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International Steels Limited

Annual Report 2019



REDEFINING PAKISTAN

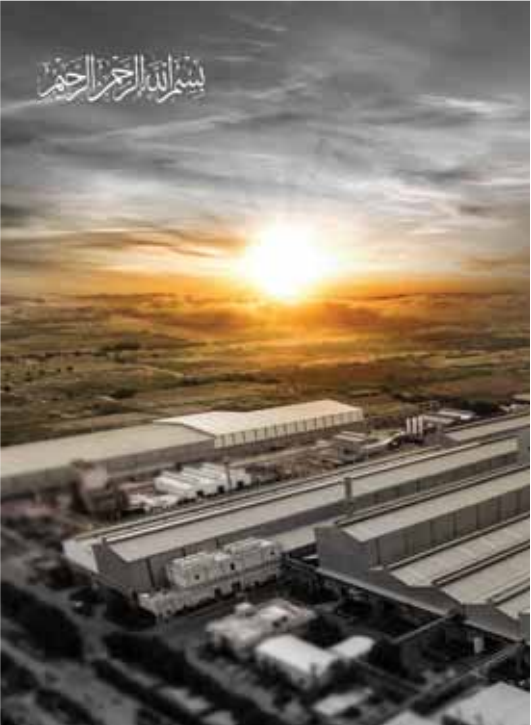


Annual Report
2019



Annual Report
2019

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



FUTURE IN THE MAKING

Since its inception, International Steels Limited has been driven by its vision to promote industrial development in Pakistan.

From investing in state of the art technology to redefining what it is to be "**Made in Pakistan**", ISL has been determined to transform the industrial landscape of the country and at the same time, remain conscious of the society at large.

For us, steel is the fabric that shapes tomorrow with sustainability and resilience.





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R E D E F I N I N G
MADE IN PAKISTAN



Corporate Profile

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

ISL's manufacturing facilities are located on 32 acres in the port city of Karachi, where the company produces Cold Rolled Steel, Galvanized Steel and Color Coated Steel for numerous industrial and commercial applications. The company has a strong nationwide supplier network that is served through regional offices in Lahore, Islamabad and Multan. ISL exports its products to more than 20 countries worldwide. In its short history, ISL has carried out extensive large scale expansion activities to enhance production. With the latest expansion, the company now has a capacity of over 1,000,000 Metric Tons.

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

ISL believes in sustainability of operations and aims to maintain good relationship with all its stakeholders. Driven by the Clean, Lean and Green approach, the company strives to continuously reduce its carbon footprint, promote effective utilization of resources, reduce waste and promote green practices through recycling and reusing resources. The company partakes in various social initiatives to promote wellbeing and welfare in society. ISL is a frequent supporter of various health care and educational initiatives in the country.



MILESTONES

2007



Incorporated in September
Installation of 18 Mega Watt
Power generation plant
commences

2008-9



Civil works and plant
installation in process

2010



Cold Rolling and
Galvanizing complex
is commissioned

2014



Production exceeds
280,000 MT
Sales exceed
257,000 MT
Net turnover exceeds
PKR 21 Billion

2015



Second Galvanizing plant is
commissioned and starts
commercial production
**Galvanizing capacity increased to
450,000 MT from 150,000 MT**
Pakistan's first Color Coating line is
established at ISL
Color Coating capacity 84,000 MT
A new electrolysis plant is installed
to produce Hydrogen

2016



Commercial production of the
enhanced 4-Hi Continuous Compact
Mill commences,
**Cold Rolled capacity increases to
500,000 MT from 250,000 MT**
Production exceeds 370,000 MT
Sales volume exceeds 364,000 MT
Net turnover exceeds PKR 20 Billion

Second strand on the 4-Hi
Reversing Mill is commissioned,
converting it into a Continuous
Compact Mill "CCM"
Production exceeds 238,000 MT
Sales volume exceeds 239,000 MT
Net turnover exceeds
PKR 17.5 Billion

2011



Commercial operations of Cold Rolling and Galvanizing Complex commences
Installed capacity 250,000 MT

ISL gets listed on Pakistan Stock Exchange

Certifications acquired:

ISO 9001
Quality Management System

ISO 14001
Environmental Management

ISO 18001
Occupational Health & Safety Management Systems

2012



Production exceeds 166,000 MT
Sales exceed 161,000 MT
Net turnover exceeds PKR 13 Billion

2013



Production exceeds 220,000 MT
Sales exceed 217,000 MT
Net turnover exceeds PKR 17 Billion

2017



Debottlenecking of Push Pull pickling line.
Pickling capacity enhances to 600,000 MT from 500,000 MT

Successful commissioning of additional annealing capacity
Annealing capacity enhanced to 200,000 MT from 160,000 MT

Second Continuous Compact Mill "CCM-2" is commissioned

SNI certification of Indonesia is acquired

Production exceeds 465,000 MT

Sales volume exceeds 490,000 MT

Net turnover exceeds PKR 33 Billion

2018



Second Continuous Compact Mill "CCM-2" commences commercial production.
Cold Rolling capacity increases to 1,000,000 MT from 500,000 MT

Annealing capacity is enhanced
Annealing capacity increases to 360,000 MT from 300,000 MT

New continuous pickling line is commissioned and starts commercial production

Capacity of new continuous pickling line 1,000,000 MT

Production exceeds 470,000 MT
Sales volume exceeds 539,000 MT
Sales value exceeds PKR 47 Billion

ISL wins Federation of Pakistan Chambers of Commerce and Industry (FPCCI) Export Award 2017 in the Steel category

Pakistan Stock Exchange's status at Morgan Stanley Composite Index (MSCI) is upgraded to "Emerging Market" and ISL is listed in the MSCI

JCR-VIS credit rating company awards ISL a credit rating of "A+/A-1"

2019



1,000,000 MT Cold rolling capacity inaugurated by the Advisor to the Prime Minister

ISL wins Management Association of Pakistan (MAP) Award 2019

ISL National Polo Open for Quaid-e-Azam Gold Cup 2019 was held in Lahore

ISL receives "Best Export Performance Award" in the "Iron and Steel Products" category at the 42nd Annual Export Awards Ceremony of FPCCI



Company Information

Chairman (Non-Executive)

Mr. Kemal Shoaib

Independent Directors

Mr. Tariq Iqbal Khan

Mr. Kamran Y. Mirza

Syed Salim Raza

Non-Executive Directors

Mr. Mustapha A. Chinoy

Mr. Kamal A. Chinoy

Mr. Riyaz T. Chinoy

Mr. Kazuteru Mihara

Executive Directors

Mr. Towfiq H. Chinoy - Advisor

Mr. Samir M. Chinoy

Chief Executive Officer

Mr. Yousuf H. Mirza

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary

Mr. Mohammad Irfan Bhatti

Chief Internal Auditor

Mrs. Asema Tapal

External Auditors

M/s KPMG Taseer Hadi & Co.

Legal Advisor(s)

Mrs. Sana Shaikh Fikree

Investor Relations Contact

Shares Registrar

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Telephone Nos: +9221-35013104 - 5

Fax: 9221 35013108 E-mail: info@isl.com.pk

Website

www.isl.com.pk

Bankers

Allied Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Dubai Islamic Bank Pakistan, Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial and Commercial Bank of China Limited

MCB Bank Limited

MCB Islamic Bank Limited

Meezan Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

VISION MISSION & CORE VALUES

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.

Core Values

We incorporate the following core values in our organization culture:



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. We at ISL, encourage openness, expression of opinions etc.



Respect for People

We are committed to foster a culture where people come first. 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.

STRATEGIC OBJECTIVES



Creating Shared Value

ISL aims to strengthen its relationship with its shareholders by maximizing value for them and ensuring fair returns through operational excellence. Striving to bring innovation through its products, processes and services while optimizing the resources, ISL applies best operational practices and continuously improve them through institutional learning.



Investing in Human Capital

The company attributes its success to its human capital and its quality. It strives to attract, develop and retain the best talent available, providing career growth opportunities through a system of skill development, motivation and rewards. Aspiring to be an "Employer of Choice", we are committed to providing a safe, collaborative and high performance workplace to our employees.



Investing in Technology

ISL aims to become a technology driven company, one that fulfills its commitment to its customers by effectively anticipating customers' requirements. The company strives to exceed expectations by utilizing and continuously enhancing its technical capabilities and service levels.



Reducing Waste

The company makes considerable efforts to reducing waste, thereby promoting efficient utilization of resources and lowering waste levels, ultimately promoting efficiency throughout the value chain.



Ensuring Sustainability

ISL regards sustainability of its operations as a key responsibility towards its stakeholders. ISL remains committed towards its causes of waste reduction, protection of environment, ensuring wellbeing, safety and welfare of people and incessant technological advancement.

CALENDAR OF MAJOR EVENTS



Participated in Big 5 Expo Dubai.

ISL Artists in Residence Project gets recognized at European Union (EU) Parliament.

Partnered with The Citizen Foundation (TCF) for the Rahbar Mentorship Program and also organized an industrial tour for their students.

ISL receives "Best Export Performance Award" in the "Iron and Steel Products" category at the 42nd Annual Export Awards Ceremony of FPCCI



Participated in Single Country Exhibition in Thailand.

Partnered with The Indus Hospital for a Blood Donation Drive.

ISL organizes an industrial tour for the students of AMANTECH Foundation and SOS Technical Institute Pakistan.





ISL wins Management Association of Pakistan (MAP) Award 2019.

Groundbreaking of a new Service Center performed in Karachi.

Groundbreaking of Warehouse performed in Multan.

Q3



Newly installed facilities inaugurated, increasing annual installed capacity to 1,000,000 MT.

"ISL hosts National Polo Open for the Quaid-e-Azam Gold Cup 2019"

Organized a beach cleaning activity at Sandspit, Karachi in collaboration with World Wildlife Fund (WWF).

Partnered with World Wildlife Fund (WWF) for plantation project at the outskirts of Karachi.

Won the Employee Federation of Pakistan's Employer of the Year Award for best HR practices.

Institute of Business Administration (IBA), Karachi Students visit ISL.



Q4



REDEFINING CONSISTENCY





Since its inception, the company has consistently invested in enhancing its production capacity and developing new products to serve a wide range of customers. Starting with an initial capacity of **250,000** MT, ISL has evolved to a **1,000,000** MT steel complex, providing steels of various specifications that serve a wide range of applications. Besides increasing capacity, the company has also invested in enhancing its value proposition through a fully equipped service center, which renders steel in a ready to use form.

Code of Conduct

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

(a) Business Ethics

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

(b) Conflicts Of Interest

- i) Every employee should conduct his/her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the Company.
- ii) An employee should avoid any situation in which he or she, or a family member, might

profit personally either (directly or indirectly), from the company's facilities, its products, or company's relationships with its vendors or customers.

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

(c) Accounting Records, Controls & Statements

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

(d) Environment

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

(e) Regulatory Compliance

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

(f) Personal Conduct

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

appropriate, turned over to the authorities.

(g) Miscellaneous

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

BUSINESS AT A GLANCE

Cold Rolled Steel



Our cold rolling mill is a modern, advanced facility designed and supplied by SMS Siemag, Germany. With strict quality control processes and advanced technology, our product provides outstanding finish and workability, highly valued by customers in the automobile, home appliances, furniture, drum, tube, filter, tin plate and various other industrial segments. Cold rolled steel manufactured by ISL is available in thicknesses ranging from 0.15 mm to 3.0 mm and is offered in a maximum width of 1,250 mm. ISL's CRC is provided in a range of product specifications, ranging from drawing to structural and surface finishes from bright to matt to meet our customer specific requirements. After the recent expansions, ISL's capacity has increased to over 1,000,000 MT.

Hot Dip Galvanized Steel



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

Color Coated Steel



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

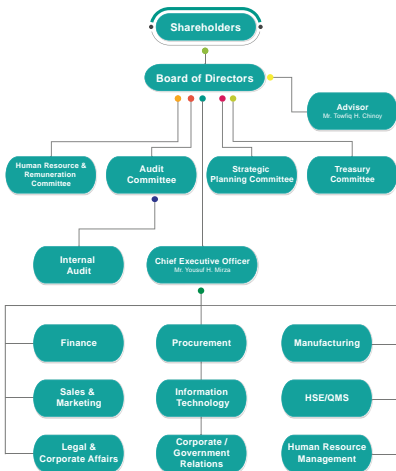
Regional Network



Global Footprint



ORGANIZATIONAL CHART



Mechanism for Providing Information

Formal Reporting Line

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

Employees

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

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

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

Shareholders

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

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

R E D E F I N I N G DEVOTION





ISL is determined to make Pakistan
self-sufficient in high quality steel. To this
end, the company continues to invest in its people and
technology. To date, ISL has invested over
US\$ 250 million.



Chairman's Review

I am pleased to present the review for the year ended 30 June 2019 highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

In 2018-2019, the business faced numerous external headwinds including slowdown in economic activity resulting in lower demand, exchange rate depreciation, gas price hike, increase in SBP borrowing rates, competition manufacturing facility coming online and legal challenges to anti-dumping duties. In this difficult business environment, your company has managed to increase its overall market share, which shows the ability of the Company to face these challenges and depicts the customer's confidence in the quality of ISL products. The salient financial achievements during the year are:

- Net Sales increased to Rs. 55.06 billion
- Gross Profit decreased to Rs 6.45 billion
- Profit after tax decreased to Rs. 2.66 billion
- Earnings per share decreased to Rs. 6.12

During the year, Finance Act 2019 reduced the tax credit allowance u/s 65 B of income tax from 10% to 5% and increased the deferred tax rate from 25% to 29% resulting in decrease of PAT amounting to Rs. 517 million. Furthermore, due to tightening of fiscal and monetary policy the economy contracted across the country. The revival of the market remains uncertain in the near future. However, the Company still believes that a strong demand still exists for its products in the export markets and will stretch to gain the global market share.

In continuation of our commitment to cater for the growth in the manufacturing sector, the Continuous Pickling Line commenced operations in Q2 and the further expansion of additional annealing furnaces commissioned in the Q4. Subsequent to the successful completion of Million Ton project, the Company is now focusing diligently on the construction of its service center in Karachi to increase its reach and provide value added products to fast growing automobile and home appliance sectors.

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

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

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

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

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

During the year, Syed Hyder Ali resigned from the Board and the Board appointed Mr. Mustapha A. Chinoy to fill the casual vacancy within the statutory time period.

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

Apart from the Board Audit Committee (BAC) / Board Human Resource Committee (HRCC) meetings every quarter, the Board met five times during the year. The Board normally meets once every quarter to consider and approve financial and operating results and other meetings to consider and approve budget for the following year.

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

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

On behalf of the Board, I would like to extend my heartfelt appreciation to employees, customers, suppliers, bankers, business partners and Board for their commitment and passion to advance this company forward.

In September 2019, the Board will be re-elected as it has completed its term of three years. I would like to thank all the members for their outstanding and invaluable contribution to the Company and for providing support in giving directions to the management of the Company.



