,236	3,523,755
Current portion of long term finances	15	1,197,073	699,016
Accrued mark-up		69,140	43,714
Total Current Liabilities		12,715,577	8,961,285
Contingencies and Commitments	19		
Total Equity and Liabilities		26,371,095	20,984,128

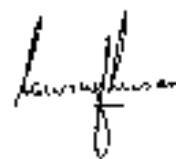
The annexed notes 1 to 40 form an integral part of these financial statements.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Tauqir Hasan
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Profit And Loss Account

For the year ended 30 June 2017

	Note	2017 (Rupees in '000)	2016
Net sales	20	33,732,622	20,492,097
Cost of sales	21	(27,826,505)	(17,585,833)
Gross Profit		5,906,117	2,906,264
Administrative expenses	22	(214,876)	(161,479)
Selling and distribution expenses	23	(333,794)	(206,862)
		(548,670)	(368,341)
Financial charges	24	(455,500)	(731,525)
Other operating charges	25	(424,951)	(264,675)
		(880,451)	(996,200)
Other income	26	131,778	112,773
Profit before taxation		4,608,774	1,654,496
Taxation - net	27	(1,564,752)	(475,532)
Profit after taxation for the year		3,044,022	1,178,964
		(Rupees)	
Earnings per share - basic and diluted	28	7.00	2.71

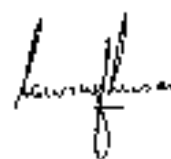
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Board Audit Committee



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Officer



Yousuf H. Mirza
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Officer

Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
	(Rupees in '000)	
Profit for the year	3,044,022	1,178,964
Other Comprehensive Income		
Items that will never be reclassified to profit and loss account		
Remeasurements of defined benefit liability	(1,645)	(1,043)
Recognition of tax	494	313
Total other comprehensive income - net of tax	(1,151)	(730)
Total Comprehensive Income for the year	3,042,871	1,178,234

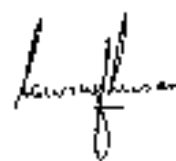
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Cash Flow Statement

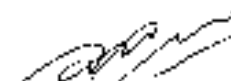
For the year ended 30 June 2017

	Note	2017 (Rupees in '000)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,608,774	1,654,496
Adjustments for:			
Depreciation		768,598	710,551
Amortisation		112	551
Gain on sale of property, plant and equipment		(4,874)	(8,121)
Provision for staff gratuity		16,226	14,139
Provision for compensated absences		9,219	5,354
Financial charges		455,500	731,525
		5,853,555	3,108,495
Changes in working capital	29	(3,844,200)	955,841
Net cash from operations		2,009,355	4,064,336
Payment of compensated absences		(7,291)	(14,113)
Financial charges paid		(430,074)	(900,349)
Gratuity paid		(18,789)	(11,372)
Taxes refund / (paid) - net		15,555	(266,902)
Net cash from operating activities		1,568,756	2,871,600
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(1,811,873)	(492,383)
Proceeds from sale of property, plant and equipment		24,705	13,037
Net cash used in investing activities		(1,787,168)	(479,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / (repayment) of long term financing - net		74,356	(1,846,656)
Dividend paid		(1,355,812)	(7)
Net cash used in financing activities		(1,281,456)	(1,846,663)
Net (decrease) / increase in cash and cash equivalents		(1,499,868)	545,591
Cash and cash equivalents at beginning of the year		(3,486,140)	(4,031,731)
Cash and cash equivalents at end of the year		(4,986,008)	(3,486,140)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	12	53,228	37,615
Short term borrowings	18	(5,039,236)	(3,523,755)
		(4,986,008)	(3,486,140)

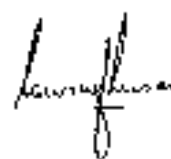
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Board Audit Committee



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Yousuf H. Mirza
Chief Executive
Officer

Statement of Changes in Equity

For the year ended 30 June 2017

	Issued, subscribed & paid-up capital	Un- appropriated profit	Total
	(Rupees in '000)		
Balances as at 01 July 2015	4,350,000	628,114	4,978,114
Profit for the year	-	1,178,964	1,178,964
Other comprehensive income	-	(730)	(730)
Total comprehensive income for the year	-	1,178,234	1,178,234
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	11,980	11,980
Balance as at 30 June 2016	4,350,000	1,818,328	6,168,328
Profit for the year	-	3,044,022	3,044,022
Other comprehensive income	-	(1,151)	(1,151)
Total comprehensive income for the year	-	3,042,871	3,042,871
Transaction with the owners of the Company - Distribution			
Dividend:			
- Final dividend @ 12.5% (Rs. 1.25 per share) for the year ended 30 June 2016	-	(543,750)	(543,750)
- Interim dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2017	-	(1,087,500)	(1,087,500)
Total transactions with the owners of the Company	-	(1,631,250)	(1,631,250)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	20,425	20,425
Balance as at 30 June 2017	4,350,000	3,250,374	7,600,374

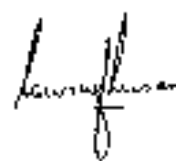
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Tauqir Hasan
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Yousuf H. Mirza
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Notes to the Financial Statements

For the year ended 30 June 2017

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 of International Industries Limited ('the Holding Company'), amounting to Rs. 4,177.167 million determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement, were transferred to the Company on 24 August 2010. In consideration of transferring to and vesting the Steel Project Undertaking in the Company 417,716,700 fully paid up ordinary shares were issued at par value to the Holding Company.

The Company was listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) on 01 June 2011. As at 30 June 2017, the Holding Company held 245,055,543 shares (2016: 245,055,543 shares) of the Company.

The primary activity of the Company is the 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, land & buildings that are stated at fair values determined by an independent valuer and derivative financial instruments which are stated at fair value.

2.3 Functional and presentation currency

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

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 amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Financial Statements

For the year ended 30 June 2017

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. 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 adjustment in the next year are described in the following:

- Property, plant and equipment and Intangible assets (notes 3.1 and 3.2).
- Trade debts (note 3.3.1.1)
- Derivative financial instruments (note 3.3.3 and 3.3.4)
- Inventories (note 3.4)
- Taxation (note 3.5)
- Measurement of staff retirement benefits (note 3.6)
- Impairment (note 3.9)
- Provisions (note 3.10)

2.5 Standards, Interpretations and Amendments which became effective during the year

During the year, amendments to certain standards became effective which were not relevant to the Company's accounting policies.

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 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 01 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 01 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 01 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

Notes to the Financial Statements

For the year ended 30 June 2017

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 01 July 2017 requires certain additional disclosures. Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 – Property, plant and equipment. The change will decrease the unappropriated profit by Rs. 6.16 million with the corresponding increase in surplus on revaluation of property, plant and equipment. Further, surplus on revaluation of property, plant and equipment will form part of equity.

Notes to the Financial Statements

For the year ended 30 June 2017

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; and
- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (c) Borrowing costs, if any.

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

Subsequent expenditure

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

Depreciation

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

Surplus on revaluation

Revaluation of freehold land and building on freehold land is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Surplus on revaluation of free hold land and buildings on free hold land is credited to the surplus on revaluation account each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset's original cost, net of tax is reclassified from revaluation account 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, beyond one year, are recognised as an intangible asset.

Infinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

- a) These are stated at cost less accumulated amortisation and impairment, if any.
- b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 5).
- c) Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed-off.

3.3 Financial Instruments

3.3.1 Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cashflows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

Notes to the Financial Statements

For the year ended 30 June 2017

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. 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 contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

3.3.2.1 Mark-up bearing borrowings and borrowing costs

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

Borrowing costs are recognized 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 capitalized 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 recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

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.

Notes to the Financial Statements

For the year ended 30 June 2017

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

3.4 Inventories

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

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

Deferred tax

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

Notes to the Financial Statements

For the year ended 30 June 2017

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.
- Mark-up on bank deposit accounts is recognised on time proportion basis taking into account effective yield.
- Partial manufacturing income is recognised when related services are rendered.
- Miscellaneous income is recognised on receipt basis.

Notes to the Financial Statements

For the year ended 30 June 2017

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.

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	2017 (Rupees in '000)	2016
Operating assets	4.1	12,549,357	12,446,381
Capital work-in-progress	4.2	1,090,094	173,641
		<u>13,639,451</u>	<u>12,620,022</u>

Notes to the Financial Statements

For the year ended 30 June 2017

4.1 Operating assets

	2017												Rate %
	Cost / Revaluation						Depreciation					Net book value as at 30 June 2017	
	As at 01 July 2016	Additions / Transfers	Revaluation surplus	Other adjustments	(Disposals)	As at 30 June 2017	As at 01 July 2016	For the year	Revaluation surplus	(Disposal)	As at 30 June 2017		
	(Rupees in '000)												
Freehold land	1,460,250	-	-	-	-	1,460,250	-	-	-	-	-	1,460,250	-
Buildings on freehold land	1,450,725	22,846	-	-	-	1,473,571	-	84,619	-	-	84,619	1,388,952	2% - 5%
Plant and machinery*	11,884,236	765,252	-	37,337	(6,217)	12,680,608	2,414,477	660,812	-	(1,895)	3,073,394	9,607,214	3% - 33%
Furniture, fixture, computer and office equipment	44,911	27,806	-	-	-	72,717	32,389	5,627	-	-	38,016	34,701	10% - 33%
Vehicles	96,224	38,164	-	-	(40,835)	93,553	43,099	17,540	-	(25,326)	35,313	58,240	20%
	14,936,346	854,068	-	37,337	(47,052)	15,780,699	2,489,965	768,598	-	(27,221)	3,231,342	12,549,357	

	2016												Rate %
	Cost / Revaluation					Depreciation					Net book value as at 30 June 2016		
	As at 01 July 2015	Additions/ Transfers	Revaluation surplus	Other adjustments	(Disposals)	As at 30 June 2016	As at 01 July 2015	For the year	Revaluation surplus	(Disposal)		As at 30 June 2016	
	----- (Rupees in '000) -----												
Free hold land	1,216,875	-	243,375	-	-	1,460,250	-	-	-	-	-	1,460,250	-
Buildings on freehold land	1,201,903	79,882	72,450	96,490	-	1,450,725	124,073	71,165	(195,238)**	-	-	1,450,725	3% - 5%
Plant and machinery *	10,169,223	1,811,503	-	(96,490)	-	11,884,236	1,798,038	616,439	-	-	2,414,477	9,469,759	3% - 33%
Furniture, fixture, computer and office equipment	39,517	5,394	-	-	-	44,911	26,453	5,936	-	-	32,389	12,522	10% - 33%
Vehicles	82,487	31,527	-	-	(17,790)	96,224	38,962	17,011	-	(12,874)	43,099	53,125	20%
	12,710,005	1,928,306	315,825	-	(17,790)	14,936,346	1,987,526	710,551	(195,238)	(12,874)	2,489,965	12,446,381	

* Includes capital spares having cost of Rs.143 million (2016: 106 million) and net book value of Rs. 93 million (2016: Rs 85 million).