Kemal Shoab
Chairman

Karachi 19th August, 2019

ستمبر 2019 میں بورڈ کا دوبارہ انتخاب ہو گا کیونکہ موجودہ بورڈ نے اپنی 3 سال کی مدت پوری کر لی ہے۔ میں تمام ممبران کا کتنی کیلئے بہترین خدمات اور پیش قیمت دہو اور کتنی کی انتظامیہ کو دی جانے والی خدمات کیلئے ان کے تعاون کا شکور ہوں۔

محمد عطا

کنال شعیب
چئیرمین

کراچی 19 اگست، 2019

کے انتظام پر غور کر کے کتنی کے مفاد میں فیصلہ کرتے رہیں گے۔ میں ہمیشہ پر عزم رہوں گا کہ کتنی تمام مختلف قواعد و ضوابط کی پابندی کرے اور ہماری انتظامی تمام ایسے فیصلے کرتی رہے جو نہ صرف مختصر مدت، بلکہ درمیانی اور طویل مدت کے معاملات میں بھی آپ کیلئے سودمند ثابت ہوں۔

زیر نظر سال کے دوران سید حیدر علی نے بورڈ سے انتظامی دے دیا اور بورڈ نے جناب مصطفیٰ اے چوہے کی تقریری آئینی مدت کے دوران کرتے ہوئے اس اسامی کو پُر کیا۔

بورڈ نے کوڈ آف کارپوریٹ گورننس کے تحت اپنی سالانہ خود جائزہ مینٹنگز کا انعقاد جاری رکھا اور کتنی کی کارکردگی کو بہت ہی اطمینان بخشی اور گذشتہ برسوں کے مقابلے میں بہت بہتر پایا۔ بورڈ کا بنیادی ہدف اسٹرٹجک منصوبہ کاروباری مواقع، رسک مینجمنٹ، بورڈ کی تشکیل اور انتظامیہ کی راہنمائی کیلئے بااختیار نگرانی فراہم کرنا ہے۔ بورڈ عالمی معیار کی بہترین پریکٹس کے ساتھ اپنی کارکردگی کو مزید بہتر بنانا چاہتا ہے۔

بورڈ کی آؤٹ سٹیلی کے علاوہ، بورڈ کی میمنبران ریسورس کتنی کی برسمانی میں مینٹنگ ہوتی ہے۔ اس سال بورڈ کی 5 مینٹنگز ہوئیں۔ عام طور پر بورڈ کی مینٹنگ برسمانی میں ایک مرتبہ باہمیاتی امور پر غور و خوض اور اس کی منظوری اور آپریشنل امر کی نگرانی کیلئے ہوتی ہے۔ اس کے علاوہ دیگر مینٹنگز کا مقصد اس سال کے بجٹ پر غور و خوض اور اس کی منظوری دینا ہوتا ہے۔

کتنی کا خود مختار آؤٹ پارٹنٹ ہے جو رسک کی بنیاد پر آؤٹ کا طریقہ کار اختیار کرتا ہے۔ آؤٹ پارٹنٹ برسمانی بنیادوں پر بورڈ کی آؤٹ کتنی کو پیش کی جاتی ہیں اور مزید بہتری کے امکانات پر غور کیا جاتا ہے۔

آپ کی کتنی مسلسل اپنے ملازمین کیلئے کام کے محفوظ، صحت مند اور بہتر ماحول کی فراہمی کو سزا گار بنانے کیلئے کوشاں رہیں گے۔

بورڈ کی طرف سے میں کتنی کے تمام ملازمین، کسٹمرز، سپلائرز، ڈیلگرس، کاروباری پارٹنرز اور بورڈ کو اس کتنی کو آگے لے جانے میں مدد کرنے پر پی مبارکباد پیش کرتا ہوں اور ان کا اس سب کیلئے تہ دل سے شکور ہوں۔

چیز مین کی جائزہ رپورٹ

میں جو چیز مین کی ترقی فزکس کیلئے کے لئے اپنے عزم کو برقرار رکھتے ہوئے اپنی اپنی (Continuous Pickling Line) کا آپریشن دوسری سہ ماہی میں شروع ہوا اور اس کے ساتھ مزید توسیع کیلئے اضافی اینک فرسز نے سال کی پہلی سہ ماہی میں کام شروع کیا۔ لیکن ان منصوبے کی کامیابی تک پہنچنے کی توجہ کا مرکز کراچی میں سروس سینٹر کا قیام ہے تاکہ زیادہ سے زیادہ صارفین تک پہنچنے کی رسائی ممکن ہو سکے اور اسی طرح کھیتی باڑی سے وسعت پزیر آٹو موگاں اور ہوم اپلائمنٹس کے لئے کوآپریٹو صنعتوں کا قیام کر سکے۔

کھیتی کے ڈن اور مشین کے مین مطابق کھیتی انٹظامیہ کی مکمل توجہ معیاری صنعتوں کی فراہمی اور کھیتی کی مجموعی کامیابی کیلئے کمزور ترین کاروباری منصوبوں کی تیاری اور ان پر عمل درآمد پر مرکوز رہے گی۔

کھیتی اپنی اصل طاقت یعنی اپنے کام سے وفادار افرادی قوت کے جذبہ، اپنے پیداواری نظام اور دوسروں کی سہ ماہی میں شمولیت مسلم کی بدولت کامیابی کیلئے پر عزم ہے۔ مجھے یقین ہے کہ کھیتی کی مسلسل کوششیں سے چیلنجز سے نمٹنے اور ٹارگٹس کے حصول میں کامیابی رہے گی۔

یورڈ آف ڈائریکٹرز نے بخوبی اپنی ذمہ داریاں پوری کرتے ہوئے کھیتی کے تمام اسٹریٹجک معاملات میں راہنمائی فراہم کی ہے۔ یورڈ نے انٹظامیہ کی کارکردگی کو جانچنے اور اہم رسک فیکٹرز کی نگرانی میں اہم کردار ادا کیا ہے۔ یورڈ آف ڈائریکٹرز کھیتی کی اسٹریٹجک پلاننگ اور کھیتی کے ڈن کو بہتر بنانے کے عمل میں مکمل طور پر شامل رہا ہے۔

یورڈ کہتا ہے کہ پیشہ ورانہ کارپوریٹ جوابدہی کیلئے بہتر انداز میں وضع کئے گئے کارپوریٹ طریقہ کار ضروری ہیں اس لئے یورڈ کھیتی کے اسٹریٹجک ہولڈرز کی اہمیت کو مد نظر رکھتے ہوئے کارپوریٹ گورننس کے اعلیٰ ترین معیار کو یقینی بنانے کیلئے پر عزم ہے۔ تمام ڈائریکٹرز شمول خود بخوبی ڈائریکٹرز نے یورڈ کی بینکنگ میں بھرپور شرکت کی اور فیصلہ سازی کے عمل میں مکمل تعاون کیا۔

آج کی کھیتی کے یورڈ کا جنٹلمن ہونے کے ناطے میں یورڈ کی راہنمائی کی ذمہ داری پوری کرتا رہا گا اور ہم مکمل دل و دماغ اور بہت قیمتی ریسورسز کے ذریعے سٹریٹجی

میں بخوبی 30 جن 2019 کو ختم ہونے والے سال کیلئے کھیتی کی کارکردگی اور تمام اسٹریٹجک ہولڈرز کیلئے اپنی ذمہ داریوں کی تکمیل کے بارے میں انٹظامیہ کی راہنمائی کے سلسلے میں یورڈ آف ڈائریکٹرز کے ادا کردہ کردار کے بارے میں جائزہ رپورٹ پیش کرتا ہوں۔

2018-2019 کے دوران کاروبار کو متعدد بیرونی رکاوٹوں کا سامنا کرنا پڑا جن میں معاشی سرگرمیوں کی رفتار میں کمی بھی شامل ہے جس سے مال کی طلب میں کمی واقع ہوئی، شرح مبادلہ میں کمی، گیس کی قیمتوں میں اضافہ، اسٹیٹ بینک آف پاکستان کی جانب سے شرح سود میں اضافہ، مینو فیکچرنگ کی سہولت آن لائن آنے سے ہونے والے مقابلے کا رجحان اور داخلی ڈیمانڈ کے قانونی چیلنجز شامل ہیں۔

کاروبار کے اس مشکل ماحول میں آپ کی کھیتی نے مجموعی مارکیٹ شیئر میں اضافہ کیا ہے، جس سے کھیتی کی ایسی مشکلات کا سامنا کرنے کی صلاحیت ثابت ہوتی ہے بلکہ اس سے ہمارے کسٹمرز کے ISL کی مصنوعات پر اعتماد کا اظہار بھی ہوتا ہے۔ گذشتہ سال ہونے والی چند معاشی کامیابیاں یہ ہیں:

- خاص سیکٹر: 55.06 ملین روپے
- مجموعی منافع: 6.45 ملین روپے
- بعد از ٹیکس منافع: 2.66 ملین روپے
- فی شیئر منافع: 6.12 روپے

زیر نظر سال کے دوران خاص ایکٹ 2019 کی وجہ سے ٹیکس کریڈٹ الاؤنس انکم ٹیکس 10 فیصد سے 5 فیصد تک 65 B w/s کم کر دیا اور موٹر کاروں ٹیکس ریت 25 فیصد سے 29 فیصد تک رہا، جس کے نتیجے میں PAT میں 517 ملین روپے کی کمی ہوئی۔

حریہ پر کثرت مالی اور معاشی پالیسی کی وجہ سے ملکی معیشت کی نمو محدود ہو کر رہ گئی ہے۔ مستقبل قریب میں مارکیٹ کی بحالی پر یقین رکھنا آتی ہے۔ تاہم کھیتی کو یقین ہے کہ اس کی مصنوعات کی برآمدی مارکیٹ میں بہت مانگ ہے اور یہ طلب حریہ پر مددگار مالی مارکیٹ میں کھیتی کو نمایاں مقام دلائے گی۔

REDEFINING RELIABILITY





ISL remains committed towards reducing Pakistan's reliance on imported steel. The company has substituted a significant portion of the country's steel imports through localizing an essential raw material. To date, ISL has saved over **\$245 Million** of foreign exchange outflow and contributed towards diversifying the country's export base.



DIRECTORS' REPORT

The Directors of International Steels Limited are pleased to present the 12th Annual Report accompanied by the audited financial statements for the year ended 30 June, 2019.

Boards Composition & Remuneration

Composition of the Board and the names of Members of Board Sub-committees may be referred at Page No. 65 & 80.

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

- Global Steel Scenario
- Pakistan's Economy
- Manufacturing Operations
- Sales
- JCR-VIS Credit Rating
- Energy Management
- Health, Safety and Environment
- Human Resources
- Corporate Social Responsibility
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- Earnings Per Share
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Global Steel Scenario

World crude steel production touched 1.83 billion metric tons during the year, reflecting a slight increase as compared to the last year's production of 1.81 billion metric tons. China increased its share in the annual global output from 51.3% in 2018 to around 53% in 2019. There has been an increasing trend of protectionism by major steel producing countries. United States declared steel industry as a strategic industry and imposed 25% duty on steel imports from around the world. This has resulted in increased exportable surplus from countries like China and India. The growth rate of the global steel production moderated to 1.45% during the year, whereas the Chinese steel production grew by 4.5%, spurred mainly by consumption in its infrastructure sector with increased reliance on government spending. However, a minor contraction in Chinese steel demand is anticipated in the near future as the government stimulus effects are expected to subside.

A slow-down is also witnessed in other developed economies decelerating the steel demand. The EU economies face the deteriorating trade environment and uncertainty over Brexit whereas, the US growth pattern is also slowing down with both construction and manufacturing growth moderating due to waning effect of fiscal stimulus and a monetary policy normalization. However, with continuing support of the infrastructure development, the steel demand in the developing economies remains strong.



Pakistan's Economy

Pakistan's economy is undergoing radical structural reforms aimed at addressing the macroeconomic imbalances. Tighter monetary policy in combination with heavier tax burden across the economy and weaker government spending on public services continues to hamper the investment and economic growth. While, the outgoing fiscal year witnessed further deterioration in the fiscal deficit, the current account gap relatively improved owing to a sharp decline in imports and a healthy growth in workers' remittances.

With the fiscal indicators deteriorating, the GDP growth rate moderated to 3.29% in FY19 making it a notable exception in the South Asian region which is growing around 7% benefiting from strong private consumption and investment.

Leading indicators for real sector activity suggest a contraction in demand. Large scale manufacturing, which accounts for 65 percent of overall industrial output, contracted by 3.5% compared to a 6.3% growth recorded during the last year.

Steel demand contracted from decline in automobile production along with international price dynamics. At the same time, cuts in development spending and a general slowdown in economic activities reduced the demand for iron and steel urging the local steel industry to curtail their production. All these factors contributed to the negative growth of 11% in iron and steel industry.

The immediate outcomes of the measures taken by the new government suggest that further adjustments will be necessary. The exchange rate has continued to depreciate, with a cumulative depreciation of around



34% during the outgoing fiscal year. As a result of exchange rate depreciation, demand side pressures and higher fuel prices have increased headline inflation. In response, the State Bank of Pakistan has increased the policy rate multiple times during the year by a cumulative 575 bps to 12.25% since July 2018. In the same vein, the fiscal deficit increased to 5% of GDP owing to stagnant tax revenues and steep fall in non-tax revenues. With FDI also slowing down, the debt servicing ability of the economy has deteriorated sharply. The support from the friendly countries as well as the recently negotiated bailout package from International Monetary Fund is expected to bring discipline and stabilization in the macroeconomic indicators. However, the real GDP growth is likely to remain contained.

Manufacturing Operations

Current year production was 584,400 tons, reflecting an increase of 24% over the previous year. The new installed capacity along with various productivity based initiatives resulted in increased plant reliability and operational efficiencies. Projects like 'Implementation of 6σ (Six Sigma)' and 'Total Productive Maintenance' have been initiated to achieve sustainable productivity benefits and strive towards continuous improvement and operational excellence.

Sales

In spite of the domestic economic challenges, global steel prices decline and massive foreign currency devaluation, your Company's sales value during the year recorded a growth of 15.6% at Rs. 55.1 billion as compared to Rs. 47.6 billion last year.



The gross margin remained under pressure due to fluctuations in exchange rate and volatility in international steel prices. The finance cost for the year increased sharply mainly due to hike in interest rates.

Effectuated by the economic slow-down and the influx of the low priced imports from China and Russia, the Company saw a dip in its overall sales volumes mainly witnessed in the Galvanized sales which decreased by 11% whereas the sales volumes of Cold Rolled Products increased by 11.8%. The total sales volumes of the prime product remained at 525,000 metric tons comprising 307,500 metric tons of Galvanized and 217,500 metric tons of Cold Rolled Products. The Company continued to consolidate and leverage its nation-wide dealer network, which has been integral in reaching smaller commercial as well as industrial end-consumers.

JCR-VIS Credit Rating

In 2019, the Company was awarded the rating of 'A+/A-1' (Single A Plus / A - One) by JCR-VIS Credit Rating Company Limited. Outlook assigned to the rating was 'Stable'.

Energy Management

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

Health, Safety & Environment

Company believes in and is fully committed to improve Health, Safety and Environment standards to achieve sustainable HSE performance. Process Safety & Behavior Based Safety across the organization is ensured through HSE Management



System integrated with the company's organization scheme and the Company is on track of continuous improvement with focus to achieve & sustain leading levels. Your company commenced training and awareness sessions on behavior based safety to create a sustainable and safe working environment for our people, customers and contractors.

Implementation of focused safety programs, environmental standards and strong visible leadership resulted in no major incidents. The expansion project completed without a loss time incident. Your company continued to comply with National Environmental Quality Standards including best practices for air emissions, noise, potable water and industrial effluent. The company installed an incinerator to ensure solvent release was within the prescribed limits besides providing efficiencies to manufacturing process.

Human Resources

The Company maintained industrial peace and a positive and enabling work-environment for all employees in the organization by promoting candor and fairness. The Company continues its efforts on development of personnel at all levels, proactively building capabilities and retaining talent for business continuity. Employee engagement has been managed with robust policies and procedures. The state of the art gymnasium was inaugurated to encourage employees to adopt a healthy life style.

The Company has formulated a firm succession plan, which includes performance evaluation and appropriate training requirements for development of potential future leaders. The Company continued to enhance capabilities of employees by providing them development opportunities internationally as well as

at prestigious institutions like LUMS, IBA, ICAP and Management Association of Pakistan.

The Company successfully continued its operations with an optimal headcount. Despite adding up the production capacity, the headcount at year-end was 724 compared with 673 of the previous year.

Corporate Social Responsibility

The Company believes in supporting the community and has a policy to contribute at least 1.5% of its profit after tax amounting to Rs. 45.5 million to institutions. Your Company contributed to various organizations in the areas of healthcare and education including The Citizen Foundation, SINA, SIUT, LRBT, Karawan-e-Hayat and Hunar Foundation.

Risk Management

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

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

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

Business Review

In 2019, the Company continued its growth streak in



terms of production and sales. The Company posted the revenue of Rs. 55.1 billion against Rs. 47.62 billion last year. The rolling production during the year was 584,400 tons against 471,000 tons last year. Whereas, the total saleable production was 525,000 tons as compared to 540,000 tons of last year. The profit margins remained under pressure due to the increased international steel prices coupled with the unprecedented volatility in the exchange rates and hike in the interest rates. The Company posted gross profit of Rs. 6.5 billion and profit after tax of Rs. 2.66 billion against gross profit of Rs. 7.6 billion and profit after tax of Rs. 4.36 billion last year.

The new installed capacity of Compact Cold Rolling doubled the existing rolling capacity of the Company to 1,000,000 tons, but could not be utilized fully due to the dampened demand and an overall slow down in the local market. Nevertheless, the enhanced production capacity has enabled the Company to increase its market share with fulfilling the demand in local and international markets and helping the economy in terms of import substitution.

The increased protectionist measures around the world, particularly by US, effected our export sales were Rs. 3.97 billion as compared to the last year sales of Rs. 4.22 billion. The export volumes have also gone down from last year's 46,000 tons to 34,700 tons.

Imports from China and Russia have continued to increase at significantly lower prices putting pressure on domestic prices. The anti-dumping duties on Company's products could not be enforced due to legal challenges in various High Courts. The company has filed anti-dumping case for CRC

against Russia and Canada with the National Tariff Commission ('NTC') as it feels that sufficient grounds for injury exist.

Financials

The Company maintained its growth momentum in the current year collecting revenue of Rs. 55.1 billion, which is 15.6% higher than last year. The gross margins stood at 11.7% (Rs. 6.45 billion) compared with 16% (Rs. 7.6 billion).

Administrative expenses were well contained at almost the same level of Rs.284 million as compared to last year. Selling and freight expenses were increased substantially by 61.6%, due to increased focus and investment on the marketing activities.

Other operating expenses were reduced to Rs. 534 million as compared to the last year's expenses of Rs. 662 million. Financial charges increased 1.4 times and stood at Rs. 1,289 million mainly due to hike in the interest rates, massive exchange rate volatility resulting in higher short-term borrowing and the project financing obtained.

Overall your Company posted the profit before and after taxation of Rs. 3,679 million and Rs. 2,664 million respectively compared with Rs. 5,803 million and Rs. 4,364 million last year. Your Company is focused on improving working capital and cash flow management. During the year, the Company generated a net cash flow from operations of Rs. 3,486 million, an increase of Rs. 3,193 million over last year. An interim dividend of Rs. 652.5 million (Rs 1.5 per share) was paid during the year.



Earnings Per Share

Earnings per share for the year ended 30 June, 2019 was Rs. 6.12 compared with Rs. 10.03 per share last year.

Dividend

In view of the financial results of the Company for the year 2018-19, the Board of Directors of the Company has recommended a final cash dividend of 15% i.e., Rs. 1.5 per share in addition to 15% interim cash dividend announced and paid, making a total dividend payout of

Rs. 3.0 (30%) per share for the financial year ended June 30, 2019.

Recommendation of the Board Audit Committee for appointment of Auditor

The recommendations of the Audit Committee for appointment of auditor may be referred at Page No 83.

Appropriations

	2019	2018
	Rupees in '000	
Profit after tax for the year	2,664,373	4,364,978
Interim Dividend (2019 Rs. 1.5 per share; 2018 Rs. 1.5 per share)	(652,500)	(652,500)
Final Dividend (2019 Rs. 1.5 per share; 2018 Rs. 3.00 per share)	(652,500)	(1,305,000)

Contribution to National Exchequer and the Economy

Your Company made a contribution of Rs. 13,358 million to the National Exchequer during the year by way of income tax, sales tax, custom duties and other levies.

Provident Fund & Gratuity Scheme

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

The values of the provident fund and the gratuity scheme at the year end were Rs. 160.1 million and Rs. 149.4 million.

Future Prospects

The company operates with 1,000,000 tons of commercial production capacity of cold rolling. The new Compact Cold Rolling Mill is complemented by a new continuous pickling line, additional annealing furnaces and acid regeneration facility. The expanded capacity will enable your company to further increase its market share in the local and international markets and be instrumental in imports

substitution. A dedicated service center is also being established in the Port Qasim Area of Karachi. The strategic location of the center is aimed at increasing the Company's value proposition and service offerings.

Acknowledgement

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

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

Yousuf Husain Mirza
Chief Executive Officer

Tawfiq H. Chinoy
Advisor

Karachi 19 August, 2019



REDEFINING COMMITMENT



Committed towards Brand Pakistan, ISL has been contributing towards **diversifying** Pakistan's export base by exporting flat steel to over 20 countries across 5 continents, to some of the most quality conscious markets such as the USA, South Africa, Australia and various countries in the MENA region, to name a few.

To date, the company has contributed over **US\$191** Million worth of exports to Pakistan's foreign exchange receipts. ISL has also received "The Export Trophy Award" by Federation of Pakistan Chambers of Commerce and Industry (FPCCI) for two consecutive years in 2017 and 2018.

2018	2019	
Rupees in '000		
4,364,978	2,664,373	سال کے لئے بعد از گیس منافع
(652,500)	(652,500)	معموری ذایع بیڈ
		(2019: 1.50 روپیہ فی شیئر؛ 2018: 1.50 روپیہ فی شیئر)
(1,305,000)	(652,500)	سال کے لئے ادا کئے گئے حقیقی ذایع بیڈ
		(2019: 1.50 روپیہ فی شیئر؛ 2018: 3.00 روپیہ فی شیئر)

اعتراف

پورے تمام اسٹیک ہولڈرز، ملازمین، کسٹمرز، سپلائرز، شیئرز، ہولڈرز، جنٹلمن اور دیگر افراد/ اداروں کا ان کی خدمات اور حمایت کیلئے مشکور ہے۔ ایسی حمایت نہ صرف عمومی کمرشل چیلنجز سے نمٹنے کیلئے بلکہ سیکورٹی کے مسائل اور سخت معاشی حالات سے نمٹنے کیلئے بھی ایسی ہی تائید و کارروائی ہے۔ اسٹیک ہولڈرز کے اعتماد اور ساتھ نے کئی کوسال پہ سال ترقی کرنے اور اپنے جی وٹا پر کھڑے ہونے میں مدد دی ہے۔ ہم اللہ کے حضور کئی کی ترقی اور تمام اسٹیک ہولڈرز کی بالخصوص اور پورے ملک کی باہم ترقی و خوشحالی کے لئے دعا گو ہیں۔



توفیق ایچ خان

ایگزیکٹو مینجر



یوسف حسین مرزا

چیف ایگزیکٹو آفیسر

کراچی 19 اگست، 2019

مستقبل کے امکانات

کئی کولڈرونگ کی 1,000,000 ٹن کمرشل پیداواری صلاحیت کے ساتھ آرمیٹ کرتی ہے۔ نئی کامیابیات کولڈرونگ میں نئی مسلسل ہنگامہ لائن اضافی ہنگامہ فرس اور انڈسٹری پزیشن کی خوبیاں موجود ہے۔ اس اضافی پیداواری صلاحیت کی وجہ سے کئی مقامی اور بین الاقوامی مارکیٹ کی طلب کے مطابق مال فراہم کرنے کے قابل ہو گئی ہے۔ کراچی کے پورٹ کا تمام سرمایہ ایک مخصوص سروس سینٹر بھی قائم کیا جا رہا ہے۔ اس سینٹر کا عمل و قوام کا مقصد کئی کی جانب سے پیش کردہ خدمات اور کاروباری اہمیت میں اضافہ کرنا ہے۔

کاروباری چاندہ

دیگر آپریٹنگ اخراجات کم ہونے اور کھیلے سال کے اخراجات یعنی 662 ملین کے مقابلے میں 634 ملین رہے۔ منافع چارٹر میں 1.4 گنا اضافہ ہوا اور اس سال ان کی مالیت 1,289 ملین روپے رہی جس کی بنیادی وجوہات شرح سود میں اضافہ، شرح چارٹر میں بہت زیادہ اضافہ، چارٹر معاوضہ جس کی وجہ سے قبل الہدیت قرضوں کا زیادہ بوجھ اور منصوص کیلئے حاصل کی جانے والی فنانسنگ رہی۔

مجموعی طور پر آپ کی کمپنی نے گزشتہ سال کے منافع 5,803 ملین روپے قبل از ٹیکس اور 4,364 ملین روپے بعد از ٹیکس منافع کے مقابلے میں اس سال 3,679 ملین روپے قبل از ٹیکس اور 2,664 ملین روپے بعد از ٹیکس منافع حاصل کیا۔ آپ کی کمپنی کی مکمل تھپکار روپاری سرمائے اور کیش فلو کے بہتر انتظام ہے۔ سال کے دوران کمپنی نے آپریٹنگ 3,486 ملین روپے خاصہ کیش فلو حاصل کیا یعنی گزشتہ سال کے مقابلے میں 3,193 ملین روپے زیادہ۔ اس سال کے دوران 652.50 ملین روپے (1.50 روپے فی شیئر) بطور عوری منافع ادا کیا گیا۔

فی شیئر منافع

30 جنوری 2019 کو ختم ہونے والے سال میں فی شیئر منافع گزشتہ سال کے 10.03 روپے فی شیئر کے مقابلے میں 6.12 روپے فی شیئر رہا۔

ذیہ خط

کمپنی کے سال 2018-19 کے مالی نتائج کے پیش نظر کمپنی کے ہورڈ آف ڈائریکٹرز نے ہورڈ آف ڈائریکٹرز نے 15 فیصد حقیقی کیش ذیہ خط کی ادائیگی کی منظوری دی ہے یعنی فی شیئر 1.50 روپے، جو کہ پہلے سے ادا کئے گئے 15 فیصد ہوری ذیہ خط کے علاوہ ہوگا، اس طرح 30 جنوری 2019 کو ختم ہونے والے سال کیلئے شیئر کا مجموعی ذیہ خط 30 فیصد یعنی 3.00 روپے فی شیئر ہو جائے گا۔

یورڈ کی آؤٹ کمپنی کی ڈیویڈنڈ کے تقرر کیلئے تلاش

یورڈ کی آؤٹ کمپنی کی ڈیویڈنڈ کے تقرر کیلئے سفارشات مئی 2019 میں 83 پرمیٹنگ کی جاسکتی ہیں۔

قوی خزانے اور معیشت میں حصہ

آپ کی کمپنی نے اس سال کے دوران انکم ٹیکس، سیلز ٹیکس، سسٹمز ڈیوٹی اور دیگر سہولیات کی مدد میں قوی خزانے میں 33,356 ملین روپے جمع کروائے ہیں۔

یورڈ خزانہ فنانس اور گریجویٹ

کمپنی اپنے ملازمین کو ریٹائرمنٹ کے فوائد ادا کرتی ہے اس میں سوائے بی یمن اشاف کے کمپنی کے تمام ملازمین کو یورڈ مالی شرائط کا مکمل گریجویٹ انکم اور ایک شرائط کے تحت شامل ہے۔ بی یمن اشاف کے ملازمین کی جانب سے تسلیم شدہ ڈیویڈنڈ سسٹم میں ہیں۔

زیر نظر سال کے اختتام پر گریجویٹ اور یورڈ خزانہ فنانس انکم کی مالیت بالترتیب 149.4 ملین روپے اور 160.1 ملین روپے تھی۔

2019 میں کمپنی نے سٹیز اور پیادار کے حوالے سے موجود جاری رکھی۔ کمپنی نے کھیلے سال کی 47.6 ملین روپے کے مقابلے میں اس سال 55.1 ملین روپے کا ریمینڈ حاصل کیا۔ اس سال کی روٹنگ پیادار 584,400,000 تھی، جبکہ گزشتہ سال کی پیادار 471,000,000 تھی۔ بین الاقوامی مارکیٹ میں فوڈ کی قیمت میں تبدیلی اور شرح مبادلہ میں اضافہ کی وجہ سے مجموعی منافع دباؤ کا شکار رہا۔

مجموعی طور پر آپ کی کمپنی نے گزشتہ سال کے منافع 7.6 ملین روپے قبل از ٹیکس اور 4.36 ملین روپے بعد از ٹیکس منافع کے مقابلے میں اس سال 6.5 ملین روپے قبل از ٹیکس اور 2.66 ملین روپے بعد از ٹیکس منافع حاصل کیا۔

کمپنی کی کاسٹیکٹ کو گزشتہ سال کی فی قسیر شدہ سہولت کی وجہ سے روٹنگ کی حالیہ صلاحیت بڑھ کر دو گنی ہوئی اور یہ صلاحیت 1,000,000 ٹن تک جا پہنچی، تاہم اس پیاداری صلاحیت کو مکمل استعمال نہ کیا جا سکا جس کی وجہ سے طلب اور مقامی مارکیٹ میں کس کا ریمانڈ ہے۔ اس اضافی پیاداری صلاحیت کی وجہ سے کمپنی مقامی اور بین الاقوامی مارکیٹ کی طلب کے ضمن مطابق فی فراہم کر کے درآمدی مال کے متبادل کے طور پر فراہم کر کے مکمل معیشت کی بہتری میں مدد کرنے اور اپنے مارکیٹ شیئر میں اضافے کے قابل ہو گئی ہے۔

دنیا بھر بالخصوص امریکہ کی جانب سے اضافی حفاظتی اقدامات کی وجہ سے ہماری برآمدات گزشتہ سال کی 4.22 ملین روپے کے مقابلے میں 3.97 ملین روپے ہو گئی۔ درآمدی حجم بھی 46,000 ٹن سے کم ہو کر 34,700 ٹن رہ گیا۔

بچن اور دوسری سے نمایاں طور پر کم قیمتوں پر ہونے والی درآمدات کی وجہ سے مقامی مال کی قیمتوں پر خاصا بڑھ گیا ہے۔ کمپنی کی مصنوعات پر اپنی ڈیمینڈ ذیہ خط کا مختلف بین الاقوامی کورس میں قانونی چیلنج کی وجہ سے اطلاع نہیں ہو سکتا۔ کمپنی نے مسلسل یورڈ کمیشن (NTC) میں دوسری اور کیڑا کے خلاف CRC کیلئے اپنی ڈیمینڈ کس وائز کر رکھا ہے کیونکہ کمپنی سمجھتی ہے کہ ڈیوٹی ہونے کے کافی امکانات موجود ہیں۔

مالیائی اشاریے

کمپنی نے اپنی موسمی سلسلہ جاری رکھا اور 55.1 ملین روپے کا ریمینڈ حاصل کیا جو کہ گزشتہ سال کے مقابلے میں 15.6 فیصد زیادہ ہے۔ مجموعی منافع گزشتہ سال کے 16 فیصد (7.6 ملین روپے) کے مقابلے میں 11.1 فیصد (4.5 ملین روپے) رہا۔

اس سال انتظامی اخراجات تقریباً گزشتہ سال کے برابر ہی رہے یعنی 284 ملین روپے۔ مارکیٹنگ پر اضافی قیود اور سرمایہ کاری کی وجہ سے فروخت اور کرائے وغیرہ کی مدد میں 61.6 فیصد نمایاں اضافہ ہوا۔

سیل

اندرون ملک معاشی چیلنجز، دوپنا پھر میں اسٹیل کی قیمتوں میں کمی اور کرنسی کی قدر میں زبردستی کمی کے باوجود آپ کی کمپنی نے پچھلے سال کی 47.6 بلین کے مقابلے میں اس سال 55.1 بلین پیسہ اور حاصل کی یعنی 15.6 فیصد اضافہ۔

بین الاقوامی مارکیٹ میں فولادی قیمت میں تھپالی اور شرح مبادلہ میں اتار چڑھاؤ کی وجہ سے مجموعی منافع و ہاؤ کا اضافہ رہا۔

معاشی رفتار میں کمی کے باعث اور بین اوروں سے کم قیمت کی درآمدات کی وجہ سے کمپنی کی مجموعی فروخت کے حجم میں کمی دیکھنے میں آئی۔ گیلوا نڈ اسٹیل کی فروخت میں سب سے زیادہ یعنی 11 فیصد تک کمی رہی، جبکہ کولڈ رولڈ پروڈکٹس میں 11.8 فیصد اضافہ دیکھنے کو ملا۔ ہماری پراپرٹی پروڈکٹس کی مجموعی کم 525,000 میٹرک ٹن رہی جس میں 307,500 میٹرک ٹن گیلوا نڈ اسٹیل شامل 217,500 میٹرک ٹن کولڈ رولڈ کی مصنوعات شامل ہیں۔ کمپنی نے اپنے کل بھر میں موجود ذخیرہ ایک ورک، جو چھوٹے کرکس اور اطراف میں صارفین تک کمپنی کی پہنچ کیلئے ضروری ہے، کو محکم اور سنبھال کر فروغ کیا۔