** This represents adjustment to accumulated depreciation by eliminating it against gross carrying amount of the assets using elimination approach to incorporate revaluation impact.

4.2 Capital Work-In-Progress

	2017				2016			
	Cost As at 01 July 2016	Additions	(Transfers)	As at 30 June 2017	Cost As at 01 July 2015	Additions	(Transfers)	As at 30 June 2016
(Rupees in '000)								
Building	-	22,846	(22,846)	-	-	79,882	(79,882)	-
Plant and machinery	172,138	1,673,118	(765,252)	1,080,004	1,608,871	374,770	(1,811,503)	172,138
Furniture, fixture, computer and office equipment	-	30,124	(27,806)	2,318	693	4,701	(5,394)	-
Vehicle	1,503	44,433	(38,164)	7,772	-	33,030	(31,527)	1,503
	173,641	1,770,521	(854,068)	1,090,094	1,609,564	492,383	(1,928,306)	173,641

Notes to the Financial Statements

For the year ended 30 June 2017

4.2.1 Additions to plant and machinery include interest and other charges on loan obtained for expansion project amounting to Rs. Nil (2016: Rs. 24 million). Rate of mark-up capitalisation ranges from Nil to Nil per annum (2016: 5.5% to 8.98%).

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

	Note	2017 (Rupees in '000)	2016
Cost of sales	21	710,769	633,671
Administrative expenses	22	5,527	5,951
Selling and distribution expenses	23	4,030	3,321
Income from power generation	26.1	48,272	67,608
		768,598	710,551

4.4 The Company had carried out valuation of freehold land and buildings on freehold land as at 30 June 2016. The resulting revaluation surplus was credited to revaluation surplus account net of related tax effect and disclosed in note 14 to these financial statements. The valuation was conducted by an independent valuer. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value.

Had these assets been carried at historical cost at 30 June 2017, 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	1,239,880	322,673	917,207
As at 30 June 2017	2,076,479	322,673	1,753,806
As at 30 June 2016	2,053,633	267,233	1,786,400

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

	Original cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
	(Rupees in '000)					
Plant and machinery	6,217	1,895	4,322	5,217	Insurance Claim	Jubilee General Insurance
Vehicles						
Toyota Corolla	1,768	177	1,591	1,620	As per Company policy	Mr. Imran Taj
Honda City	1,418	1,134	284	968	As per Company policy	Mr. Mirza Aftab Baig
Suzuki Mehran	667	400	267	405	As per Company policy	Mr. Syed Suleman
Toyota Corolla	1,642	164	1,478	1,506	As per Company policy	Mr. Jahangir Ali Khan
Suzuki Mehran	683	250	433	484	Negotiation	Mrs. Sheeba Danish
Honda Civic Prosmatic	2,207	1,288	919	-	As per Company policy	Mr. Zaka Ullah Khan
Honda Civic Prosmatic	2,476	454	2,022	2,160	As per Company policy	Mr. Rashid Umer Siddiqui
Suzuki Cultus	990	808	182	612	As per Company policy	Mr. Nabeel Ganatra
Suzuki Cultus	1,048	646	402	800	As per Company policy	Mr. Muhammad Uzair
Suzuki Cultus	1,039	433	606	700	As per Company policy	Mrs. Sheeba Danish
Toyota Corolla	2,303	1,036	1,267	1,500	As per Company policy	Mr. Waqas Zubair
Toyota Corolla	1,628	787	841	1,450	Insurance Claim	Jubilee General Insurance
Suzuki Cultus	1,039	346	693	828	As per Company policy	Mr. Ashar Sartaj
Suzuki Cultus	1,039	277	762	-	As per Company policy	Mr. Akhtar Ali
Toyota Corolla	1,552	1,112	440	1,080	As per Company policy	Mr. Usman Ahmed
Toyota Corolla	1,537	333	1,204	1,525	As per Company policy	Mr. Yasir Sohail
Suzuki Cultus	1,039	571	468	790	As per Company policy	Mr. Shahid M. Sajid
Suzuki Cultus	1,019	764	255	750	As per Company policy	Mr. Muhammad Ashfaq
Honda City	1,537	154	1,383	1,530	Negotiation	Mr. Mubashir Ahmed
Various vehicles of book value up to Rs.50,000/- each	14,204	14,192	12	780	Negotiation	Various
	40,835	25,326	15,509	19,488		
Total	47,052	27,221	19,831	24,705		

Notes to the Financial Statements

For the year ended 30 June 2017

5 INTANGIBLE ASSETS

	2017							Rate% / Life
	Cost			Amortisation			Net book value as at 30 June 2017	
	As at 01 July 2016	Additions	As at 30 June 2017	As at 01 July 2016	For the year	As at 30 June 2017		
	----- (Rupees in '000) -----							
Computer software	17,691	4,015	21,706	17,691	112	17,803	3,903	33% / 3 years

	2016							Rate% / Life
	Cost			Amortisation			Net book value as at 30 June 2016	
	As at 01 July 2015	Additions	As at 30 June 2016	As at 01 July 2015	For the year	As at 30 June 2016		
	----- (Rupees in '000) -----							
Computer software	17,691	-	17,691	17,140	551	17,691	-	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	2017 (Rupees in '000)	2016
Stores		64,722	91,230
Spares		437,447	345,657
Loose tools		5,527	5,710
		507,696	442,597

7 STOCK-IN-TRADE

Raw material - in hand		3,028,194	2,192,576
Raw material - in transit		1,813,193	932,278
Work-in-process		1,190,872	546,887
Finished goods	21	3,505,587	1,602,250
Scrap Material		-	40,140
		9,537,846	5,314,131

8 TRADE DEBTS - considered good

- Secured	8.1	274,168	289,106
- Unsecured		489,875	231,695
		764,043	520,801

8.1 This represents trade debts arising on account of export sales of Rs. 183.52 million (2016: Rs. 239.09 million) which are secured by way of Export Letters of Credit and Rs. 90.65 million (2016: Rs. 50.02 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit.

8.2 Trade debts includes Rs. 9.56 million (2016: Rs. 91.40 million) receivable from related party. The balance is receivable from M/s. Sumitomo Corporation and is not over due as at 30 June 2017.

Notes to the Financial Statements

For the year ended 30 June 2017

			2017 (Rupees in '000)	2016
9	ADVANCES - considered good			
	Advances:			
	- to suppliers		48,463	35,059
	- to employees		-	10
			<u>48,463</u>	<u>35,069</u>
9.1	These advances are non-interest bearing.			
10	TRADE DEPOSITS AND PREPAYMENTS			
	Trade deposits		7,894	3,948
	Short term prepayments		14,639	6,280
	Other receivable		-	2,096
			<u>22,533</u>	<u>12,324</u>
10.1	The trade deposits and other receivable are non-interest bearing.			
10.2	Other receivable includes rent receivable from related party amounting to Rs. Nil (2016: Rs. 0.472 million).			
11	TAXATION - net	Note	2017 (Rupees in '000)	2016
	Tax receivable as at 01 July		1,550,697	1,396,122
	Tax (refunds) / payments during the year - net of adjustments		<u>(15,555)</u>	266,902
			1,535,142	1,663,024
	Less: Provision for tax - current year	27	<u>(918,585)</u>	(112,327)
			<u>616,557</u>	<u>1,550,697</u>
12	CASH AND BANK BALANCES			
	Cash in hand		84	145
	Cash at bank - in current accounts in local currency		38,130	9,121
	Cash at bank - in deposit accounts in foreign currency	12.1	<u>15,014</u>	28,349
			<u>53,228</u>	<u>37,615</u>
12.1	Mark-up rate on bank accounts ranges from 4% to 4.75% per annum (2016: 5% to 8% per annum). The deposits account are placed with bank under conventional banking arrangements.			
13	ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
	2017 (Number of shares)		2017 (Rupees in '000)	2016
	30,000	30,000	Fully paid ordinary shares of Rs. 10 each issued for cash	300
			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	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	172,533
	<u>435,000,000</u>	<u>435,000,000</u>	<u>4,350,000</u>	<u>4,350,000</u>

Notes to the Financial Statements

For the year ended 30 June 2017

- 13.1** As at 30 June 2017, the Holding Company and associated companies held 245,055,543 (2016: 245,055,543) and 39,477,659 (2016: 59,707,057) ordinary shares respectively of Rs. 10 each.

14 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax

	Note	2017 (Rupees in '000)	2016
Freehold land			
Balance as at 01 July		623,651	380,276
Revaluation during the year		-	243,375
		<u>623,651</u>	<u>623,651</u>
Buildings on freehold land			
Balance as at 01 July		500,924	250,350
Revaluation during the year		-	267,688
Transferred to retained earnings in respect of incremental depreciation charged during the year		(29,179)	(17,114)
		<u>471,745</u>	<u>500,924</u>
Related deferred tax liability		(141,523)	(150,277)
		<u>953,873</u>	<u>974,298</u>

15 LONG TERM FINANCES - secured

Long-term finances utilised under mark-up arrangements	15.1	4,818,345	4,743,989
Current portion of long term finances shown under current liabilities		(1,197,073)	(699,016)
		<u>3,621,272</u>	<u>4,044,973</u>

15.1 Long term finances utilised under mark-up arrangements

	Sale price (Rupees in '000)	Purchase price (Rupees in '000)	Number of instalments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2017 (Rupees in '000)	2016
<i>Conventional</i>							
i) Long Term Finance Facility (LTFF) - Local currency							
Assistance for plant and machinery (note 15.1.1)	1,000,000	4,675,000	32 quarterly instalments 16 October 2016	11 November 2026	1.00% over SBP Refinance rate	988,012	1,000,000
Assistance for plant and machinery (note 15.1.1)	1,000,000	2,501,562	16 half yearly instalments 12 December 2016	28 November 2026	1.00% over SBP Refinance rate	952,555	988,433
ii) Long Term Finance - Local currency							
Assistance for plant and machinery (note 15.1.2)	800,000	1,112,512	18 quarterly instalments 30 June 2016	01 September 2020	0.15% over 06 months KIBOR	577,778	755,556
iii) Long Term Finance - Local currency							
Assistance for plant and machinery (note 15.1.3)	1,000,000	1,610,411	60 equal monthly instalments 28 July 2016	28 June 2021	0.15% over 03 months KIBOR	800,000	1,000,000
<i>Islamic</i>							
iv) Long Term Finance - Local currency							
Assistance for plant and machinery (note 15.1.4)	1,000,000	1,743,300	01 half yearly & 14 quarterly instalments 26 December 2016	26 June 2020	0.20% over 06 months KIBOR	750,000	1,000,000
v) Long Term Finance - Local currency							
Assistance for plant and machinery (note 15.1.5)	1,000,000	1,098,867	36 equal monthly instalments 01 October 2016	01 September 2019	0.20% over 01 months KIBOR	750,000	-
						<u>4,818,345</u>	<u>4,743,989</u>

Notes to the Financial Statements

For the year ended 30 June 2017

- 15.1.1** This represents Long Term Finance Facility (LTFF) 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.
- 15.1.2** This finance has been obtained from MCB Bank 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 Bank AL Habib Limited and is secured by way of pari passu over fixed assets of the Company.
- 15.1.4** This finance has been obtained from Meezan Bank Limited and is secured by way of pari passu over fixed assets of the Company.
- 15.1.5** This finance has been obtained from Islamic window of Standard Chartered Bank (Pakistan) Limited and is secured by way of pari passu charge over fixed assets of the Company.

16 DEFERRED TAXATION - net

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

	2017 (Rupees in '000)	2016 (Rupees in '000)
Taxable temporary difference		
Accelerated tax depreciation	1,856,752	1,798,700
Deductible temporary differences		
Provision for unavailed leaves	(1,573)	(1,055)
Staff retirement benefits	(6,499)	(6,464)
Unrealised exchange losses	(292)	(2,166)
Provision for Infrastructure Cess and Government levies	(61,427)	(19,677)
Tax loss	-	(958,590)
Alternate corporate taxation	(330,540)	-
	1,456,421	810,748

17 TRADE AND OTHER PAYABLES

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Trade creditors	17.1	4,081,902	3,622,348
Derivative financial liabilities		-	8,286
Payable to provident fund		1,229	-
Sales commission payable		52,509	34,653
Accrued expenses		935,228	426,750
Advances from customers	17.2	390,740	177,170
Provision for infrastructure cess	17.3	519,204	362,076
Provision for government levies	17.4	257	409
Dividend payable		275,166	-
Unclaimed dividend		656	384
Short term compensated absences		5,928	4,000
Workers' Profit Participation Fund	17.5	-	13,817
Workers' Welfare Fund		140,452	41,337
Others		6,857	3,570
		6,410,128	4,694,800

- 17.1** Trade creditors includes Rs. 3,011.88 million (2016: Rs. 3,299.72 million) payable to a related party.
- 17.2** Advance from customers includes Rs. 0.15 million (2016: Rs. Nil) received from a related party.
- 17.3** This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 19.1.1).

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in '000)	2016
Opening balance		362,076	287,508
Provided during the year		157,128	74,568
Closing balance		<u>519,204</u>	<u>362,076</u>
17.4 Provision for government levies			
Opening balance		409	568
Payment during the year		(152)	(159)
Closing balance		<u>257</u>	<u>409</u>
17.5 Movement of Workers' Profit Participation Fund			
Opening balance		13,817	12,664
Allocation for the year	25	247,788	88,963
Interest on workers' profit participation fund		85	221
Payment during the year		(261,690)	(88,031)
Closing balance		<u>-</u>	<u>13,817</u>
18 SHORT TERM BORROWINGS - secured			
<i>Conventional</i>			
Running finance under mark-up arrangement	18.1	1,570,864	2,663,844
Running finance under Export Refinance Scheme	18.2	1,118,500	-
<i>Islamic</i>			
Short term finance under Running Musharakah	18.3	860,369	39,102
Short term finance under Term Musharakah	18.4	1,489,503	820,809
		<u>5,039,236</u>	<u>3,523,755</u>
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 6.08% to 8.00% (2016: 6.04% to 9.68%) per annum. These facilities mature within twelve months and are renewable.		
18.2	The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 2.15% (2016: 3.96%) per annum. These facilities mature within twelve months and are renewable.		
18.3	The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is 6.33% to 6.53% (2016: 6.55% to 7.18%) per annum. This facility matures within twelve months and is renewable.		
18.4	The Company has obtained facilities for short term finance under Term Musharakah. The rate of profit is 6.07% to 6.14% (2016: 6.07% to 6.58%) per annum. This facility matures within twelve months and is renewable.		
18.5	As at 30 June 2017, the unavailed facilities from the above borrowings amounted to Rs. 6,360.76 million (2016: Rs. 7,876.24 million).		
18.6	The above facilities are secured by way of joint and pari passu charges over current assets of the Company.		

Notes to the Financial Statements

For the year ended 30 June 2017

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by the petitioner, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs. 536.5 million (2016: Rs. 376.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been made for by the Company on prudent basis (Note 17.3).

19.1.2 In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During 2015, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act'), by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in these financial statements. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 739 million (2016: Rs. 633 million) pertaining to period from 01 July 2011 to 30 June 2017 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

19.1.3 Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 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 counsels' advice, considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the High Court of Sindh 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.

Notes to the Financial Statements

For the year ended 30 June 2017

Further, based on the tax expert's advice obtained during the year, accumulated minimum tax liability under Section 113 of the Income Tax Ordinance, 2001 (the Ordinance) of Rs. 431 million was determined from the tax years 2013 till 2015 and an amount of Rs. 248 million on account of Alternate Corporate Tax (ACT) for the tax year 2016 under Section 113(C) of the Ordinance. 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 65(B) of the Income Tax Ordinance, 2001, accumulated minimum tax liability and alternate corporate tax net of tax credit under section 65(B) amounting to Rs. 157 million has not been recorded in the financial statements for the year ended 30 June 2017.

19.1.4 Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Company has filed a suit in the High Court of Sindh (the Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the differential amount with the Nazir of the Court. The Company has deposited amount of Rs. 107.7 million as post dated cheques with the Nazir of the Court. The Company, on prudent basis, has also accrued this amount in these financial statements.

19.1.5 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 268.7 million (2016: Rs. 262.7 million) as a security for supply of gas.

19.1.6 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 5.5 million (2016: Rs. 5.5 million).

19.1.7 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2016: Rs. 8.67 million).

19.1.8 Guarantees issued in favour of Nazir High Court issued by bank on behalf of the Company amounted to Rs. 2.65 million (2016: Rs. 2.65 million).

19.2 Commitments

19.2.1 Capital expenditure commitments outstanding as at 30 June 2017 amounted to Rs. 3,016.6 million (2016: Rs. 320.07 million).

19.2.2 Commitments under Letters of Credit for raw materials and spares as at 30 June 2017 amounted to Rs. 4,616.45 million (2016: Rs. 6,578.36 million).

19.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 30 June 2017 amounted to Rs. 13,501.95 million (2016: Rs. 7,934.6 million) and Rs. 190 million (2016: Rs. 194 million) respectively.

20 NET SALES

	2017	2016
	(Rupees in '000)	
Local	35,625,125	21,577,681
Export	3,911,843	2,477,153
	<u>39,536,968</u>	<u>24,054,834</u>
Sales tax	(5,361,282)	(3,283,515)
Trade discounts	(20,950)	(50,019)
Sales commission	(422,114)	(229,203)
	<u>(5,804,346)</u>	<u>(3,562,737)</u>
	<u>33,732,622</u>	<u>20,492,097</u>

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in '000)	2016
21 COST OF SALES			
Opening stock of raw material and work-in-process		2,739,463	2,576,275
Purchases		29,651,958	16,292,785
Salaries, wages and benefits	21.1	401,788	327,394
Electricity, gas and water		975,516	912,178
Insurance		19,298	18,783
Security and janitorial		18,565	20,588
Depreciation	4.3	710,769	633,671
Amortisation	5	112	551
Stores and spares consumed		87,095	93,496
Repairs and maintenance		81,011	100,465
Postage, telephone and stationery		6,367	4,959
Vehicle, travel and conveyance		18,799	16,518
Internal material handling		16,789	13,782
Environment controlling expense		1,585	1,326
Computer stationery and software support fees		6,078	3,217
Partial manufacturing expenses	21.2	285,068	10,768
Sundries		18,301	8,902
Recovery from sale of scrap		(1,089,654)	(660,455)
		<u>33,948,908</u>	<u>20,375,203</u>
Closing stock of raw material and work-in-process		(4,219,066)	(2,739,463)
Cost of goods manufactured		<u>29,729,842</u>	<u>17,635,740</u>
Finished goods:			
Opening stock		1,602,250	1,552,343
Closing stock	7	(3,505,587)	(1,602,250)
		<u>(1,903,337)</u>	<u>(49,907)</u>
		<u>27,826,505</u>	<u>17,585,833</u>

21.1 Salaries, wages and benefits include Rs. 18.08 million (2016: Rs. 18.24 million) in respect of staff retirement benefits.