پے آئی آر ڈی آئی ایس کریڈٹ ریٹنگ

2019 میں کمپنی کو پے آئی آر ڈی آئی ایس کریڈٹ ریٹنگ ایجنسی کی جانب سے 'A+/-A' (اسٹیل/اس/آ) (دن) ریٹنگ دی گئی۔ ریٹنگ کو تقویت دینے کے لئے اقدامات "مستحکم" تھے۔

فنانس کا نظام

کمپنی 1996ء واپس کا پورا غائب طبعیتان بخش حالت میں آج تک کر رہا ہے اور اپنی روایت کے مطابق ہم کے ایگزیکٹو کا اضافی عملی فراہم کر رہے ہیں۔

صحت، حفاظت اور ماحول

کمپنی نہ صرف صحت، حفاظت اور ماحول کو بہتر بنانے پر پورا یقین رکھتی ہے بلکہ اس میں بھرتی لانے اور مفہم HSE کارکردگی کے حصول کیلئے کوشاں بھی ہے۔ طریقہ کار میں حفاظت اور پوری کمپنی میں رویوں میں حفاظت کو کمپنی کے سربراہ HSE مینجمنٹ سسٹم اور کمپنی کی تنظیمی ترتیب کے ذریعے یقینی بنایا جاتا ہے۔ کمپنی مستقبل بنیادوں کے HSE کے اعلیٰ ترین معیار کے حصول کیلئے درست خطوط پر کام کر رہی ہے۔ آپ کی کمپنی نے رویوں میں حفاظت پر تربیت اور کٹھن سیٹھو کے انتظام کا انتظام کیا ہے، تاکہ ہمارے ملازمین، کسٹمرز اور شریک کاروں کیلئے مستقبل خاتمی ماحول ممکن بنایا جاسکے۔ پوری قوت کے ساتھ حفاظتی پروگرام ماحولیات میں معیار اور مفہم ایڈرپ کے نتیجے میں کوئی بڑا حادثہ رونما نہیں ہوا۔ تیسرے کا منصوبہ وقت کے زیاں کے کسی واقعے کے بغیر عمل ہوا۔ آپ کی کمپنی ہوا کے اخراج، شور، پوٹینشل پانی اور صنعتی اخراج کے سطحوں میں فیصلہ انوائسٹمنٹ کو آئیٹنڈرڈ کی روایت کی روشنی میں کام کرتی ہے۔ کمپنی کی جانب سے لگائی گئی پہلی فصل

کے اخراج کو یقینی بنانے اور مینجمنٹ کے طریقہ کار کی بہتری کیلئے گزشتہ دور کے اندر تعمیر کی گئی۔

جو مین ریسورس:

کمپنی نے تمام ملازمین اور کام کے تحت ماحول کیلئے ادارے میں انصاف پسندی کو فروغ دے کر صنعتی امن اور کھیتی باڑی ہے۔ کمپنی کاروبار کو کامیابی سے جاری رکھنے کیلئے ہر سطح پر اپنے افرادی ترقی، ان کی صلاحیتوں اور ٹیلنٹ میں اضافے اور بھرتی کیلئے کوشش کرتی ہے۔ بھرتی پالیسیوں اور طریقہ کار کے ذریعے ملازمین کی شرکت کو یقینی بنایا جاتا ہے۔ ملازمین کو صحت مند طریقہ زندگی اختیار کرنے کی طرف مائل کرنے کیلئے انجانی جدید بنانا پیم کا افتتاح کیا گیا۔

کمپنی نے ایک مستحکم سکین جان بنایا ہے، جس میں مستقبل کے پائیدل لیڈرز کیلئے کارکردگی کا جائزہ اور مناسب تربیتی ضروریات شامل ہیں۔ کمپنی اپنے ملازمین کی صلاحیتوں میں اضافے کیلئے آئین بین الاقوامی اور پاکستان میں ممتاز اداروں جیسے LUMS، آئی بی، ICAP اور بین الاقوامی ایسٹن آف پاکستان سے تربیت حاصل کرنے کے مواقع فراہم کرتا ہے۔

کمپنی نے کامیابی سے اپنے آپ بھرتی بھرتی افرادی قوت کے ساتھ جاری رکھے۔ پیسہ اداری صلاحیت میں اضافے کے باوجود کمپنی کے ملازمین کی تعداد پچھلے سال کی 673 کے مقابلے میں 724 تھی۔

کارپوریٹ سوشل ذمہ داری

کمپنی کیونٹی کی مدد پر یقین رکھتی ہے اور اپنے سالانہ منافع بعد از ٹیکس 1.5 فیصد اداروں پر خرچ کرنے کی پالیسی پر عمل کر رہا ہے جو 45.5 بلین روپے بنتی ہے۔

آپ کی کمپنی صحت اور تعلیم کیلئے کام کرنے والے مختلف اداروں جیسے دی سٹیشن فاؤنڈیشن، یو آر بی ٹی اور نرسریاں اور غیر فاؤنڈیشن کو مالی تعاون فراہم کرتی ہے۔

رہنما

کمپنی کارپوریٹ سوشل ذمہ داری پر ایک رہنما کارپوریٹ سوشل ذمہ داری پر مشتمل ہے جو اسٹریٹجک، آپریشنل، کسٹمر سروس اور فیصلہ پر ایک رہنما کارپوریٹ سوشل ذمہ داری کا حصہ ہے۔

اس سلسلے میں مناسب کنٹرول ڈیزائن کئے گئے ہیں اور مختلف پالیسی اور قواعد کی گائیڈ لائنز کی مدد سے اضافہ تک پہنچائی گئی ہیں۔ ان کنٹرولز پر طریقہ کار کے مطابق کنٹرول کے ڈاکٹران کے ذریعے عمل کیا جاتا ہے اور ان کا ان خود جائزہ کران کے مفید اور فعال ہونے کا یقین کیا جاتا ہے۔

یورڈ آڈٹ کمپنی کی جواہر دست زبیر گمرانی ایک آزاد انٹرنل آڈٹ پارٹنر ان کنٹرولز کا جائزہ دیتا ہے اور ان کے ڈیزائن اور ان کے موثر ہونے کا یقین دلاتا ہے۔

ڈائریکٹرز رپورٹ

اتریشی اسٹیلڈ کورپوریشن کے ڈائریکٹرز کی جانب سے 30 جون 2019 کو شرم ہونے والے مالی سال کیلئے کمپنی کی بارہویں سالانہ رپورٹ بعد آؤٹ شدہ مجموعی مالی حسابات سمیت پیش کیا جا رہا ہے۔

یورپی تعلیق اور معاوضہ

یورپی تعلیق اور یورپی سب کمپنی کے ممبران کی تحصیل معطر نمبر 65 اور 80 پر ملاحد کی جاسکتی ہے۔ یورپی آؤٹ ڈائریکٹرز کے معاوضوں کی ادائیگی کی ایک باضابطہ پالیسی اور کیٹیز ایکٹ 2017 اور اسٹاک ایکسچینز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کی روشنی میں طے کیا جاتا ہے۔

اسٹیل کا مالی مہرہ

اس سال دنیا بھر میں خام فولادی پیداوار 1.83 بلین ٹن تک جا پہنچی ہے، جو گذشتہ سال کی پیداوار 1.81 بلین ٹن تک کے مقابلے میں کچھ زیادہ ہے۔ چین نے 2018 میں اپنی سالانہ عالمی پیداوار یعنی 51.3 فیصد کے مقابلے میں 2019 میں اپنی پیداوار 53.3 فیصد کردی۔

فولاد پیدا کرنے والے تمام ملک کی جانب سے تحفظ کا باعث ہوا زرخیزان دیکھنے میں آیا ہے۔ امریکہ نے فولادی صنعت کو اسٹریٹجک اور سٹریٹجک قرار دیتے ہوئے دنیا بھر سے فولادی درآمدات پر 25 فیصد ڈیوٹی کا نوکری کر دیا ہے۔ اس سے چین اور بھارت جیسے تمام ملک میں برآمدی سرچش میں اضافہ دیکھنے میں آیا ہے۔ دنیا بھر میں فولادی پیداوار 1.45 فیصد کم ہوئی ہے، جبکہ چین کی پیداوار 4.5 فیصد اضافہ ہوا ہے، جس کی وجہ انڈیا اسٹیل کورپوریشن میں فولادی پیمانی ہوئی کہتے ہیں، اور جس کا انحصار کھیتی باڑی پر ہے۔ تاہم مستقبل قریب میں چینی فولادی طلب میں معمولی کمی متوقع ہے کیونکہ حکومتی ترقیاتی شعبہ کی متوقع ہے۔ دوسری ترقی یافتہ پیشرفتوں میں بھی کمی کا رجحان دیکھنے میں آیا ہے۔ یورپی یونین کو بھی بریگزٹ کے معاملے میں معاشی غیر یقینی صورتحال کا سامنا ہے۔

امریکی ترقی کا سلسلہ بھی تیز ہو رہا ہے اور چین کی کمی کی سبب سے روئی اور مالی پالیسی کو معمول پر لانے کی وجہ سے سب سے روئی کا فٹار ہے۔ تاہم انڈیا اسٹیل کورپوریشن کی ترقی کے باعث ترقی پزیر پیشرفتوں میں فولادی طلب بھی بہت زیادہ ہے۔

پاکستانی معیشت

پاکستانی معیشت اپنے جنرادی ڈھانچے کی اصلاحات سے گزر رہی ہے جس کا مقصد ملک کے بڑے اقتصادی توازن کو بچھڑانا ہے۔ ملک میں برآمدی اقتصادیات پر ٹیکسوں کے ہماری ہوجے کے ساتھ سخت ترین معاشی پالیسی اور معاشی خدمات پر حکومت کے کمزور اخراجات ملک میں سرمایہ کاری اور معاشی ترقی کی راہ میں رکاوٹ ہیں۔ ہر چند کہ رخصت ہونے والے مالی سال کے دوران مالی خسارہ مزید بڑھا ہے۔ کرنٹ اکاؤنٹ کا فرق کچھ بچھڑا ہوا، جس کی وجہ درآمدات میں تیزی سے ہونے والا انحطاط اور کام

کرنے والے طبقے کی ترسیلات زر میں صحت مندانہ اضافہ ہے۔ مالی اشاریوں کی گہری ہوئی شرح کے ساتھ ہی ڈی پی کی شرح نمو مالی سال 2019 کی 3.29 فیصد بڑھ کر جنوبی ایشیا کے مقابلے میں واضح اضافہ حاصل رہا اور نمو پڑے ہوئے کے مقابلے میں 7 فیصد تک رہا، جس کی وجہ محکمہ پائیدار استعمال اور سرمایہ کاری ہے۔

حقیقی بجٹ کی سرگرمیوں کے حوالے سے سرکردہ اڈیکٹرز طلب میں کمی کا اشارہ دیتے ہیں۔

بڑے پیمانے پر صنعتی پیداوار جو کہ مجموعی پیداوار کا 65 فیصد ہے، گذشتہ سال کی 6.3 فیصد نمو کے مقابلے میں 3.5 فیصد تک کم رہی۔ فولادی طلب آٹوموبائل کی پیداوار اور بین الاقوامی سطح پر قیمتوں کے اتار چڑھاؤ کی وجہ سے کم رہی۔ ساتھ ہی ترقیاتی اخراجات میں بھی اور معاشی سرگرمیوں میں بھی کمی کی وجہ سے فولادی طلب میں کمی واقع ہوئی ہے اور مقامی فولاد سازی کی صنعت کو اپنی پیداوار میں کمی کرنا پڑی ہے۔ ان تمام عوامل کے ساتھ ساتھ فولاد اور لوہے کی صنعت میں 11 فیصد منفی نمو دیکھنے میں آئی ہے۔

نئی حکومت کے فوری اقدامات سے اعزاز دیتے ہوئے کہ مزید ایڈجسٹمنٹ کی ضرورت پڑے گی۔ شرح تبادلہ میں مسلسل کمی ہو رہی ہے، جو کہ موجودہ مالی سال میں مجموعی طور پر تقریباً 34 فیصد باشرح چاروں میں مسلسل کمی اور طلب پر پڑے ہوئے قیمتوں میں اضافے سے جو کہ کمی میں نمایاں اضافہ دیکھنے میں آیا ہے۔ اس کے نتیجے میں اسٹیل چیک آف پاکستان نے جولائی 2018 سے اپ تک اس کی مزید پالیسی دیکھ میں اضافہ کیا ہے، جو کہ جولائی 2018 سے 57.5 ڈی پی پی ایس سے 12.25 فیصد ہے۔ اسی سلسلے میں محمد نجف راجہ نو اور تیزی سے زوال پزیر ٹیکس راجہ تہ کے باعث ڈی پی پی میں مالی خسارہ 5 فیصد تک پہنچ گیا ہے۔ کم ہوتی ہوئی سرمایہ کاری کی وجہ سے معیشت کی ڈیٹ سرورگ کی صلاحیت بھی تیزی سے انحطاط پزیر ہوئی ہے۔ دوست ممالک کی جانب سے ملنے والی ادائیگیاں اور آئی ایم ایف کی جانب سے حالیہ مذاکرات کے نتیجے میں حاصل ہونے والے قلیل آؤٹ بلیکچے سے امید کی جاتی ہے کہ تیز رفتور کا تباہی اشاریوں میں کچھ بہتری آئے گی تاہم ڈی پی پی کی اصل نمو بھی جو کہ کافی کم رہے گی۔

بین الاقوامی پیمائش

اس سال کی پیداوار 584,400 ٹن تھی، جو کہ سالانہ گذشتہ کے مقابلے میں 24 فیصد زیادہ تھی۔ یہ خصوصیات اور پیداواری سلسلے میں مختلف اقدامات سے پائیدار کاری اور اس کے پیمائش کی صلاحیت میں اضافہ ہوا۔ 67 'Implementation of Six Sigma' اور نوکل پڑاؤ کو ٹیکھیں جیسے منصوبوں کو مستقل بنیادوں پر بہتر پیداواری فوائد کے حصول اور مسلسل بہتری اور پیمائش کا کردار کیلئے شروع کیا گیا۔

The background of the entire page is a low-angle photograph looking up at a dense forest. Sunlight filters through the thick canopy of green leaves, creating a bright, dappled light effect. Dark tree trunks and branches frame the central area where the light is brightest.

SUSTAINABILITY REPORT

OUR RELATIONSHIP WITH THE SOCIETY AND COMMUNITY

Since its inception in 2007, ISL has strived towards achieving sustainable growth in a rapidly changing business environment. By making continuous investment in human and industrial capital, ISL has emerged as the country's leading producer of flat steel products, with a 1,000,000 MT manufacturing capacity. Flat steel serves as an essential raw material for numerous industries, and ISL aspires to enable industrial development in the country, thereby contributing towards a better, more vibrant tomorrow.

Modern societies face numerous challenges and sustainability of our business and operations enables us to serve our communities. The company embraces sustainability as a fundamental part of its ethos and seeks to address many human development challenges faced by the society it operates in.

Climate change has had far reaching consequences for global demographics, from reduced rainfalls and water availability, to shrinking arable lands, posing substantial socioeconomic impact. Being a manufacturer that depends on various natural resources, we are driven by the clean, lean and green approach and the company embraces environment friendly practices, reducing waste and reusing resources as frequently as possible. The company undertakes various environment conservation initiatives to preserve essential natural resources such as water and air, thereby ensuring sustainability of life, both above and below land.

Business continuity and profitability is vital for our sustainability. In an environment of increasing competition, and growing protectionism in the global market, competitiveness is the key to remaining sustainable. The company benchmarks itself against global quality standards and best practices to ensure that our products and services remain competitive.

ISL is driven by the passion of its people, who work tirelessly to create value for the various stakeholders of the company. Over the years, we have consistently embraced management best practices and adopted policies that ensure a fair and competitive workplace, free from discrimination and biases of any nature. Our people remain committed towards playing an active role for society's benefit in causes we hold close to our hearts.

Moving forward, we are conscious of the need to accelerate and scale up the integration of sustainability in our operations. We will remain dedicated to our core values and vision. While continuing our socially responsible approach, we will always maintain our primary aim of protecting the environment and keeping our communities safe.



Yousef Hussain Mirza,
Chief Executive Officer

I S L VALUE SYSTEM

INTEGRITY

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

1

DIVERSITY

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

2

RESPECT FOR PEOPLE

We are committed to fostering 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.