21.2 Due to undergoing expansion during the year, the Company has entered into a partial manufacturing arrangement with its Holding Company.

	Note	2017 (Rupees in '000)	2016
22 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	22.1	129,910	98,712
Rent, rates and taxes		5,821	4,124
Electricity, gas and water		2,118	1,223
Insurance		1,657	2,064
Depreciation	4.3	5,527	5,951
Security and janitorial services		491	513
Printing and stationery		2,250	1,775
Computer stationery and software support fees		48	104
Postage and communication		701	688
Vehicle, travel and conveyance		5,468	5,285
Legal and professional charges		43,902	33,475
Certification and registration charges		6,033	540
Directors' fee		3,660	3,540
Others		7,290	3,485
		<u>214,876</u>	<u>161,479</u>

Notes to the Financial Statements

For the year ended 30 June 2017

22.1 Salaries, wages and benefits include Rs. 5.91 million (2016: Rs. 3.28 million) in respect of staff retirement benefits.

	Note	2017	2016
		(Rupees in '000)	
23 SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits	23.1	68,612	48,836
Rent, rates and taxes		10,514	8,674
Electricity, gas and water		2,174	1,331
Insurance		673	821
Depreciation	4.3	4,030	3,321
Postage, telephone and stationery		2,063	1,722
Vehicle, travel and conveyance		11,358	10,493
Freight and forwarding charges		206,722	110,436
Sales promotion		17,065	15,350
Others		10,583	5,878
		333,794	206,862

23.1 Salaries, wages and benefits include Rs. 3.83 million (2016: Rs. 3.1 million) in respect of staff retirement benefits.

	Note	2017	2016
		(Rupees in '000)	
24 FINANCIAL CHARGES			
Mark-up on:			
- long term borrowings		323,501	438,616
- short term borrowings		122,921	214,916
	24.1	446,422	653,532
Bank charges		9,963	8,957
Interest on WPPF		85	221
Exchange (gain) / loss on FE financing		(970)	68,815
		455,500	731,525

24.1 It includes mark-up under shariah compliant arrangements amounting to Rs. 145.99 million (2016: Rs. 71.28 million).

	Note	2017	2016
		(Rupees in '000)	
25 OTHER OPERATING CHARGES			
Auditors' remuneration	25.1	2,106	2,063
Donations	25.2	44,459	8,690
Workers' Profit Participation Fund	17.5	247,788	88,963
Workers' Welfare Fund		99,115	35,585
Loss on derivative financial instruments		31,483	27,572
Exchange loss - net		-	101,802
		424,951	264,675

25.1 Auditors' remuneration

Audit fee	1,336	1,254
Half yearly review	381	358
Other services including certifications	117	110
Sales tax	147	184
Out of pocket expenses	125	157
	2,106	2,063

Notes to the Financial Statements

For the year ended 30 June 2017

25.2 Donations

Donations in which directors are interested, are as follows:

Name of Director	Interest in Donee	Name and address of the Donee	Amount donated	
			2017	2016
			(Rupees in '000)	
Mr. Samir M. Chinoy	Chairman	Amir Sultan Chinoy Foundation 101, Beaumont Plaza, 10 Beaumont Road, Karachi	5,000	5,833
Mr. Kemal Shoaib	Director	Public Interest Law Association of Pakistan-PILAP 18-C, Office No. 202, Zamzama Commercial Lane No. 2, Phase V, D.H.A, Karachi	500	-
Syed Salim Raza	Trustee	Layton Rehmatullah Benevolent Trust 37-C, Sunset Lane No. 4 Phase II Extension, 24th Commercial Street D.H.A, Karachi	2,000	-
Mr. Riyaz T. Chinoy	Trustee	LITE Development and Management Company Plot No. HG-9D Improvement Scheme No. 3 Landhi Industrial Area, Karachi	-	88
			7,500	5,921

26 OTHER INCOME

	Note	2017	2016
		(Rupees in '000)	
Income from non financial assets			
Income from power generation	26.1	42,594	38,241
Recovery of shared resources cost	26.2	40,961	32,920
Gain on sale of property, plant and equipment		4,874	8,121
Rental income	26.3	1,932	1,962
Exchange gain - net		11,331	-
Others		28,578	31,162
		130,270	112,406
Income / return on financial assets			
- Interest on bank deposit - conventional		1,508	367
		131,778	112,773

26.1 Income from power generation

Net sales		422,898	444,205
Cost of electricity produced:			
Salaries, wages and benefits	26.1.1	19,854	18,010
Electricity, gas and water		798,540	750,873
Depreciation	4.3	48,272	67,608
Stores and spares consumed		21,783	21,046
Repairs and maintenance		23,685	45,797
Sundries		1,606	1,336
		913,740	904,670
Less: Self consumption		(533,436)	(498,706)
		380,304	405,964
Income from power generation		42,594	38,241

26.1.1 Salaries, wages and benefits include Rs. 0.96 million (2016: Rs. 0.68 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.

Notes to the Financial Statements

For the year ended 30 June 2017

26.2 This represents utilities supplied to Holding Company and is recognised based on the terms of the agreement with the Holding Company.

26.3 This represents rental income earned through renting of office premise to associated concern and recognize on straight line basis over the terms of the arrangement.

	Note	2017 (Rupees in '000)	2016
27 TAXATION - net			
Current - for the year		782,265	112,327
- for prior years		136,320	-
	11	918,585	112,327
Deferred		646,167	363,205
		<u>1,564,752</u>	<u>475,532</u>

27.1 Relationship between income tax expense and accounting profit

Profit before taxation	<u>4,608,774</u>	1,654,496
Tax at the enacted tax rate of 31% (2016: 32%)	1,428,720	529,439
Effect on income under final tax regime	(126,259)	(30,575)
Effect of adjustments on account of change in rates and proportionate etc.	(26,153)	(23,203)
Effect of tax on reduced rate	570,583	-
Effect of super tax	(126,434)	-
Effect of prior year taxation	(136,320)	-
Others	(19,385)	(129)
	<u>1,564,752</u>	<u>475,532</u>

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

The Board of Directors in their meeting held on 15 August 2017 have recommended sufficient cash dividend for the year ended 30 June 2017 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2017.

28 EARNINGS PER SHARE - BASIC AND DILUTED

	2017 (Rupees in '000)	2016
Profit after taxation for the year	<u>3,044,022</u>	1,178,964
	(Number)	
Weighted average number of ordinary shares in issue during the year	<u>435,000,000</u>	435,000,000
	(Rupees)	
Earnings per share	<u>7.00</u>	2.71

Notes to the Financial Statements

For the year ended 30 June 2017

29 CHANGES IN WORKING CAPITAL

	2017	2016
	(Rupees in '000)	
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(65,099)	(93,020)
Stock-in-trade	(3,342,800)	(238,078)
Trade debts	(243,242)	(158,337)
Receivable from K-Electric Limited ('KE')	(2,474)	16,382
Advances	(13,394)	12,849
Trade deposits, short term prepayments and other receivables	(10,209)	2,811
Sales tax receivable	(724,029)	(371,964)
	<u>(4,401,247)</u>	<u>(829,357)</u>
<i>Increase in current liabilities</i>		
Trade and other payables	557,047	1,785,198
	<u>(3,844,200)</u>	<u>955,841</u>

30 STAFF RETIREMENT BENEFITS

30.1 Staff Provident fund

Salaries, wages and benefits include Rs. 12.56 million (2016: Rs. 11.26 million) in respect of provident fund contribution.

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

	2017	2016
	(Rupees in '000)	
Size of the fund - Total assets	<u>114,399</u>	<u>91,374</u>
Cost of investments made	<u>98,183</u>	<u>81,114</u>
Percentage of investments made	<u>96.8%</u>	<u>99.7%</u>
Fair value of investments	<u>110,742</u>	<u>91,059</u>

The break-up of fair value of investments is:

	2017		2016	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Government securities	86,024	77.68%	69,729	76.58%
Debt securities	-	0.00%	-	0.00%
Equity shares	24,718	22.32%	21,330	23.42%
	<u>110,742</u>	<u>100%</u>	<u>91,059</u>	<u>100%</u>

Notes to the Financial Statements

For the year ended 30 June 2017

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 Staff Gratuity fund

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

The following significant assumptions has been used:

	2017	2016
Financial assumptions		
Rate of discount	9.25%	9.00%
Expected rate of salary increase	8.25%	8.00%

Demographic assumptions

	SLIC 2001-2005	SLIC 2001-2005
Mortality rate	Moderate	Moderate
Rates of employee turnover	Age 60 years	Age 60 years
Retirement assumption		

2017 2016
(Rupees in '000)

The amounts recognised in balance sheet are as follows:

Present value of defined benefit obligation	98,758	75,829
Fair value of plan assets	(75,180)	(51,333)
Liability as at 30 June	23,578	24,496

Movements in the present value of defined benefit obligation

Present value of defined benefit obligation - beginning of the year	75,829	58,676
Current service cost	14,867	12,566
Interest cost	6,638	5,976
Remeasurements: Actuarial losses on obligation	5,569	2,094
Benefits paid	(4,145)	(3,483)
Present value of defined benefit obligation	98,758	75,829

Movements in the fair value of plan assets

Fair value of plan assets - beginning of the year	51,333	37,990
Interest income on plan assets	5,279	4,403
Return on plan assets, excluding interest income	3,924	1,051
Benefits paid	(4,145)	(3,483)
Contribution to fund	18,789	11,372
Fair value of plan assets	75,180	51,333

Movement in net defined benefit liability

Opening balance	24,496	20,686
Re-measurements recognised in other comprehensive income during the year	1,645	1,043
Expense chargeable to profit and loss account	16,226	14,139
Contribution paid during the year	(18,789)	(11,372)
Closing balance	23,578	24,496

Notes to the Financial Statements

For the year ended 30 June 2017

Amount recognised in total comprehensive income

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

	2017 (Rupees in '000)	2016
Component of defined benefit costs recognised in profit and loss account		
Current service cost	14,867	12,566
Net interest cost		
- Interest cost on defined benefit obligation	6,638	5,976
- Return on plan assets	(5,279)	(4,403)
	16,226	14,139
Component of defined benefit costs (re-measurement) recognised in other comprehensive income		
Re-measurements: Actuarial (gain) / loss on obligation		
- Loss due to change in experience adjustments	5,569	2,094
- Return on plan assets	(3,924)	(1,051)
Net re-measurement recognised in other comprehensive income	1,645	1,043
Total defined benefit cost recognised in profit and loss account and other comprehensive income	17,871	15,182

Components of defined benefit cost for the next year

Current service cost	17,446	14,867
Interest expense on defined benefit obligation	8,829	6,580
Return on plan assets	(5,312)	(4,887)
Net interest cost	3,517	1,693
Cost for the next year to be recognised in profit and loss	20,963	16,560

Composition of fair value of plan assets

	2017		2016	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Government securities	51,901	69%	35,311	69%
Shares - Listed	18,882	25%	15,104	29%
Bank deposits	4,397	6%	918	2%
Fair value of plan net assets	75,180	100%	51,333	100%

Sensitivity analysis on significant actuarial assumptions: Actuarial Liability

	2017 (Rupees in '000)	2016
Discount rate + 100 basis points	88,358	67,775
Discount rate - 100 basis points	111,167	85,465
Salary increases + 100 basis points	111,362	85,621
Salary increases - 100 basis points	88,008	67,499

(Number in years)

Weighted average duration of the Defined Benefit Obligation	12	12
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The sensitivity analysis prepared presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Financial Statements

For the year ended 30 June 2017

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	17,182	42,359	126,709	18,916	18,797	107,521
Bonus	5,727	2,192	33,285	4,849	-	30,313
Retirement benefits	2,352	833	12,200	1,835	-	10,888
Rent, utilities, leave encashment etc.	8,800	3,719	55,923	7,438	198	48,825
	34,061	49,103	228,117	33,038	18,995	197,547
Number of persons	1	2	83	2*	1	70

* As at 30 June 2016 number of Chief Executive was one.

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

31.2 Fee paid to non-executive directors is Rs. 3.66 million (2016: Rs. 3.54 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 without considering the fair value of the collateral available there against.

Notes to the Financial Statements

For the year ended 30 June 2017

Exposure to credit risk

The Carrying amount of respective financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2017	2016
	(Rupees in '000)	
Trade debts - secured	274,168	289,106
Trade debts - unsecured	489,875	231,695
Receivable from K-Electric Limited (KE)	42,987	40,513
Trade deposits and other receivables	7,894	6,044
Bank balances	53,144	37,470
	868,068	604,828

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

32.1.1 Trade debts and receivable from K-Electric (KE) amounting to Rs. 142.4 million (2016: Rs. 93.3 million) at the balance sheet date belong only to domestic region whereas trade debts amounting to Rs. 664.7 million (2016: Rs. 467.95 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 was:

	2017		2016	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	795,605	-	553,958	-
Past due 1-60 days	11,425	-	4,148	-
Past due 61 days -1 year	-	-	3,208	-
Total	807,030	-	561,314	-

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

Notes to the Financial Statements

For the year ended 30 June 2017

Concentration of credit risk

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

32.2 Liquidity risk

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

	2017					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	4,818,345	(6,753,591)	(818,578)	(1,706,204)	(3,849,988)	(378,821)
Short-term borrowings	5,039,236	(5,039,236)	(5,039,236)	-	-	-
Accrued mark-up	69,140	(69,140)	(69,140)	-	-	-
Trade and other payables	4,081,902	(4,081,902)	(4,081,902)	-	-	-
	<u>14,008,623</u>	<u>(15,943,869)</u>	<u>(10,008,856)</u>	<u>(1,706,204)</u>	<u>(3,849,988)</u>	<u>(378,821)</u>
Derivative financial liabilities	-	-	-	-	-	-
	<u>14,008,623</u>	<u>(15,943,869)</u>	<u>(10,008,856)</u>	<u>(1,706,204)</u>	<u>(3,849,988)</u>	<u>(378,821)</u>

Notes to the Financial Statements

For the year ended 30 June 2017

	2016					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term financing	4,743,989	(6,207,983)	(516,637)	(511,496)	(3,950,134)	(1,229,716)
Short-term borrowings	3,523,755	(3,523,755)	(3,523,755)	-	-	-
Accrued mark-up	43,714	(43,714)	(43,714)	-	-	-
Trade and other payables	3,622,732	(3,622,732)	(3,622,732)	-	-	-
	<u>11,934,190</u>	<u>(13,398,184)</u>	<u>(7,706,838)</u>	<u>(511,496)</u>	<u>(3,950,134)</u>	<u>(1,229,716)</u>
Derivative financial liabilities	8,286	(8,286)	(8,286)	-	-	-
	<u>11,942,476</u>	<u>(13,406,470)</u>	<u>(7,715,124)</u>	<u>(511,496)</u>	<u>(3,950,134)</u>	<u>(1,229,716)</u>

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 respective notes 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:

	2017		2016	
	Rupees	US Dollars	Rupees	US Dollars
	(Amounts in '000)			
Trade debts and bank balance in foreign currency	679,696	6,486	496,297	4,742
Trade creditors	(3,129,838)	(29,814)	(3,452,192)	(32,925)
Balance sheet exposure	<u>(2,450,142)</u>	<u>(23,328)</u>	<u>(2,955,895)</u>	<u>(28,183)</u>

Notes to the Financial Statements

For the year ended 30 June 2017

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2017	2016	2017	2016
	(Rupees)			
US Dollars to PKR	104.98	104.37	104.79/104.98	104.67/104.85

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased the profit by Rs. 161.8 million (2016: Rs. 380.54 million). This analysis assumes that all other variables, in particular interest rates, remain constant and the analysis is performed on the same basis as done in prior year.

32.3.2 Interest rate risk

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

a) Cash flow sensitivity analysis for variable rate instruments

The Company holds various variable rate financial instruments amounting to Rs. 7,917 million (2016: Rs. 6,279 million) exposing the Company to cashflow interest rate risk. A change of 100 basis points as at 30 June 2017 would have increased / (decreased) profit after tax and equity for the year by Rs. 55.43 million (2016: Rs. 44.74 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.

33 MEASUREMENT OF FAIR VALUES

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and financial liabilities.

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2017

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

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

30 June 2017						
	Carrying amount			Fair Value		
	Loan and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets not measured at fair value	----- (Rupees in '000) -----					
Trade debts	807,030	-	-	-	-	-
Deposits and other receivable	7,894	-	-	-	-	-
Cash and bank balances	53,228	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	-	3,621,272	-	-	-
Current maturity of long term financing	-	-	1,197,073	-	-	-
Trade and other payables	-	-	4,082,558	-	-	-
Short term borrowings	-	-	5,039,236	-	-	-
30 June 2016						
	Carrying amount			Fair Value		
	Loan and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets not measured at fair value	----- (Rupees in '000) -----					
Trade debts	561,314	-	-	-	-	-
Deposits and other receivable	6,044	-	-	-	-	-
Cash and bank balances	37,615	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	-	4,044,973	-	-	-
Current maturity of long term financing	-	-	699,016	-	-	-
Trade and other payables	-	8,286	3,622,732	-	8,286	-
Short term borrowings	-	-	3,523,755	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2017

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit asset and long term liabilities, management consider that their carrying values approximates fair value owing to credit standing of counterparties.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

Assets measured at fair value:	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Revalued property, plant and equipment</i>			
Land and Building	30 June 2016	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.
<i>Liabilities measured at fair value</i>			
<i>Derivative financial liabilities</i>			
Forward exchange contract		The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date. The fair value of forward exchange contract are included in level 2 in the fair value hierarchy.	Management does not expect material sensitivity to the fair values arising from the non-observable inputs.

The fair value of land and buildings is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value is provided below:

	2017	2016
	(Rupees in '000)	
Opening net book value	2,910,975	2,294,705
Additions / adjustment during the year	22,846	176,372
Depreciation for the year	(84,619)	-
Revaluation during the year	-	439,898
Closing net book value	2,849,202	2,910,975

34 CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Company intends to manage its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

35 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the Holding Company, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. The contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements.

Notes to the Financial Statements

For the year ended 30 June 2017

Details of transactions with related parties are as follows:

	2017 (Rupees in '000)	2016
Holding Company		
Transactions		
Sales	7,091,011	2,495,708
Purchases	62,050	3,933
Office rent	10,125	10,556
Recovery of shared resources cost	40,961	32,920
Reimbursement of expenses	3,484	2,761
Partial manufacturing - Sales	28	4,593
Partial manufacturing - Purchases	304,009	12,599
Corporate ,legal, marketing & IT services	10,161	4,493
Dividend paid	918,958	-
Associated companies / undertaking		
Sales	662,432	428,211
Purchases	15,483,463	9,697,194
Dividend paid	138,172	-
Rental income	1,932	1,962
Associated Person		
Sales commission	210	446
Key Management Personnel		
Remuneration	182,710	118,787
Staff retirement benefits	16,138	5,782
Staff Retirement Fund		
Contribution paid - Provident Fund	12,556	11,265
Contribution paid - Gratuity Fund	18,789	11,372
36 ANNUAL PRODUCTION CAPACITY	2017	2016
	(Metric Tonnes)	
The production capacity at the year end was as follows:		
Galvanizing	462,000	462,000
Cold rolled steel strip	550,000	550,000
Colour coated	84,000	84,000
The actual production for the year was:		
Galvanizing	312,886	252,910
Cold rolled steel strip	464,023	370,811
Colour coated	9,345	9,963

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

37 OPERATING SEGMENT

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

Notes to the Financial Statements

For the year ended 30 June 2017

37.2 Revenue from sales of steel products represents 99% (2016: 98%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanizing plant and Cold Rolling Plant and currently any excess electricity is sold to KE.