3

FAIRNESS

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

4

RESPONSIBILITY

We consider quality, health, safety and the environment an integral part of our activities and way of life.

5

10 UN GC Principles

ISL has benchmarked its sustainability and corporate conduct with the United Nations Global Compact (UNGC). Corporate sustainability starts with a company's value system and a principled approach to doing business. This means operating in ways that, at a minimum, meets fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence, and know that good practices in one area do not offset harm in another. By incorporating the Global Compact principles into strategies, policies and procedures, and establishing a culture of transparency and integrity, we aspire to set the stage for long-term sustainability. The ten principles are listed below:



HUMAN RIGHTS

PRINCIPLE 1

BUSINESSES SHOULD
SUPPORT AND
RESPECT THE
PROTECTION OF
INTERNATIONALLY PROCLAIMED
HUMAN RIGHTS

PRINCIPLE 2

MAKE SURE THAT
THEY ARE NOT
COMPLICIT IN
HUMAN RIGHTS
ABUSES



LABOUR

PRINCIPLE 3

BUSINESSES SHOULD
UPHOLD THE
FREEDOM
OF ASSOCIATION AND
THE EFFECTIVE
RECOGNITION OF
THE RIGHT TO
COLLECTIVE
BARGAINING

PRINCIPLE 4

THE ELIMINATION OF
ALL FORMS OF
FORCED AND
COMPULSORY
LABOUR

PRINCIPLE 5

THE EFFECTIVE
ABOLITION OF
CHILD LABOUR

PRINCIPLE 6

THE ELIMINATION OF
DISCRIMINATION
IN RESPECT OF
EMPLOYMENT
AND
EDUCATION



ENVIRONMENT

PRINCIPLE 7

BUSINESSES SHOULD
SUPPORT
A PRECAUTIONARY
APPROACH TO
ENVIRONMENTAL
CHALLENGES

PRINCIPLE 8

UNDERTAKE
INITIATIVES
TO PROMOTE
GREATER
ENVIRONMENTAL
RESPONSIBILITY

PRINCIPLE 9

ENCOURAGE
THE DEVELOPMENT
AND DIFFUSION OF
ENVIRONMENTALLY
FRIENDLY
TECHNOLOGIES



ANTI-CORRUPTION

PRINCIPLE 10

BUSINESSES SHOULD
WORK AGAINST
CORRUPTION
IN ALL ITS FORMS
INCLUDING
EXTORTION & BRIBERY

OUR STAKEHOLDERS



SHAREHOLDERS

Maximize Shareholder value and uphold highest standards of transparency and openness, while assuming the most stringent level of corporate governance.

EMPLOYEES

Provide employment opportunities to people having diverse set of skills and competencies. Practice inclusion without exception and maintain practices that upholds employee welfare and wellbeing, sexual harassment, zero tolerance for misconduct.



CUSTOMERS

Provide world class products at open and transparent prices to local customers, to fuel economic and industrial growth. Provide livelihood opportunities through an essential raw material.

GOVERNMENT

Contribute to the government revenue collection, promote import substitution and solve country's major challenges through our value chain and position.



SOCIETY

Create value for society through real value creation, supporting Corporate and social entities, promote human development, facilitate healthcare and education, and promote ventures that are traditionally overlooked.

Stakeholders Communication

Stakeholder	Frequency	Activities	Value Creation
Employee	Ongoing	<ul style="list-style-type: none"> Employee feedbacks Surveys In house trainings Town hall meetings Emails 	<ul style="list-style-type: none"> Career Growth Learning and development Health and Safety
Customers	Ongoing	<ul style="list-style-type: none"> Customer visits Exhibitions In house trainings Company organized events 	<ul style="list-style-type: none"> Quality product Fair pricing development Timely Deliverability
Shareholders	Quarterly	Shareholders and providers of capital are engaged by corporate and secretarial practices department. The mode of engagement is Annual General Meeting (AGM) and Extra-ordinary General Meeting (EOGM).	<ul style="list-style-type: none"> Sustained economic returns Business growth
Society	Ongoing	<ul style="list-style-type: none"> Corporate Social Responsibility (CSR) Donations Support for social causes 	<ul style="list-style-type: none"> Social Welfare Better access to opportunities
Government & industrial groups	Ongoing/As and when	Meeting with key stakeholders	<ul style="list-style-type: none"> Adequate representation Knowledge sharing

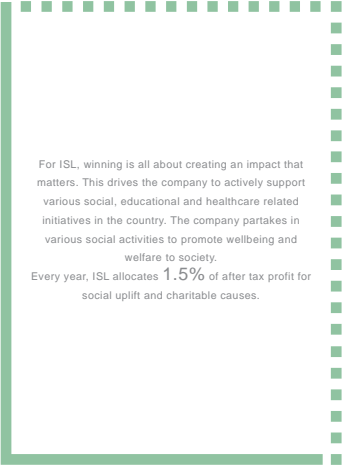
External Associations

ISL engages with various government and non-government associations to present our social and environmental impact and remain in coordination for further improvement.

Name of Agency	ISL
Pakistan Environmental Agency	✓
Sindh & Punjab Environment Protection Agencies	✓
Federal Board of Revenue	✓
Civil Defense	✓
Labor Directorate	✓
Pakistan Federations Association	✓

REDEFINING TOMORROW





For ISL, winning is all about creating an impact that matters. This drives the company to actively support various social, educational and healthcare related initiatives in the country. The company partakes in various social activities to promote wellbeing and welfare to society.

Every year, ISL allocates **1.5%** of after tax profit for social uplift and charitable causes.

EMPLOYEES

ISL recognizes employees as its greatest asset.

In an increasingly competitive landscape, human capital differentiates the company from the competition. Our Human Resources Department (HRD) works on implementing HR Related policies to ensure that our business objectives are met on a continuous basis, and at the same time, the employees are provided career and self-development opportunities that enable them to evolve in high performance workers, who deliver the values and vision of the company.

ISL is driven by the Group's code of conduct that professes fair work place, diversity in gender, race and religion, teamwork, respect for people, and safety and wellbeing of all employees.

Orientation and Induction

ISL recruits the best talent from industry and provide them a comprehensive orientation plan to help them learn about our business, customers and operations. The ISL recruitment process evaluates and selects the most suitable talent specific to the role, on standard criteria. Besides skill and aptitude, we also seek to evaluate the value system of a potential candidate before selection. We believe in nurturing human capital. Every employee that joins the

company goes through a rigorous orientation at the company to familiarize them with the organization structure, its core values and operations of the company. This enables them to perform their job roles with full fervor and enthusiasm, thereby, improving their capacity to deliver their targets.

Diversity and Inclusion

ISL is an equal opportunity employer that believes in providing everyone the right to a livelihood regardless of cast creed culture and religion. Over the years our strength of female workforce has increased substantially, and we continue to develop roles in the company that are gender neutral.

Training and Development

The company makes significant efforts to train their employees. This involves trainings at all levels, in house and ex-house as well.



Gender Equality

Being a large scale industrial manufacturer, located in suburbs of the city, it is difficult to attract and retain women, which is further exacerbated by the limited access of public transportation for women and the governmental timing restriction of female-based factory workers. Notwithstanding the challenges, ISL has steadily promoted diversity, with a drastic increase in female headcount, from 6 Females in the previous fiscal year, to 14. These team members serve in diverse functions ranging from Finance, Marketing, supply chain and production.

ISL strives to become an employer of choice for the massive talent pool of Pakistan's labor force and actively works to attract and retain employees of all ages within the organizations.

Compensation and Benefits

Our compensation includes provident and gratuity funds in addition to our comprehensive health plan, life insurance, mobile phone, transport and fuel allowances. We also ensure that our employment terms include generous leave allowances, flexible timings and other benefits including both retirement benefits of provident fund and gratuity.

ISL ensures they pay fair wages based on local benchmarks. In order to monitor the same we have identified and set our benchmark comparator companies and regularly carries out salary surveys. We have also engages Mercer to conduct a salary survey and were able to make salary adjustments based on the survey results.

Wellbeing



ISL demands nothing short of excellence from its employees. However, there are frequent activities carried out to provide entertainment and means of recreations to employees at the company. ISL promotes physical wellbeing of its employees and has established a fully furnished state-of-the-art gym at ISL facility where all team members can avail facilities. Furthermore, unwinding activities are a regular feature at the company

- Employee theatre events
- Employee picnics
- Cricket Matches
- 14th August celebration
- Iftar dinners with customers and team
- Participation in Group Cricket Tournament
- 1,000,000 MT Milestone celebration events
- Distribution of helmets

Employee Survey

ISL regularly conducts anonymous employee surveys. Once completed, the HR team does thorough subjective and objective assessment to create a presentation with the survey results. The HR team holds department wise meetings in which positive and negative feedback of the employees is discussed and corrective action taken accordingly.

The 6th EFP Awards for Best HR Practices

ISL participated and won first place in the Annual Employers Federation of Pakistan competition for best HR practices for the year 2017. This event highlights best practices in the areas of Corporate & General Management, HR Management, OSH&E,



Skill Enhancement, Compliances and Sustainable Development.

Safety Record

ISL invests in considerable efforts in providing a safe and injury free workplace for its employees and visitors to the company. The company has engaged various consultants to assess the safety of the company facility, and inculcate the culture of safety in the company's teams.

The health and safety of our employees is of high significance to us. We are responsible for providing a healthy and injury free environment for our employees and contractors. ISL strives to achieve this through our OHSE Management System (Occupational Health Safety and Environment System) that is implemented by the HSE

Department. Through this program, we have set reporting parameters that minimize the impact of behaviors that could lead to unfavorable events. Our HSE program also enhances the sense of responsibility for keeping the workplace safe and with minimal or no hazards. For example, the team has created signage that includes large clear illustrations that are placed throughout the factory floor.

Personal Safety

Employees are required to wear personal protective equipment relevant to the job nature and surrounding. These range from safety gloves, safety goggles and ear protectors. Furthermore, people are

required to walk along designated safety pathways in the factory premises. For specialized activities that pose a potential risk such as working at height, a safety clearance or "permit to work" is required in order to ensure that adequate safety measures have been employed.

Safety Awareness

Our HSE department has encourages awareness and consciousness of implementing safe work practices. In order to inculcate a safety culture, the company has conducted several safety awareness trainings to ISL employees that create a safety mindset at the grass root levels.

Fire Drills

During the period, several Fire Drills were carried out at various locations of the company across Pakistan, and the use and countermeasures in the event of a fire were demonstrated to employees.

Logistic Safety Measures

Our sales and marketing collaterals provide detailed accounts of safe handling of products, thereby reducing the chances of transit injury as a result of coil transportations.





ISL National Polo Open Quaid-e-Azam Gold Cup 2019

Testing limits, pushing boundaries

This season, ISL extended its patronage to the Lahore Polo Club for the king of games and of the greatest and most exciting high goal tournament in the region: The International Steels Limited National Open for the Quaid-e-Azam Gold Cup 2019. ISL enthusiastically promoted brand Pakistan by redefining what it means to be Made in Pakistan at the final game and lunch at Lahore Polo Club.

This 14-goal tournament, took place at the Lahore Polo Club grounds for 2 weeks, from February 25 to March 10, 2019. Six teams with players from Argentina, Chile, Pakistan and the UK, competed in the tournament. These teams included various Pakistani and international players like Nicolas Corti, Saqib Khan Khakwani, Juan Cruz Losada, Hissam Ali Hyder, Hamza Mawaz Khan, Salvador Ulloa, Raja Temur Nadeem, Matias Vial Perez, Ahmed Ali Tiwana, Bautista Bayuger, Raja Samiullah and Bilal Haye.



CUSTOMERS

ISL considers customers one of the most essential part of our value system. The company attributes its success to its ability to serve its diverse customers base across the globe. Upholding Customer requirements as the most important part of our existence, ISL's sales and marketing teams work tirelessly to exceed customer expectations through value added services and rigorous after sales support.

Customer Knowledge

Our marketing teams impart full product and customer knowledge through various marketing collaterals and through interactions. ISL's sales teams interact with customers on a personal basis through visits and at expos and exhibitions. The company has created customer-friendly marketing collateral that is readily available across Pakistan regarding all the product information. We highlight all product specifications, including the variety of the product, and the quality certifications that each product has received.

Value Added Services

Besides providing full width coils to customers, ISL offers various services such as cut-to-length, slitting and various profiles depending upon customer's need. Such services render the product in a more usable form, thereby improving value proposition for the customers. In view of increasing demand, currently, we are in the process of establishing dedicated customer service

center in Karachi, in close proximity to various industries that will enable superior service deliverability.

Transparency in Pricing

Our organizations support price transparency by providing a single yet comprehensive country price list that is shared with all our customers. Furthermore, all our customers have access to our regional offices throughout the country to ensure timely feedback for any purchase follow up or concerns.

After Sale Support

ISL provides customer support throughout its sales network. The support ranging from complaints regarding quality, to service and availability. ISL encourages open communication with customers.

Customer Engagement

Various events are organized to create cohesiveness with customers and sales network, which transcend normal client company relationship. In order to foster closer relationships with customers, the company continues to engage customers and consider them a part of the ISL Family.

- Movies
- Polo Event
- Play
- Iftar Dinners



SHARE HOLDERS

ISL aspires to be a model corporate citizens, by upholding and creating value for our shareholders, in order to ensure fair returns to our shareholders.

PSX Top 25 Companies Awards

The company was nominated for the PSX top 25 Share award which will be received in the coming fiscal year. This award depicts our commitment to maximize shareholder return and to create value for the grassroots.



SOCIAL CONSCIOUSNESS





ISL aspires to be a carbon negative organization.

Driven by the **Clean**, Lean and **Green**
approach towards responsible and sustainable
manufacturing, we are always working towards making
our operations as environment friendly as possible,
from investing in green technologies to reducing and
treating our waste.

COMMUNITY

At ISL, we seek to address some of the challenges that our society faces. Being a large scale industrial manufacturer provides us a position to become an enabler and facilitator of human development through our operations.

Our corporate culture is driven by the inclinations of our founder, Mr. Amir S. Chinoy, towards being a strong supporter of the local community. ISL has integrated responsibility in our donation policy, in which charitable donations are made either directly through the organization or through the Amir Sultan Chinoy Foundation (ASCF).

Policy	Donation
Donation Policy	ISL donates around 1.5 % of its profits (after tax and dividend income), towards social uplift and community welfare activities every year.
Total Amount of Donations in FY 2018-19	Rs. 45 Million

The company considers the community as one of the most important stakeholders in the path to sustainability. Driven by purpose, the company seeks to create sustainability.



The Amir Sultan Chinoy Foundation

The Amir Sultan Chinoy Foundation is one of Pakistan's oldest foundations. It was established in 1968 as "The Friendship Foundation" by Amir Sultan Chinoy in accordance with the wishes of his father Sir Sultan Mehrally Chinoy. In 1980 the foundation was renamed as the "Amir Sultan Chinoy Foundation".

Till this day the foundation continues to operate in accordance with the wishes of Amir Sultan Chinoy who established the foundation to help further the advancement of education, learning and industry in all its branches.

Presently, ISL continues to contribute to the Amir Sultan Chinoy Foundation (ASCF) – which is mandated to focus on education, health and social advancement.

Education

Our Group believes that if health care is the basic foundation of life, then education is the essential building blocks for a more successful life. Within our donation policy, we ensure to support the education of the underprivileged, higher education and arts programs. Through our various programs in the last decade over 11,000 children have gained a higher quality of education.



Study Trips

ISL facilitates hands on approach by providing academia an opportunity to observe the company operations first hand. During the period, numerous such visits were organized, namely a visit of ISL manufacturing facility on 20th March, 2019 for mentors/teachers and professional students of IBA, undertaking a diploma course in Family Managed Business.

Furthermore, during the year Dawood University's Departments of Mechanical Engineering and Business Administration also visited the company.

The Citizen Foundation (TCF) Rahbar Mentorship Program

ISL's ongoing commitment to education for the underprivileged continues with the employees participating in the "Rahbar Program". The program allows employees to act as mentors for studentand to guide them towards becoming good citizens and to motivate them to always strive for the best.

ISL employees voluntarily participates in The Citizens Foundation's flagship volunteer-based youth mentoring program RAHBAR. Rahbar is a youth mentoring program. The vision of the Rahbar program is "to sow the seed of positive thought process; leave the students with some food for thought.



Vocational Training

ISL continues to support vocational training institutions as we believe that the future of the country lies in skill development of the vast population, which will then potentially contribute to the country's growth. ISL's support to Hunar Foundation, a leading vocational training institution of the country, seeks to develop skills in the population, which enables people to earn a livelihood. Besides skill development, ISL facilitates learning through study tours and visits to impart firsthand knowledge of a high tech industrial complex. During the year, technical students and faculty of AMANTECH visited ISL factory to observe the various functions of the company.

Amphitheatre at the IBA main campus

The Group sponsored the Amir S. Chinoy Amphitheatre at the IBA main campus student's center.

Environmental Responsibility

ISL is conscious of the ways our business activities can potentially impact the environment. Recognizing access to water and basic resources as a fundamental human right, the company takes various measures to reduce its impact on the environment. As Pakistan faces energy and clean water scarcity issues, we believe that our most direct and visible impacts come from our environmental efficiencies. Although our raw materials, steel and zinc does not

have a direct impact on environment, we believe in minimizing impact to the environment as a result of our operations. Most of the technologies and equipment in our operations are environmentally efficient and compliant with international and national norms. Environmental aspects are taken into consideration by us and included in all our project costing and purchase process. Furthermore, all future investments are preceded by an environmental impact assessment.

Driven by the Clean, Lean and Green Approach, ISL strives to continuously adopt environment-friendly practices during its manufacturing processes. While embracing sustainable technologies, ISL strives to minimize its environmental impact through effective resource utilization, waste reduction and recycling of resources, as frequently as possible.

Effluent and Sewage Water Treatment

ISL's Effluent Treatment Plant collects, neutralizes and filters the entire solvent-based waste generated during the manufacturing process, making it reusable. The reverse osmosis system generates 54m³/hour of water to meet its industrial needs without relying on the city's main water supply system. The Sewage treatment plant recycles the water used at the factory premises and is then utilized to water plants and vegetation present in the factory premises.



Emission Control

Although the company's operations do not have an major impact on the environment, the company proactively seeks to minimize any environmental impact that may arise as a result of manufacturing operations, such as the installation of an incinerator at the color coating line, that neutralizes the fumes released in the atmosphere.

Waste Heat Utilization

ISL recovers significant amount of waste heat generated from operations and utilizes it in various production operations and also powers a 1.2 Mega Watt Steam Turbine to generate additional electricity. The heat absorption chiller generates chilled water for air-conditioning, whereas, steam boiler uses waste heat from exhaust gases to generate steam.

In-house Co-Generation Power Plant

ISL has installed a natural gas burning power plant with 8 generators that creates 25 Mega Watt of power by co-generation, meeting the needs of ISL's steel complex and supplying surplus electricity to the Grid.

Acid Regeneration Plant (ARP)

The pickling line utilizes a large amount of Hydrochloric acid to remove surface impurities from hot rolled coils. Direct disposal of the contaminated acid poses threat to the environment, therefore ISL's Acid Regeneration Plant (ARP) recycles and reconditions Hydrochloric acid from the pickling line,

making 98% of the acid reusable.

Environment Conservation and Awareness

WWF Plantation & Beach Cleaning Activity

With the impact that global warming has on the world at the moment, ISL partnered with WWF (World Wide Fund) Pakistan to plant eleven hundred mangrove trees along the coastal areas of Karachi to reduce the impact of flooding in the local area. Furthermore, employee's participated in cleaning up the beach that surrounded the mangrove forest to prevent the local wildlife from eating chemical waste.

"Take a Pledge for Environment" Activity at CAP Family Carnival

ISL supports social engagement initiatives, such as Citizen's Archive Pakistan (CAP), whose core projects include cultural and educational programming for low-income communities in. ISL supported the Citizen Family Carnival 2019 at Beach Luxury Hotel. The activity had two goals;

- Educating the public on adopting environmental-friendly practices.
- Taking initiatives to preserve ecosystems by taking simple and effective steps.

Healthcare

Health is the basic foundation of all life. As a responsible corporate citizen, we recognize that there are limitations for underprivileged members of



society and their reach to quality healthcare. Our donation policy supports the provision of health care in areas of need and the funding healthcare institutions.

Permanent Endowment Fund

In 2010, the Group made a substantial contribution towards the "Amir Sultan Chinoy Chair" at the Aga Khan University Hospital in Karachi - a permanent endowment fund.

Health Clinic in Landhi, Karachi

In 2016, ISL partnered with SINA Clinic to create a health clinic. This is a significant achievement in this area, as it benefits several members of the society there at nominal costs. Located at a close proximity to ISL factory, workers are also able to reap the benefit of this clinic. In its first year of operation the clinic served 25,890 adults and children. In the current Fiscal Year, the clinic served 8,790 adults and children.

Blood Drive

On September 10, 2018, blood donation camp was organized at ISL's facility by The Indus Hospital. ISL donors offered their blood voluntarily with the aim to serve those patients suffering from chronic and life-threatening diseases. This drive was conducted at both ISL's factory and head office.

Art & Architectural Community



Artists in Residence Program

In 2017, ISL held its first "Artists in Residence" program. The program was a manifestation of the company's commitment to incubate and facilitate the culture of art and nurture talent by providing an enabling environment. The Residency brought together some of Pakistan's most talented, emerging artists and inspired them to develop artworks utilizing the various materials and facilities present at the factory. During the course of the 2 weeks, the artists were mentored by 3 eminent artists from Pakistan namely Amin Gulgee, Asma Mundrawala and Munawar Ali Syed. Drawing inspiration from various sources and with the able guidance of the mentors, the Resident artists developed artworks utilizing the various materials present on site. The Program was a rousing success and has received acclaim globally, most notably by the EU parliament and Italy's PPT Art award.

Architect Community

Sponsoring ASB – Architects and Builders Sourcebook 2019

This year, ISL is sponsoring the 2019 edition of "Architects and Builders Sourcebook 2019". The ASB is Pakistan's leading directory for construction materials and is widely used by Architect and industry professionals across the country.





ISL Artists in Residence Programme

Bringing Art & Industry Closer

ISL collaborated with one of Pakistan's leading contemporary art authorities, Canvas Gallery to create the Artists in Residence Programme. The aim of this activity is to recover the cooperation between the two apparently antithetical fields - Art and Industry. The Residency commenced on the 22nd of July 2017 and housed six talented artists Aamir Habib, Ehsan Memon, Fahim Rao, Mahbub Jokhio, Salfdar Ali and Yasser Vayani.

Each artist was provided material and resources including steel, cutting and welding equipment. Craftsmen and engineers working at International Steels Limited's factory were also available round the clock to help materialize their artistic ideas.

ISL's Artists in Residence received the "Corporate Art Award 2017" at the prestigious PPT Art Award held at the Ministry of Art and Culture in Rome, Italy, making Pakistan the first Asian country to receive this award, alongside 80 leading global companies and 20 institutions from 18 different nations.

In 2018, ISL's Artists in Residence was also presented "Award of Recognition" by European Union Parliament Brussels, Belgium. ISL's efforts were recognized by the Italian President H.E. Mr. Sergio Mattarella, Italian Ministry of Cultural Heritage and Tourism, H.E Mr. Dario Franceschini, the European Parliament members and several participating companies.





C O R P O R A T E GOVERNANCE



Board Of Directors' Profile

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 organization dedicated to protecting and defending human rights in Pakistan. He has been associated as a Senior Executive with prestigious organizations such as Wyeth Laboratories (Pakistan) Ltd., Chemical Consultants (Pakistan) Ltd., Commerce Bank Limited Pakistan, Bank of Credit and Commerce International S.A. London and Indus Bank Ltd. He has served as a Consultant/ Adviser to a number of Financial Sector organizations in Pakistan and abroad, including National Development Finance Corporation, NIT and NBP Fullerton Asset Management Ltd (NAFA). He has been a consultant on the capital markets and in that capacity has advised numerous organizations in Pakistan. He 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

Executive Director / Advisor

Since: 3rd September, 2007

Mr. Towfiq Habib Chinoy, is an Advisor / Director with extensive professional experience and significant executive leadership accomplishments in business and philanthropy and is also known as a pioneer in the steel industry and has been associated with International Industries Limited (IIL), since 1964 from where he retired in August 2011, after having served as its Managing Director for thirty-seven (37) years, thus, laying a strong foundation and impeccable ethical reputation for IIL in the steel industry. He founded International Steels Limited (ISL) in 2007, where he served as Managing Director until 2015, which is a state of the art modern automated factory and is currently serving as an Executive Director on ISL's board since 22nd November 2011 and as Advisor to both, IIL & ISL. His contribution to all companies on whose boards he serves is that he possesses strong diplomatic skills and a natural affinity for cultivating relationships and persuading convening facilitating and building consensus among diverse individuals. Over his long career has applied qualities of integrity credibility and a passion for progress strategic governance efforts. He is currently serving as a non-executive Chairman of both Jubilee General Insurance Company Ltd. and Packages Ltd., He is also a director of the National Foods Limited, Trustee of the Habib University Foundation and Mohatta Palace Gallery Trust. Mr. Chinoy has served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority -Government of Pakistan. He has also been Chairman of Pakistan Cables Ltd and PICIC Commercial Bank Ltd., Vice Chairman of The Pakistan Business Council and a Director of National Refinery Ltd., Linde Pakistan Ltd, Jubilee Life Insurance Co. Ltd and The Pakistan Centre for Philanthropy.

Mr. Yousuf H. Mirza

Chief Executive Officer

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 Director of Pakistan Japan Business Forum and German Pakistan Chamber of Commerce and industry.

Mr. Tariq Iqbal Khan

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, OGDCL, Mari Petroleum, SSGC, Siemens, Gillette Pakistan Limited, PICIC Insurance Co., Lucky Cement Limited and remained Chairman of SNGPL and ARL etc. Presently he is a member of the Boards of eminent listed companies including International Steels Limited, National Refinery Limited, Pakistan Oil Fields Ltd., Packages Limited and Silk Bank Limited, while the non-listed companies include FFC Energy (Pvt.) Limited and CAS Management (Pvt.) Ltd.

Mr. Kamran Y. Mirza

Director

Since: November 22, 2010

Mr. Kamran Y. Mirza is a qualified Chartered Accountant (Nov. 1968) from United Kingdom and started his career in Pakistan as an auditor with A.F. Ferguson & Co. Mr. Mirza then made a career move in December 1970 and joined Abbott Laboratories (Pakistan) Limited, a multinational Pharmaceutical cum health care company as Chief Financial Officer. He became one of the youngest Managing Director of his time in the year 1977 and remained in that position, i.e. Managing Director Abbott Pakistan, for 29 years. Mr. Mirza held the position of Chairman Export Processing Zones Authority from February 2007 to March 2009 and then joined PBC (Pakistan Business Council) as its Chief Executive Officer, a position he held till December 2015. PBC is a Think Tank cum Business Policy Advocacy Forum. He is the Chairman of – Philip Morris (Pakistan) Ltd. and Unilever Pakistan Foods Ltd. (UPFL), as well as Karwan-e-Hayat (NGO). He is also serving as Director on the Boards of Abbott Laboratories, International Steels (ISL), Sarmaya-e-Pakistan Ltd., Education Fund for Sindh (EFS), of which he was the Chairman from Dec. 2012 to Oct. 2016. Previously, he served as Chairman of Pakistan Mercantile Exchange Ltd. (PMEX) – formerly National Commodity Exchange Ltd. (NCEL), Chairman of Karachi Stock Exchange (KSE), President of Overseas Chamber of Commerce & Industry (OICCI), President of American Business Council (ABC), Chairman of Pharma Bureau – (Association of Pharmaceutical Multinationals). He served as Director on the Boards of State Bank of Pakistan (SBP), Pakistan State Oil (PSO), Pakistan Steel (PS), and National Bank of Pakistan (NBP), Bank Alfalah Ltd, Pakistan Textile City Ltd. Competitiveness Support Fund (CSF), Genco Holding Company, NAVTEC, and Safari Club of Pakistan Ltd. Further, he represented PBC on the Board of BOI (Board of Investment) and other Government Bodies / Institutions. Mr. Mirza has also been a past Chairman of a Task Force set up by Planning Commission on Pharmaceutical Industry, a member of the Economic Advisory

Board of the Federal Government and Sindh Wild Life Board. He has served as a Member on Quality Control Board of Institute of Chartered Accountants of Pakistan. He also lectures regularly at the Pakistan Institute of Corporate Governance (PICG).

Syed Salim Raza

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 Habib Bank Ltd., member of Economic Advisory Council and as Trustee of Indus Earth (NGO), Layton Rehmatullah Benevolent Trust (LRBT) and Habib University Foundation.

Mr. Kamal A. Chinoy

Director

Since: September 3, 2007

Mr. Kamal A. Chinoy is a graduate of the Wharton School, University of Pennsylvania, USA. He is the Chairman of Jubilee Life Insurance Company Limited and serves as a director on the Board of Atlas Power Limited, Askari Bank Limited, ICI Pakistan Limited, International Industries Limited, International Steels Limited, NBP Fund Management Limited and Pakistan Cables Limited. He has recently retired from the position of CEO of the Pakistan Cables Limited after 27 years. 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 Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Security Printing Corporation, Atlas Insurance Ltd, First International Investment Bank and Pakistan Centre of Philanthropy.

He has also served on the Undergraduate Admissions Committee of the Aga Khan University, the University of Pennsylvania Alumni Committee for Pakistan and on the Board of Governors of Army Burn Hall Institutions.

Mr. Mustapha A. Chinoy

Director

Since: August 15, 2018

Mr. Mustapha A. Chinoy is a B.Sc. in Economics from Wharton School of Finance, University of Pennsylvania, USA with majors in Industrial Management and Marketing. Upon return from United States, he took up the position of Marketing Manager at International Industries Ltd. He is currently the Chairman of International Industries Ltd., Pakistan Cables Ltd., and a director on the Board of Travel Solutions (Pvt) Ltd., Global E-Commerce Services (Pvt.) Ltd., Creative Bench (Pvt.) Ltd. and Global Reservation (Pvt.) Ltd. He is the Chief Executive of Intermark (Pvt.) Ltd. He has previously served on the Board of Union Bank Ltd. until it was acquired by Standard Chartered Bank.

Mr. Riyaz T. Chinoy

Director

Since: September 27, 2016

Mr. Riyaz T. Chinoy is the Chief Executive Officer of International Industries Limited (IIL) since 12th August 2011, after serving the IIL since 1992 in various positions. By profession he is a qualified Industrial Engineer and has obtained a B.Sc. in Industrial Engineering, from Case Western Reserve University, USA. He is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance.

He has had extensive experience of all processes ranging from production, operations, supply chain, quality management systems and projects. His previous employment was with Pakistan Cables Limited. He has served as the Chairman of the Landhi Association of Trade and Industry and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, Pak-Australia Business Forum, The Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of IIL Australia Pty Limited, a fully owned subsidiary of IIL and of the Pakistan Institute of Corporate Governance. He is also a Non-Executive Director on the Board of International Steels Limited, Bulleh Shah Packaging (Private) Limited, Pakistan Business Council, Management Association of Pakistan, The Citizens Foundation, LITE Development and Management Company and Citizens Trust Against Crime.