37.3 All non current assets of the Company as at 30 June 2017 are located in Pakistan.

37.4 90% (2016: 90%) of sales of steel are domestic sales whereas 10% (2016: 10%) of sales are export / foreign sales.

37.5 Geographic Information

	2017	2016
	(Rupees in '000)	
Domestic Sales	35,625,125	21,577,681
Export Sales	3,911,843	2,477,153
	<u>39,536,968</u>	<u>24,054,834</u>

38 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2017	2016
	(Number of employees)	
Average number of employees during the year	563	551
Number of employees as at 30 June	<u>567</u>	<u>570</u>

39 GENERAL

39.1 Non-adjusting event after balance sheet date


The Board of Directors of the Company in their meeting held on 15 August 2017 has proposed a final cash dividend of Rs. 1.00 per share amounting to Rs. 435 million (2016: Rs. 1.25 per share amounting to Rs. 543.75 million) for the year ended 30 June 2017. The approval of the shareholders of the Company for the dividend shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2017. The financial statements for the year ended 30 June 2017, do not include the effect of the proposed final cash dividend which will be accounted for in the year ending 30 June 2018.

39.2 Corresponding figures

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.

40 DATE OF AUTHORISATION FOR ISSUE

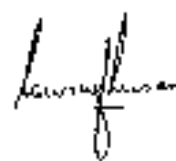
These financial statements were authorised for issue on 15 August 2017 by the Board of Directors of the Company.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Tauqir Hasan
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

The image shows a complex industrial piping system. In the foreground, there are several bright yellow pipes with various fittings, valves, and flanges. Some of these pipes run vertically, while others curve horizontally. In the background, there are larger, silver-colored pipes and structural elements of a building, possibly a refinery or chemical plant. A semi-transparent green triangular overlay is positioned on the right side of the image, containing the text "Stakeholders Information" in white. The overall scene is brightly lit, suggesting an outdoor or well-lit indoor environment.

Stakeholders Information

Pattern of Shareholding

As at June 30, 2017

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
311	1	100	6,892	0.0016
1,112	101	500	538,425	0.1238
862	501	1,000	849,327	0.1952
1,193	1,001	5,000	3,356,812	0.7717
330	5,001	10,000	2,671,648	0.6142
125	10,001	15,000	1,623,293	0.3732
79	15,001	20,000	1,457,957	0.3352
67	20,001	25,000	1,581,752	0.3636
37	25,001	30,000	1,058,023	0.2432
20	30,001	35,000	666,016	0.1531
28	35,001	40,000	1,080,000	0.2483
14	40,001	45,000	608,631	0.1399
35	45,001	50,000	1,733,409	0.3985
45	50,001	75,000	2,886,127	0.6634
43	75,001	100,000	3,972,146	0.9132
17	100,001	125,000	1,965,795	0.4519
15	125,001	150,000	2,110,998	0.4853
11	150,001	175,000	1,746,600	0.4015
14	180,001	200,000	2,739,509	0.6298
8	200,001	225,000	1,704,000	0.3917
6	225,001	250,000	1,462,549	0.3363
13	250,001	300,000	3,614,308	0.8307
11	300,001	350,000	3,584,873	0.8240
6	355,001	385,000	2,228,110	0.5122
14	400,001	500,000	6,566,250	1.5096
7	515,001	605,000	3,984,372	0.9159
8	605,001	700,000	5,284,294	1.2147
7	700,001	800,000	5,132,000	1.1798
6	815,001	1,000,000	5,246,600	1.2061
7	1,025,001	1,145,000	7,665,300	1.7621
5	1,285,001	1,485,000	7,016,700	1.6131
3	1,535,001	1,750,000	4,887,100	1.1235
3	1,810,001	1,950,000	5,657,500	1.3006
1	2,050,001	2,055,000	2,055,000	0.4724
1	2,060,001	2,065,000	2,061,500	0.4739
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	2,210,001	2,215,000	2,213,000	0.5087
1	2,220,001	2,225,000	2,222,000	0.5108
1	2,960,001	2,965,000	2,961,500	0.6808
1	2,980,001	2,985,000	2,983,344	0.6858
1	3,195,001	3,200,000	3,198,000	0.7352
1	3,245,001	3,250,000	3,248,000	0.7467
1	3,400,001	3,405,000	3,400,500	0.7817
1	4,595,001	4,600,000	4,600,000	1.0575
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
4,477			435,000,000	100.000

Categories of Shareholders

As at June 30, 2017

PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE
Sponsor / Holding Company & Nominee Directors	10	245,055,543	56.335
Directors & Spouses	15	15,677,493	3.604
Govt. Financial Institutions	1	1,380,500	0.317
Banks, DFI & NBFI	12	8,122,900	1.867
Insurance Companies	14	4,561,639	1.049
Mutual Funds	82	36,176,965	8.317
Public Companies/Trusts & Others	187	16,278,708	3.742
Strategic Investors	1	39,477,657	9.075
Foreign Companies	25	25,313,063	5.819
Modarabas	4	52,500	0.012
General Public / Individuals - Local	3,926	38,615,170	8.877
General Public / Individuals - Foreign	200	4,287,862	0.986
TOTAL	4,477	435,000,000	100.000

Key Shareholding

As at June 30, 2017

Information on shareholding required under reporting framework is as follows:

	No. of Shareholder	No. of Shares	%
Sponsor / Holding Company			
International Industries Ltd.	10	245,055,543	56.335
Directors & spouses	9	10,505,493	2.415
Government Financial Institutions			
CDC - Trustee National Investment (Unit) Trust	1	1,380,500	0.317
Strategic Investors			
Sumitomo Corporation	1	39,477,657	9.075
Foreign Corporate Investors			
JFE Steel Corporation	1	20,626,500	4.742
Others	2	753,000	0.173
		21,379,500	4.915
Executives	3	52,591	0.012

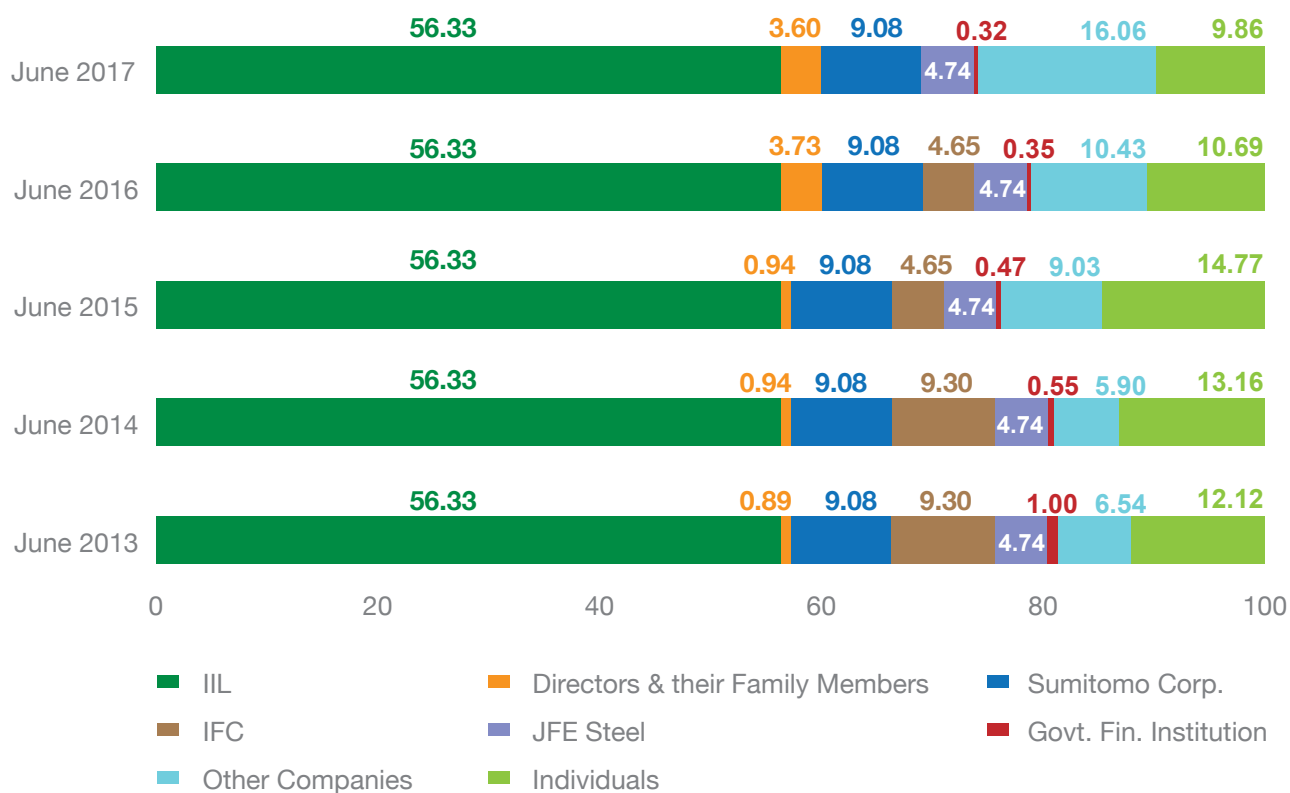
Members having 5% or more of voting rights

Name of Shareholder	No. of Shares	%
International Industries Ltd.	245,055,534	56.3346
Sumitomo Corporation	39,477,657	9.0753