Mr. Samir M. Chinoy

Executive 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

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

Director	Other Business Occupations and Directorships (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
Mr. Yousuf H. Mirza Chief Executive Officer	International Steels Ltd. Pakistan Japan Business Forum German Pakistan Chamber of Commerce and Industry
Mr. Towfiq H. Chinoy Director & Advisor	International Steels Ltd. Jubilee General Insurance Co. Ltd. Packages Ltd. National Foods Ltd. 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 Fund Management Ltd.
Mr. Tariq Iqbal Khan Director	International Steels Ltd. National Refinery Ltd. Pakistan Oilfields Ltd. Packages Ltd. Silkbank Ltd. FFC Energy Ltd. CAS Management (Pvt) Ltd. Islamic International Medical Trust High Altitude Sustainability Trust Pakistan Engineering Academy Endowment Fund Human Element Foundation
Syed Salim Raza Director	International Steels Ltd. Indus Earth - NGO Habib Bank Ltd. Economic Advisory Council Habib University Foundation Layton Rahmatullah Benevolent Fund (LRBT)

Director	Other Business Occupations and Directorships (if any)
Mr. Kamran Y. Mirza Director	International Steels Ltd. Abbot Laboratories (Pak) Ltd. Unilever Pakistan Foods Ltd. Phillip Morris (Pakistan) Ltd. Education Fund for Sindh (EFS) Karwan-e-Hayat Sarmaya-e-Pakistan Ltd.
Mr. Mustapha A. Chinoy Director	International Steels Ltd. International Industries Ltd. Pakistan Cables Ltd. Intermark (Pvt) Ltd. Travel Solutions (Pvt) Ltd. Global e-Commerce Services (Pvt) Ltd. Crea8ive Bench (Pvt) Ltd. Global Reservation (Pvt) Ltd.
Mr. Riyaz T. Chinoy Director	International Steels Ltd. International Industries Limited IIL Australia Pty Ltd. Bulleh Shah Packaging (Pvt) Ltd. Pakistan Institute of Corporate Governance Pakistan Business Council Management Association of Pakistan The Citizens Foundation Citizens Trust Against Crime (CTAC) 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.

Governance Framework

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

Compliance Statement

Living up to its standards the Board of Directors has, throughout the year 2018-19, 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 the following has been complied:

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

practices of corporate governance as per regulations.

The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by Mr. Kemal Shoaib, a Non-Executive Chairman; out of 11 Directors, 3 are Independent Directors. The current Board composition reflects a good mix of experience, diversity in backgrounds, skills and qualifications. All Directors have many years of experience and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present eight (8) Directors have acquired the formal Directors Training Certificates, while all the other Directors possess sufficient skills and experience of the Board room as described in the Code of Corporate Governance. In compliance of the Clause 7 of the Companies (Code of Corporate Governance) Regulations, 2017 the Board also has plans to induct a Female Director in the forthcoming election of directors at the 12th annual general meeting.

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

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

A meeting calendar is issued annually to reflect the dates planned for the Board, Audit Committee, HR&R Committee, Strategic Planning Committee and Treasury Committee Meetings. All the Board members are provided appropriate

documents through Diligent Board application in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval.

During the year 2018-19, the Board had five (5) meetings, out of which four (4) were held to review the quarterly results, while one (1) was held to approve budget for the ensuing year. The average attendance of the directors in Board meetings during the year was 87%.

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

Changes in the Board

During the financial year 2018-19, a casual vacancy was created by the resignation of Syed Hyder Ali that was subsequently filled by the appointment of Mr. Mustapha A. Chinoy as director for the remaining period of the existing term of the board of directors.

Board Meetings Outside Pakistan

During the year 2018-19, no Board Meetings were held outside Pakistan.

Roles and Responsibilities of the Chairman and Chief Executive

The Board of Directors provides the overall direction for the Company operations and provides oversight for various policies and monitors the management in the light of operational and financial plans. The roles of Board and the Chief Executive Officer have been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business. The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested in him under the Code of Corporate Governance and presides over all Board Meetings. The Chief Executive performs his duties under the powers vested by the law and the Board and recommends and implements the

business plans and is responsible for overall control and operation of the Company.

Business Philosophy & Best Corporate Practices

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

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

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

All periodic financial statements and other working papers for the consideration of the Board/committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held five (5) meetings, agendas of which were duly circulated through Diligent Board application at least a week before the meetings.

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the

Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual Financial statements were authorized by the Board of Directors and communicated to the Pakistan Stock Exchange within fifty (50) Days from the close of the financial year. Additionally, all important disclosures, including the financial statement, were also made on the Company's website to keep the stakeholders duly informed.

Board Evaluation

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

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

In the year 2018-19, in compliance with the Clause 29(3)(ii) of the Code of Corporate Governance, the Pakistan Institute of Corporate Governance was engaged to coordinate for the evaluation of Board's own & members' performance and the results were shared with the Board. The Board is continuing its Self-Evaluation since many years and has identified

areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management.

Directors Remuneration Policy

A formal policy to review and approve the remuneration of non-executive directors' is well in place. The Company believes in remunerating its non-executive directors adequately to justify their continued quality guidance and contributions to the Company's objectives, good corporate governance, and sustained long-term value creation for shareholders, while maintaining their independent status.

Risk Management

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

Management periodically reviews major financial and operating risks faced by the business.

Internal Control Framework

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

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls.

The Audit Committee receives the Audit reports by the Internal and External auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the Board of Directors. The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management

practices for the purpose of achieving clear and quantifiable commitments.

The Head of Internal Audit is being assisted by in-house executives to carry out the Internal Control functions. The Management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate these risks.

Risk and Opportunity

Pakistan's per capita steel consumption is still way low as per world standards, hence there is a potential for growth in domestic market as well as regional markets. During the year the Board focused on future business strategy to assess the opportunities and evaluated all significant risks attached with the business proposals and decided to move towards its Vision of being the premium manufacturer of Flat Steel Products in Pakistan. In continuation of its strategy, the Company expanded its manufacturing facilities by addition of Cold Rolling Mill, a pickling line and related facilities at a cost of Rs.5.6 billion. After this expansion, the Cold Rolling Capacity enhanced to 1,000,000 tons per annum and the Country has a capacity sufficient to meet most of the Domestic demand of Cold Rolled and entire national demand for Galvanized Sheets and Coils. The un-predictable exchange rate is the most significant risk factor for any manufacturing industry based on imported raw material. The management is however mitigating the challenge by trying to buy raw material at the right time and price, enhancing productivity based initiatives. The Company has launched the Six Sigma methodology to provide structured approach in problem solving and decision making. The macroeconomic indicators continued to worsen during the year resulting in lower growth rate of 3.2%. The Country has entered the IMF program resulting in reducing fiscal deficit by increasing taxes and broadening of the tax base. The measures indicates that the further contraction in large scale manufacturing in the coming years.

Disclosure of Conflict of Interest

The Company has taken measures to prevent conflict of interests between directors, employees and the Company. In this regard, a clear policy on conflict of interests is contained in the Code of Conduct duly approved by the Board of Directors which is placed on Page No. 13. As per the Code of Corporate Governance, the Company annually circulates and obtains a signed copy of code of conduct from all employees and directors. Further, the directors and key employees are reminded of insider trading and avoiding dealing in shares during close period.

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

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

Corporate Social Responsibility

The Company has implemented comprehensive policies on "Occupational Health, Safety & Environment" and "Donations, Charities and Contributions" to meet its Corporate Social Responsibilities. The social and environmental responsibility reflects the company's recognition that there is as strong positive correlation between financial performance and corporate, social and environmental responsibility. Social and environment responsibility include the following:

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

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

We are committed to providing better educational and health facilities to the less fortunate people especially to our stakeholders.

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

Sustainability Measures

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

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

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

Engaging Stakeholders & Transparency

Development of stakeholders' relationship is of significant importance for the company. Building "stakeholder's engagement", compliance with regulatory requirements and terms and conditions are one of the main business principles by which we abide. To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to all stakeholders by various announcements on its

website, to the Stock Exchange and other sources available to help investors to make informed decisions. It encourages full participation of the members in the General Meetings by sending corporate results and sufficient information following the prescribed timeline so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors. Our stakeholders include but are not limited to customers, employees, government, shareholders, suppliers, local communities and bankers.

Policy for Investor Grievances

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

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

1. Investors are treated fairly at all times.
2. Complaints raised are dealt with in a courteous and timely manner.
3. Various 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.

Safety of Company Records

International Steels Limited has a firm "Document & Record Control Policy" for establishing, approving,

reviewing, changing, maintaining, replacing, retrieving, retaining, distributing and administering control of all documents and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records and creating a paperless environment.

- All important documents such as, minutes and proceedings of the Board & its sub-committees, Annual General Meeting, statutory certificates, title documents of the Company property and all other important communications and records are digitally scanned and archived on secured Company servers.
- All important original documents are placed at a neutral, secured and well known vault.
- Record keeping of accounting books is being arranged at a separate location.

Human Resources Management Policies and Succession Planning

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

Information Technology Policy

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

The I.T Steering Committee comprising of CEO, CFO, Director Sales & Marketing, General Manager Manufacturing and HoD IT are responsible for taking major I.T decisions. The I.T Head is responsible for ensuring communication of I.T security policies to all users of Companies. Further, Internal Audit is responsible for monitoring compliance of I.T policies. The Policy on Information Technology is focused upon information security, human resource security, access control, information system acquisition development and maintenance, business continuity

management, incident management, website and ERP.

Whistleblowing Policy

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

Policy of security clearance of Foreign Directors

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

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 11th Annual General Meeting of the Company held on 25th September, 2018, no significant issues were raised.

Dividend to Shareholders

During the year, the Company paid an interim dividend of 15% per share to all eligible shareholders and the Board of Directors is recommending a final dividend of 15% per share, making a total of 30% in respect of the financial year ended 30th June, 2019 which is subject to shareholder approval.

Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on 30th June, 2019 is placed on Page No. 159.

Board Committees

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

(a) Board Audit Committee

The Audit Committee comprises of the following:

- 1) **Mr. Tariq Iqbal Khan**
Chairman - Independent Director
- 2) **Mr. Towfiq H. Chinoy**
Member - Executive Director / Advisor
- 3) **Mr. Kamran Y. Mirza**
Member - Independent Director
- 4) **Mr. Kamal A. Chinoy**
Member - Non-Executive Director
- 5) **Ms. Asema Tapal**
Secretary - Chief Internal Auditor

The Audit Committee comprises of four (4) Directors, out of which two (2) are independent. The Chief Financial Officer and the Chief Internal Auditor attend the BAC meetings, while the Chief Executive Officer is invited to attend the meetings.

The Audit Committee also separately meets the internal and external auditors at least once in a year without the presence of the management. Meetings of the Audit Committee are held at least once every quarter, the recommendations of the Audit Committee are then submitted for approval of financial results of the company by the Board. During the year 2018-19, the Audit Committee held four (4) meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, directors and the Chief Financial Officer.

The Chief Internal Auditor meets the Audit Committee without the presence of the management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and corrective actions are then implemented.

Terms of Reference of the Audit Committee

The Audit Committee is mainly responsible for reviewing the financial statements, ensuring proper internal controls to align operations in accordance

with the mission, vision and business plans and monitoring compliance with all applicable laws and regulations and accounting and financial reporting standards. The salient features of terms of reference of the Audit Committee are as follows:

- i) Recommending to the Board the appointment of internal and external auditors.
- ii) Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.
- iii) Determination of appropriate measures to safeguard the company's assets.
- iv) Review of preliminary announcements of results prior to publication.
- v) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.
- vi) Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).
- vii) Review of the Management Letter issued by external auditors and the management's response thereto.
- viii) Ensuring coordination between the internal and external auditors of the company.
- ix) Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced and placed within the organization.
- x) Consideration of major findings of internal investigations and the management's response thereto.
- xi) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- xii) Review of company's statement on internal control systems prior to endorsement by the Board.
- xiii) Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the

Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

- xiv) Determination of compliance with relevant statutory requirements review of periodic financial statements and preliminary announcements of results prior to the external communication and publication with a view to highlight.
- xv) Monitoring compliance together with the external auditors and internal audit with the best practices of corporate governance and identification of significant violations such as fraud, corruption, and abuse of power thereof.
- xvi) Consideration of any other issue or matter as may be assigned by the Board.
- xvii) The Board Audit Committee has completed its independent evaluation.

(b) Human Resources & Remuneration Committee

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

The Committee comprises of five (5) members. The Chairman is an independent director. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. Head of Human Resources, is the Secretary of the Committee. The Committee held Five (5) meetings during the year.

Terms of Reference of Human Resource & Remuneration Committee

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

approval of employee benefit plans and succession planning.

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

1. Major HR Policy / frameworks including compensation.
2. Overall organizational structure.
3. Organization model and periodically seek assessment of the same.
4. Succession planning for key executives, including the CEO.
5. Recruitment, remuneration and evaluation of the CEO and his direct reports, including CFO, Group Chief Internal Auditor and the Company Secretary.
6. The CEO, being a member of the HR&RC shall not be a part of Committee meetings, if his / her compensation/performance is being discussed /evaluated.
7. Charter of demands and negotiated settlements with CBA.
8. Compensation of the non-executive directors.
9. Board Remuneration Policy & Procedure
10. Board Evaluation Policy and Procedure for the Board as a Whole and for the Individual Directors.

(c) Strategic Planning Committee

The Strategic Planning Committee of the Board is as follows:

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

The Committee comprises of four (4) members.

The Chairman is an independent director. Meetings are conducted at such frequency as the Chairman may determine. The strategic guideline is discussed in the Board Meetings frequently.

(d) Treasury Committee

The Treasury Committee of the Board is as follows:

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

The Committee comprises of three (3) members.

The Chairman is an independent director. Meetings are conducted at such frequency as the Chairman may determine.

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

- (a) Will present to the Board, 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. During the year 2018-19, two (2) meetings of the committee were held.

Directors' Participation in Board and Sub Committee Meetings

Board / Sub Committee	Board	Audit Committee	Human Resources & Remuneration Committee	Treasury Committee
Meetings held during FY 2018-19	5	4	5	2
Mr. Kemal Shoaib	5/5		4/5	
Mr. Towfiq H. Chinoy	5/5	4/4	4/5	1/2
Mr. Yousuf H. Mirza	5/5		5/5	2/2
Mr. Mustapha A. Chinoy	3/5			
Mr. Kamal A. Chinoy	5/5	4/4	4/5	
Mr. Tariq Iqbal Khan	3/5	4/4		
Kamran Y. Mirza	5/5	3/4	5/5	
Syed Salim Raza	5/5			2/2
Mr. Riyaz T. Chinoy	5/5			
Mr. Samir M. Chinoy	5/5			
Mr. Kazuteru Mihara	2/5			

Management Team

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

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

• Mr. Yousuf H. Mirza	Chief Executive Officer
• Mr. Samir M. Chinoy	Director Sales & Marketing
• Mr. Mujtaba Hussain	Chief Financial Officer
• Mr. Zafar Majeed	General Manager Manufacturing
• Khawaja Wasif Mehmood	Technical Director, Manufacturing
• Mr. Bilal Khawar	General Manager, Human Resources
• Mr. Ibrahim Memon	General Manager, Information Technology
• Mr. Mohammad Irfan Bhatti	Company Secretary

REDEFINING COLLABORATION



The company's organization culture is people centric.

It encourages diversity and inclusion, collaborative problem solving, constant improvement and open communication across the organization. ISL strives to create a safe workplace with focus on the wellbeing of its employees, respect for people and zero tolerance for discrimination and harassment in any form.

The company has invested more than **11,000** man hours in cultivating and developing its human resources in various functions spanning from manufacturing, planning, product development HR to Sales and Marketing.

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

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended 30th June 2019 and reports that:

- The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange, Code of Corporate Governance, Company's Code of Conduct and Values and the international best practices of governance throughout the year.
- The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.
- Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended 30th June 2019, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman & Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.
- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Act 2017.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

Internal Audit Function

- The Company's internal Audit function is being looked after by the Chief Internal Auditor in compliance of the Code of Corporate Governance,

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

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

External Auditors

- The statutory auditors of the company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30th June 2019 and shall retire on the conclusion of the 12th Annual General Meeting.
- The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.
- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30th June 2020 on terms & remuneration negotiated by the Chief Executive Officer.



Tariq Iqbal Khan
Chairman-Board Audit Committee
Karachi
Dated: 7th August 2019

Statement of Compliance

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

International Steels Limited Year Ending 30th June, 2019

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

- The total number of directors are 11 as per the following:

a	Male	Eleven (11)
b	Female	-

*As per CCG 2017, induction of female director is due at the forthcoming election of directors on 25th September, 2019

- The composition of board is as follows:

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

- The independent directors meet the criteria of independence under the Companies Act, 2017.
- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
 - The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
 - The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
 - All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.
 - The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and these Regulations with respect to frequency, recording and circulating minutes of the meeting of the Board.