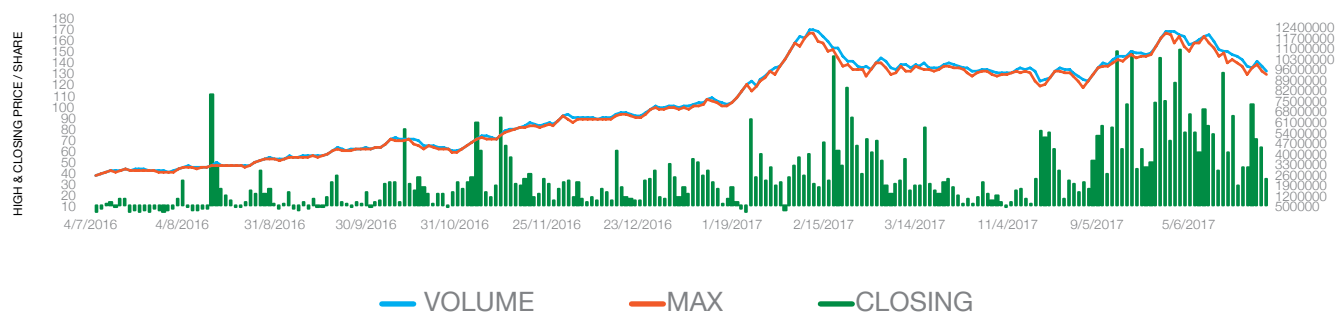
Shares Trading by Directors / Executives

281,000 shares were traded by Directors/Executive of the Company during the financial year July 1, 2016 to June 30, 2017.

Shareholding Composition



ISL SHARE PRICES - TREND V/S VOLUME TRADED FY 2016-17



Notice of Annual General Meeting

For the year ended June 30, 2017

Notice is hereby given to the Members that the 10th Annual General Meeting of the Company will be held on September 26, 2017 at 11:00 a.m. at the Jasmine hall, Beach Luxury Hotel, Off: M.T. Khan Road, Karachi to transact the following business:

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2017 and the Directors' Report and Auditors' Report therewith.
2. To Consider and approve payment of Rs.1.0 (10%) per share as final cash dividend in addition to 25% interim cash dividend announced and paid, making a total dividend of Rs.3.5 (35%) per share for the financial year ended June 30, 2017 as recommended by the Board of Directors.
3. To appoint auditors for the year 2017-2018 and fix their remuneration.
4. To transact with the permission of the Chair, any other business which may be transacted at an Annual General Meeting.

SPECIAL BUSINESS

5. To approve transmission of annual audited financial statements, auditor's report and directors report etc. (annual audited accounts) to the Company's shareholders through CD/DVD/USB at their registered address as allowed by the Securities and Exchange Commission of Pakistan by their SRO No.470(I)/2016 dated May 31, 2016.

"RESOLVED THAT the Company be and is hereby allowed to transmit its annual audited financial statements, auditor's report and directors report etc. (annual audited accounts) to the Company's shareholders at their registered addresses in the form of soft copies in CD/DVD/USB instead of transmitting the annual audited accounts in printed copy as allowed by the Securities and Exchange Commission of Pakistan via SRO No.470(I)/2016 dated May 31, 2016."

By Order of the Board



FAUZIA NOORANI
Company Secretary

Karachi

Dated: August 15, 2017

NOTES

1. The Share Transfer Books of the Company shall remain closed from September 16, 2017 to September 26, 2016 (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.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT. 2017 - ITEM-5

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the company to be held on, September 26, 2017.

The Securities and Exchange Commission of Pakistan by their SRO No.470(I)/2016 dated May 31, 2016 allowed to transmit its annual audited financial statements, auditor's report and directors report etc. to the Company's shareholders at their registered addresses in the form of soft copies in CD/DVD/USB instead of transmitting the annual audited accounts in printed copy, provided consent of shareholders has been obtained in a general meeting and an option of hard copy of the same information is offered to any interested shareholder.

To proceed towards paperless environment and to fulfill the responsibility towards environment, the International Steels Limited has sought approval of shareholders to issue & dispatch its annual financial statements through CD/DVD/USB at registered addresses of the members.

E-DIVIDEND

As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s THK Associates (Pvt) Ltd. E-Dividend mandate form is enclosed.

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

UNCLAIMED DIVIDENDS & BONUS SHARES

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

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

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 Statement and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s THK Associates (Pvt) Ltd., at 40-C, Block 6, P.E.C.H.S., Off: Shahrah-e-Faisal, Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven days of receipt of such request.

FILER AND NON FILER STATUS

- i) The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a)	For filers of income tax returns	15.0%
b)	For non-filers of income tax returns	20.0%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL on or before the date of approval of cash dividend at the Annual General Meeting on September 26, 2017 otherwise tax on their cash dividend will be deducted @ 20% instead of @ 15%.

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

ISL Shares Department	ISL Shares Registrar
Mr. Mohammad Irfan Bhatti	THK Associates (Pvt) Ltd.
021-35680045 – 54	021-111-000-322
irfan.bhatti@isl.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 members having physical shares 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.

اجلاس کی اطلاع اور سالانہ اکاؤنٹس کی ترسیل

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

فائل اور نان فائل کی حیثیت

(i) حکومت پاکستان نے فنانس ایکٹ 2017 کے ذریعہ انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 میں بعض ترامیم کی ہیں جس کے مطابق کمپنیوں کے ڈیویڈنڈ کی ادائیگی کی رقم پر وہ ہولڈنگ ٹیکس کی کٹوتی کرنے کی مختلف شرح مقرر کی گئی ہے جو درج ذیل کے مطابق ہے:

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

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

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

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

THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

021-111-000-322

info@thk.com.pk

جناب محمد عرفان بھٹی

021-35680045-54

irfan.bhatti@isl.com.pk

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

کمپنیز ایکٹ 2017 کے سیکشن (3) 134 کے تحت اسٹیٹمنٹ - آئیٹم 5

یہ اسٹیٹمنٹ 26 ستمبر 2017 کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں خصوصی امور کی انجام دہی سے متعلق بنیادی حقائق کا حصہ ہے۔

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او نمبر 470(I)/2016 مجریہ 31 مئی 2016 میں کمپنی کے شیئر ہولڈرز کو سالانہ آڈٹ شدہ مالیاتی گوشوارے، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ شیئر ہولڈرز کو سالانہ آڈٹ شدہ اکاؤنٹس کی شائع شدہ کاپی کی صورت میں بھیجنے کی بجائے سافٹ کاپی کی شکل میں بذریعہ CD/DVD/USB، ان کے رجسٹرڈ پتوں پر ارسال کرنے کی اجازت دی ہے بشرطیکہ سالانہ اجلاس میں شیئر ہولڈرز کی رضامندی حاصل کر لی گئی ہو۔ اس کے علاوہ انہی معلومات کی کتاب خواہشمند شیئر ہولڈر کو فراہم کرنے کی سہولت بھی پیش کی جائے۔

بنا کاغذ ماحول کے طریقہ کار کیلئے پیش رفت اور ماحولیات کے تحفظ کی ذمہ داری نبھانے کیلئے انٹرنیشنل اسٹیلز لمیٹڈ ممبرز کو سالانہ مالیاتی گوشوارے CD/DVD/USB کے ذریعہ ان کے رجسٹرڈ پتے پر ارسال اور جاری کرنے کیلئے شیئر ہولڈرز کی منظوری کی خواہاں ہے۔

ای-ڈیویڈنڈ

کمپنیز ایکٹ 2017 کے سیکشن 242 کی رو سے پبلک لسٹڈ کمپنی نقد کی صورت میں ڈیویڈنڈ اہل شیئر ہولڈرز کو الیکٹرونک نظام کے ذریعہ ان کے متعلقہ بینک اکاؤنٹ میں بھیجنے کی پابند ہے۔ اس سلسلے میں شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے بینک اکاؤنٹ کی تفصیلات اپنے شرکاء کے ذریعہ سینٹرل ڈپازٹری سسٹم میں اپ ڈیٹ کروادیں۔ فزیکل شیئر ہونے کی صورت میں بینک کی تفصیلات ہمارے شیئر رجسٹرار میسرز THK ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو فراہم کر دیں۔ ای-ڈیویڈنڈ مینڈیٹ فارم منسلک ہے۔

غیر کلیم شدہ ڈیویڈنڈ اور بونس شیئرز

وہ شیئر ہولڈرز جو کسی نہ کسی وجہ سے اپنے ڈیویڈنڈ اور بونس شیئرز کا کلیم نہ کر سکے یا اپنے فزیکل شیئرز وصول نہ کر سکے، ان سے گزارش ہے کہ وہ غیر کلیم شدہ ڈیویڈنڈ یا التوا شدہ شیئرز، اگر کوئی ہیں، حاصل کرنے/ان کی معلومات کیلئے ہمارے شیئر رجسٹرار میسرز THK ایسوسی ایٹس پرائیویٹ لمیٹڈ سے رابطہ کریں۔

برائے مہربانی نوٹ فرمائیں کہ کمپنیز ایکٹ 2017 سے سیکشن 244 کے مطابق تمام کارروائیاں مکمل کرنے کے بعد تمام ڈیویڈنڈز جن کا ادائیگی کی تاریخ سے تین سال کی مدت تک کوئی کلیم نہ کیا گیا ہو، وفاقی حکومت کے کھاتے میں جمع کرا دیئے جائیں گے اور شیئرز کی صورت میں سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کو پہنچا دیئے جائیں گے۔

نوٹس

- ۱۔ کمپنی کی شیئر ٹرانسفر بکس مورخہ 16 ستمبر 2017 تا 26 ستمبر 2017 (بشمول دونوں ایام) بند رہیں گی۔
- ۲۔ کوئی ممبر جو اجلاس عام میں شرکت کرنے اور ووٹ ڈالنے کا حقدار ہے، وہ اپنی جگہ دوسرے ممبر کو شرکت کرنے اور ووٹ ڈالنے کیلئے پراکسی مقرر کرنے کا اختیار رکھتا ہے۔
- ۳۔ پراکسی مقرر کرنے کی دستاویز اور پاور آف اٹارنی یا کوئی اور اتھارٹی جس پر اس تقرر کیلئے دستخط ہوں یا پاور آف اٹارنی کی نوٹری کے ذریعہ تصدیق شدہ کاپی کمپنی کے رجسٹرڈ دفتر میں اجلاس شروع ہونے کے مقررہ وقت سے کم از کم 48 گھنٹے پہلے جمع کرنا لازمی ہے۔ پراکسی فارم اس نوٹس کے ساتھ منسلک ہے۔
- سی ڈی سی اکاؤنٹ ہولڈرز کو سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر 1 مجریہ 26 جنوری 2000 میں درج رہنما ہدایات کی پیروی بھی کرنا ہوگی۔

(ا) سالانہ اجلاس عام میں شرکت کیلئے:

- < انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کی سیکورٹیز اور ان کی رجسٹریشن کی تفصیلات ضابطہ کے مطابق اپ لوڈڈ ہیں، ان کو اجلاس میں شرکت کے وقت اپنی شناخت کے لئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ پیش کرنا ہوگا۔
- < کارپوریٹ اکائی ہونے کی صورت میں اجلاس میں شرکت کے وقت بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد کردہ فرد کے نمونہ کے دستخط (اگر پہلے سے فراہم نہ کئے گئے ہوں) فراہم کرنا ہوں گے۔

(ب) پراکسی کے تقرر کیلئے:

- < انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کی سیکورٹیز اور ان کی رجسٹریشن کی تفصیلات ضابطہ کے مطابق اپ لوڈڈ ہیں، ان کو درج بالا شرائط کے مطابق پراکسی فارم جمع کرنا ہوگا۔
- < پراکسی فارم کے ساتھ بنیفیشیل اونر اور پراکسی کے CNIC کی تصدیق شدہ کاپیاں منسلک ہونا چاہیئے۔
- < پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل CNIC پیش کرنا ہوگا۔

(ج) CNIC اور زکوٰۃ کیلئے:

- ۴۔ ممبران سے درخواست ہے کہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی نقل جمع کرائیں تاکہ ہم اپنے ریکارڈ کو اپ ڈیٹ کر سکیں۔ CNIC کی عدم موجودگی میں آئندہ تمام ڈیوڈنڈرو کے جاسکتے ہیں۔
- ۵۔ ممبران سے درخواست ہے کہ، اگر ضروری ہو تو، زکوٰۃ اینڈ عشر آرڈیننس 1980 کی رو سے زکوٰۃ سے استثنیٰ کیلئے ڈکلیریشن جمع کرائیں نیز اپنے پتہ میں کسی تبدیلی کی صورت میں فوری طور پر مطلع کریں۔

بذریعہ ہذا ممبران کو مطلع کیا جاتا ہے کہ کمپنی کا 10 واں سالانہ اجلاس عام مورخہ 26 ستمبر 2017 کو صبح 11:00 بجے جیسمین ہال، بیچ لگٹری ہوٹل، آف ایم ٹی خان روڈ کراچی میں درج ذیل کاروباری امور کی انجام دہی کیلئے منعقد ہوگا:

عمومی امور

- ۱۔ کمپنی کے آڈٹ شدہ مالیاتی گوشوارہ مع ڈائریکٹرز اور آڈیٹرز کی رپورٹوں برائے سال مختتمہ 30 جون 2017 کی وصولی، ان پر غور و خوض اور منظوری۔
- ۲۔ کمپنی کے بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق حتمی نقد منافع برائے مالی سال 30 جون 2017 بحساب ایک روپیہ (10%) فی شیئر کی ادائیگی پر غور کرنا اور منظوری دینا۔ یہ منافع پہلے ادا شدہ 25% عبوری منافع منقسمہ کے علاوہ ہے جسے شامل کرتے ہوئے سال 2016-17 کا کل منافع منقسمہ 35% یعنی 3.50 روپے فی شیئر بنتا ہے۔
- ۳۔ مالی سال 2017-18 کے لئے آڈیٹر کا تقرر اور ان کے مشاہرے کا تعین کرنا۔
- ۴۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی جو سالانہ اجلاس عام میں شامل کی جاسکے۔

خصوصی امور

- ۵۔ کمپنی کے شیئر ہولڈرز کو سالانہ آڈٹ شدہ مالیاتی گوشوارے، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ (سالانہ آڈٹ شدہ حسابات) شائع شدہ صورت میں بھیجنے کی بجائے سافٹ کاپی کی شکل میں بذریعہ CD/DVD/USB، ان کے رجسٹرڈ پتہ پر ارسال کرنے کی منظوری دینا جس کی اجازت سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او نمبر 470(I)/2016 مجریہ 31 مئی 2016 میں دی گئی ہے۔
- طے پایا کہ کمپنی کو اپنے سالانہ آڈٹ شدہ مالیاتی گوشوارے، آڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ (سالانہ آڈٹ شدہ حسابات) شائع شدہ صورت میں بھیجنے کی بجائے سافٹ کاپی کی شکل میں بذریعہ CD/DVD/USB، ان کے رجسٹرڈ پتہ پر ارسال کرنے کا اختیار حاصل ہوگا اور ہے جس کی اجازت سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر او نمبر 470(I)/2016 مجریہ 31 مئی 2016 میں دی گئی ہے۔

کراچی

15 اگست 2017

بجکم بورڈ
فوزیہ نورانی
کمپنی سیکرٹری



DEMAG

PRDJ-N6-TU-20
09-08-03

Consent Required From Shareholder(s)

For Annual Reports through e-mail



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 e-mail.

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

E – MAIL ADDRESS: _____

CNIC NUMBER: _____

FOLIO / CDS ACCOUNT # _____

SIGNATURE OF SHAREHOLDER

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

Share Registrar:

THK Associates (Pvt) Ltd.
40-C, Block-6, P.E.C.H.S,
Off: Shahrah-e-Faisal, Karachi.
Phone : +9221-111-000-322
Email: info@thk.com.pk

Yours faithfully,
For INTERNATIONAL STEELS LTD.,
FAUZIA NOORANI
Company Secretary



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E-Dividend Mandate Letter



To:

Date: _____

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

Dear Sir,

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

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

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

Yours truly,

Signature of Shareholder

(Please affix company stamp in case of corporate entity)

Notes:

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



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Proxy Form



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I / We _____

of _____

being a member of INTERNATIONAL STEELS LIMITED and holder of _____

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

No. _____ and Sub Account No. _____ hereby appoint _____

_____ of _____

or failing him _____

of _____

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on September 26, 2017 and at any adjournment thereof.

Signed this _____ day of _____ 2017

WITNESS:

1 Signature _____
 Name _____
 Address _____

 NIC or
 Passport No. _____

Signature

Revenue Stamp

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

2 Signature _____
 Name _____
 Address _____

 NIC 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 National Identity Card or Passport with this proxy form before submission to the Company.



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Glossary

AGM Annual General Meeting	IFRS International Financial Reporting Standards
ATIR Appellate Tribunal Inland Revenue	ILL International Industries Limited
ATL Active Tax Payer List	IPO Initial Public Offering
BCP Business Continuity Planning	ISL International Steels Limited
CBA Collective Bargaining Agreement	ISO International Standards Organization
CCG Code of Corporate Governance	IT Information Technology
CDC Central Depository Company	ITAT Income Tax Appellate Tribunal
CIR Commissioner Inland Revenue	ITRA Income Tax Reference Application
CIT Commissioner Income Tax	JV Joint Ventures
CPEC China Pakistan Economic Corridor	KIBOR Karachi Interbank Offer Rate
CRC Cold Rolled Coil	LIBOR London Interbank Offered Rate
CSR Corporate Social Responsibility	LSM Large Scale Manufacturing
CTAC Citizens Trust Against Crime	LTC Lost Time Case
CWIP Capital Work in Progress	LTIFR Lost Time Injury Frequency Rate
EBIT Earnings before Interest and Taxation	LTU Large Taxpayers Unit
EBITDA Earnings before Interest, Taxation Depreciation and Amortization	M&A Memorandum and Articles
EFP Employees Federation of Pakistan	MAP Management Association of Pakistan
EPS Earning Per Share	MFN Most Favourable Nation
ETP Effluent Treatment Plant	MoC Ministry of Commerce
FBR Federal Board of Revenue	MT Metric Ton(s)
FTA Free-Trade Agreement	NBV Net Book Value
FTO Federal Tax Ombudsman	NEPRA National Electric Power Regulatory Authority
FTR Final Tax Regime	NFEH National Forum for Environment and Health
GDP Gross Domestic Product	NOC No Objection Certificate
GIDC Gas Infrastructure Development Cess	NRV Net Realizable Value
GoP Government of Pakistan	NTC National Tariff Commission
HR Human Resource	OHSAS Occupational Health and Safety Assessment Specification
HRC Hot Rolled Coil	OPEC Organization of the Petroleum Exporting Countries
HRRC Human Resource Remuneration Committee	PACRA Pakistan Credit Rating Agency
HSE Health, Safety and Environment	PAT Profit after tax
IAS International Accounting Standards	PCL Pakistan Cables Limited
ICAP Institute of Chartered Accountants of Pakistan	PICG Pakistan Institute of Corporate Governance
ICMAP Institute of Cost and Management Accountants of Pakistan	PSX Pakistan Stock Exchange
IFAC International Federation of Accountants	SECP Securities and Exchange Commission of Pakistan
IFC International Finance Corporation	SHC Sindh High Court
IFRIC International Financial Reporting Interpretation Committee	








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Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

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*Mobile apps are also available for download for android and ios devices