8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Eight Directors of the Company have already acquired Director Training Certification. The Company intends to achieve 100% certification of DTP in the coming years.
10. The Board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. The Chief Financial Officer (CFO) and Chief Executive Officer (CEO) have duly endorsed the financial statements before approval of the Board.
12. The Board has formed Committees comprising of members given below:

a) Audit Committee

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

b) HR & Remuneration Committee

1. Kamran Y. Mirza – Chairman (Independent Director)
2. Kemal Shoaib – Member (Non-Executive Director)
3. Towfiq H. Chinoy – Member (Executive Director / Advisor)
4. Kamal A. Chinoy – Member (Non-Executive Director)
5. Yousuf H. Mirza – Member (Chief Executive Officer)

c) Strategic Planning Committee

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

d) Treasury Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committees during the financial year ended 30th June, 2019 was as follows:

Name of the Committee	Frequency of the Meeting
Board Audit Committee	4
Board HR & Remuneration Committee	5
Board Treasury Committee	2

15. The Board has set up an effective internal audit function, which is supervised by the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with the Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.



Tariq Iqbal Khan
Chairman – Board Audit Committee
International Steels Limited



Yousuf H. Mirza
Chief Executive Officer
International Steels Limited

Dated : 19th August, 2019

Review Report on Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of **International Steels Limited** ("the Company") for the year ended 30th June 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30th June 2019.

Karachi
19 August, 2019


KPMG Taseer Hadi & Co.
Chartered Accountants

FINANCIAL SUMMARY



Financial Highlights

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

2019	2018	%
(Rupees in '000)		
55,061,879	47,820,719	15.6% +
6,449,052	7,631,160	-15.5% -
4,968,433	6,342,428	-21.7% -
3,679,118	5,803,312	-36.6% -
2,664,373	4,364,958	-39.0% -
6.12	10.03	-39.0% -
12,878,270	11,825,000	8.9% +
19,862,302	18,262,610	8.8% +
29.61	27.18	8.9% +

Business Growth

Sales Revenue



Sales revenue growth

15.63% Over 2018 20.9% CAGR over 6 years

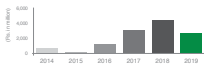
Profit Before Tax



Profit before tax

-36.60% Over 2018 33.3% CAGR over 6 years

Profit After Tax

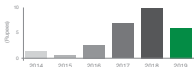


Profit after tax

-39.96% Over 2018 31.0% CAGR over 6 years

Shareholder Value Accretion

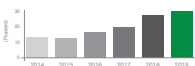
Earning per share



Earning per share growth

-39.01% Over 2018 30.9% CAGR over 6 years

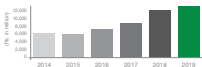
Book Value Per Share



Book Value Per Share

8.91% Over 2018 17.4% CAGR over 6 years

Shareholder Equity



Shareholder equity growth

8.91% Over 2018 17.4% CAGR over 6 years

Analysis of Financial Statements

Statement of Financial Position

	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Property, plant and equipment	19,862,302	18,262,610	13,639,451	12,620,022	12,332,043	9,771,509
Intangible Assets	2,736	2,565	3,903	-	551	3,821
Other non current assets	100	100	100	100	100	100
Current assets	19,896,904	17,327,314	12,727,641	8,364,006	6,742,081	7,103,076
Total Assets	39,762,042	35,592,589	26,371,095	20,984,128	19,074,775	16,878,506
Shareholders' equity	12,878,270	11,825,008	8,554,247	7,142,626	5,529,942	5,769,740
Non current liabilities	8,597,759	8,476,513	5,101,271	4,880,217	6,132,696	3,381,168
Current portion of long term financing	909,943	1,201,679	1,197,073	699,016	849,878	749,877
Short term borrowings	10,191,219	8,462,310	5,039,236	3,523,755	4,069,462	4,876,307
Other current liabilities	7,184,851	5,627,079	6,479,268	4,738,514	2,492,797	2,101,414
Total equity and liabilities	39,762,042	35,592,589	26,371,095	20,984,128	19,074,775	16,878,506

Vertical Analysis

	Percentage					
Property, plant and equipment	50.0	51.3	51.7	60.1	64.7	57.9
Intangible Assets	0.0	0.0	0.0	-	0.0	0.0
Other non current assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	50.0	48.7	48.3	39.9	35.3	42.1
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	32.4	33.2	32.4	34.0	29.0	34.2
Non current liabilities	21.6	23.8	19.3	23.3	32.2	20.0
Current portion of long term financing	2.3	3.4	4.5	3.3	4.5	4.4
Short term borrowings	25.6	23.8	19.2	16.8	21.2	28.9
Other current liabilities	18.1	15.8	24.6	22.6	13.1	12.5
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis

	Percentage					
Property, plant and equipment	8.8	33.9	8.1	2.3	28.2	(1.8)
Intangible Assets	6.7	(34.3)	-	(100.0)	(85.6)	(52.6)
Other non current assets	-	-	-	-	-	-
Current assets	14.8	36.1	52.2	24.1	(5.1)	48.0
Total Assets	11.7	35.0	25.7	10.0	13.0	14.3
Shareholders' equity	8.9	38.2	19.8	29.2	(4.2)	13.6
Non current liabilities	1.4	66.2	4.5	(20.4)	(81.4)	(6.0)
Current portion of long term financing	(24.3)	0.4	71.3	(17.8)	13.3	(4.3)
Short term borrowings	20.4	67.9	43.0	(13.4)	(16.5)	18.3
Other current liabilities	27.7	(13.2)	36.7	90.1	18.6	78.3
Total equity and liabilities	11.7	35.0	25.7	10.0	13.0	14.3

Analysis of Financial Statements

Statement of Profit or Loss

	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Sales - Net	55,061,879	47,620,719	33,732,622	20,492,097	17,938,077	21,291,115
Cost of sales	(48,612,827)	(39,989,559)	(27,826,505)	(17,585,833)	(16,452,775)	(19,043,439)
Gross Profit	6,449,052	7,631,160	5,906,117	2,906,264	1,485,302	2,247,676
Administrative, Selling and Distribution expenses	(986,231)	(719,689)	(548,670)	(368,341)	(335,729)	(277,628)
Other operating expenses	(533,801)	(661,595)	(424,951)	(264,675)	(22,119)	(186,177)
Other operating income	39,413	92,552	131,778	112,773	136,368	71,825
Operating Profit before finance costs	4,968,433	6,342,428	5,064,274	2,386,021	1,263,822	1,855,696
Finance costs	(1,289,315)	(539,116)	(455,500)	(731,525)	(1,028,277)	(981,530)
Profit before taxation	3,679,118	5,803,312	4,608,774	1,654,496	235,545	874,166
Taxation	(1,014,745)	(1,438,354)	(1,564,752)	(575,532)	(33,765)	(184,431)
Profit after taxation	2,664,373	4,364,958	3,044,022	1,078,964	201,780	689,735
Vertical Analysis	Percentage					
Sales - Net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(88.3)	(84.0)	(82.5)	(85.8)	(91.7)	(89.4)
Gross Profit	11.7	16.0	17.5	14.2	8.3	10.6
Administrative, Selling and Distribution expenses	(1.8)	(1.5)	(1.6)	(1.8)	(1.9)	(1.3)
Other operating expenses	(1.0)	(1.4)	(1.3)	(1.3)	(0.1)	(0.9)
Other operating income	0.1	0.2	0.4	0.6	0.8	0.3
Operating Profit before finance costs	9.0	13.3	15.0	11.6	7.0	8.7
Finance costs	(2.3)	(1.1)	(1.4)	(3.6)	(5.7)	(4.6)
Profit before taxation	6.7	12.2	13.7	8.1	1.3	4.1
Taxation	(1.8)	(3.0)	(4.6)	(2.8)	(0.2)	(0.9)
Profit after taxation	4.8	9.2	9.0	5.3	1.1	3.2
Horizontal Analysis	Percentage					
Sales - Net	15.6	41.2	64.6	14.2	(15.7)	21.0
Cost of sales	21.6	43.7	58.2	6.9	(13.6)	19.0
Gross Profit	(15.5)	29.2	103.2	95.7	(33.9)	40.0
Administrative, Selling and Distribution expenses	37.0	31.2	49.0	9.7	20.9	41.0
Other operating expenses	(19.3)	55.7	60.6	1,096.6	(88.1)	327.5
Other operating income	(57.4)	(29.8)	16.9	(17.3)	89.9	4.1
Operating Profit before finance costs	(21.7)	25.2	112.2	88.8	(31.9)	29.4
Finance costs	139.2	18.4	(37.7)	(28.9)	4.8	(1.1)
Profit before taxation	(36.6)	25.9	178.6	602.4	(73.1)	98.0
Taxation	(29.5)	(8.1)	171.9	1,604.5	(81.7)	133.9
Profit after taxation	(39.0)	43.4	182.1	434.7	(70.7)	90.2

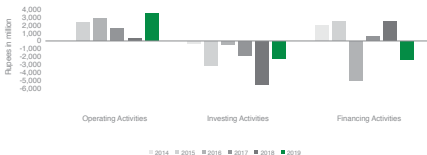
Analysis of Financial Statements

Statement of Cash Flows

	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Net cash generated from operating activities	3,485,111	293,548	1,568,756	2,871,600	1,498,302	6,867
Net cash outflows from investing activities	(2,257,935)	(5,470,778)	(1,787,168)	(479,346)	(3,095,455)	(334,652)
Net cash (outflows)/inflows from financing activities	(2,384,558)	2,479,575	505,738	(5,038,790)	2,521,336	1,997,272
Net increase(decrease) in cash and cash equivalents	(1,156,382)	(2,697,655)	287,326	(2,646,536)	924,183	1,669,487

	2019	2018	2017	2016	2015	2014
	Percentage					
Net cash generated from operating activities	301.5	10.9	546.0	108.5	162.1	0.4
Net cash outflows from investing activities	(195.3)	(202.8)	(622.0)	(18.1)	(334.9)	(20.0)
Net cash (outflows)/inflows from financing activities	(206.2)	91.9	176.0	(190.4)	272.8	119.6
Net increase(decrease) in cash and cash equivalents	(100.0)	(100.0)	100.0	(100.0)	100.0	100.0

	2019	2018	2017	2016	2015	2014
	Percentage					
Net cash generated from operating activities	1087.6	(81.3)	(45.4)	91.7	21,718.9	(99.8)
Net cash outflows from investing activities	58.7	(206.1)	(272.8)	84.5	(825.0)	57.2
Net cash (outflows)/inflows from financing activities	196.2	390.3	110.0	(299.8)	26.2	357.6
Net increase(decrease) in cash and cash equivalents	(57.1)	(1,038.9)	110.9	(386.4)	(44.6)	(11.7)



Analysis of Statement of Financial

Position and Profit or Loss

Assets



Equity & Liabilities



Sales and Cost of Sales



Key Financial Indicators



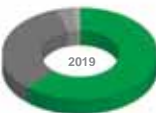
Conversion
Cost



	2018	2019
	(Rupees in million)	
Electricity, gas and water	1,018	1,351
Depreciation and amortisation	762	967
Salaries, wages and benefits	541	546
Others	133	186
Stores and spares consumed	118	124
Repairs and maintenance	98	103
Total	2,669	3,277

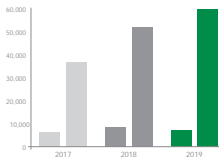


Product Wise
Sales Break Up



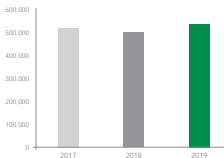
	2018	2019
	(Rupees in million)	
Galvanized Coils	29,400	31,755
Cold rolled Coils	15,854	20,967
Colored Coils	1,789	1,740
Bi-Products	598	600
Total	47,621	55,062

Key Financial Indicators



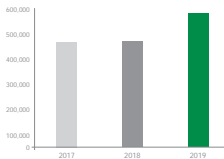
Net Sales / Gross Profit

	2019	2018	2017
	(Rupees in million)		
Net Sales	55,062	47,621	33,733
Gross Profit	6,449	7,631	5,906



Raw material purchases (in tons)

	2019	2018	2017
Tons	538,028	501,482	510,410



Production in tons

	2019	2018	2017
Tons	584,408	470,841	464,023

Six Years at a Glance

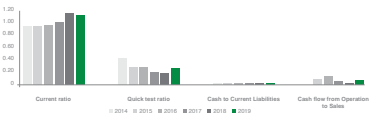
		2019	2018	2017	2016	2015	2014
Key Indicators							
Profitability Ratios							
Gross profit ratio	%	11.71	16.02	17.51	14.18	8.28	10.56
Profit before tax to sales	%	6.68	12.19	13.66	8.07	1.32	4.11
Profit after tax to sales	%	4.84	9.17	9.02	5.75	1.13	3.24
EBITDA Margin to Sales	%	10.95	15.09	17.29	15.11	10.07	11.13
Operating Leverage	%	(1.03)	0.56	1.37	5.02	1.51	1.28
Return on Shareholders Equity	%	20.69	36.91	35.58	16.51	3.65	11.95
Operating profit on Capital Employed	%	23.13	31.24	39.23	21.11	9.86	21.53
Return on Total Assets	%	6.70	12.26	11.54	5.62	1.06	4.09
Liquidity Ratio							
Current ratio	Times	1.09	1.13	1.00	0.93	0.91	0.92
Quick/Acid test ratio	Times	0.29	0.21	0.25	0.34	0.31	0.44
Cash to Current Liabilities		0.022	0.007	0.004	0.004	0.005	0.005
Cash flow from Operations to Sales		0.06	0.01	0.05	0.14	0.08	0.00
Free cash flow to the firm	Rs. millions	2,007	(5,308)	(1,360)	3,087	(598)	642
Free cash flow to the equity holder	Rs.millions	488	(2,496)	(1,570)	598	1,419	(545)
Turnover Ratios							
Inventory turnover ratio	Times	3.32	2.83	2.92	3.31	3.71	5.19
Debtor turnover ratio (KE)	Times	12.21	15.08	11.51	12.83	9.87	11.29
Debtor turnover in days (KE)	days	30	24	32	28	37	32
Credit turnover ratio	Times	72.80	67.60	52.51	46.40	23.17	24.52
Creditor turnover ratio	Times	21.34	13.09	7.22	6.72	11.10	27.65
Total assets turnover ratio	Times	1.38	1.34	1.28	0.98	0.94	1.26
Fixed assets turnover ratio	Times	2.77	2.61	2.47	1.62	1.45	2.18
Capital employed turnover ratio	Times	2.73	2.35	2.47	1.71	1.54	2.33
Operating Cycle							
Inventory turnover	Days	110	129	125	110	98	70
Debtor turnover	Days	5	5	7	8	16	15
Creditor turnover	Days	(17)	(28)	(51)	(54)	(33)	(13)
Operating cycle	Days	98	106	81	64	81	72
Investment/Market Ratios							
Earnings per share - basic and diluted	Rs	6.12	10.03	7.00	2.71	0.46	1.59
Price earning ratio	Times	6.49	10.14	18.28	13.14	60.58	14.54
Market value per share at the end of the year	Rs	39.71	101.70	127.89	35.62	28.10	23.05
Market value per share high during the year	Rs	116.50	149.75	167.80	45.00	32.24	26.00
Market value per share low during the year	Rs	33.94	86.00	35.89	22.80	21.75	15.30
Break-up value per share							
- Including Revaluation Surplus	Rs	29.61	27.18	19.66	16.42	12.71	13.26
Break-up value per share							
-Excluding Revaluation Surplus	Rs	26.64	25.02	17.47	14.18	11.44	11.97
Price to book ratio		1.34	3.74	6.50	2.17	2.21	1.74
Cash Dividend	%	30.00	45.00	35.00	12.50	-	10.00
Dividend Yield ratio	%	7.55	4.42	2.74	3.51	-	4.43
Dividend Cover	Times	2.04	2.23	2.00	2.17	-	1.59
Dividend Payout	%	49.02	44.85	50.00	46.12	-	62.89
Dividend per share	Rs	3.00	4.50	3.50	1.25	-	1.00
Capital Structure Ratio							
Financial leverage ratio		1.91	1.39	1.15	1.16	1.93	1.50
Total Debt: Equity ratio		58:42	58:42	54:46	54:46	66:34	60:40
Interest cover	Times	3.89	11.76	11.32	3.53	1.27	1.94

Six Years at a Glance

Profitability Ratios



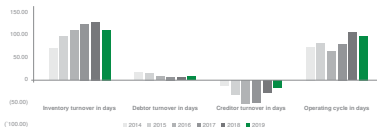
Liquidity Ratios



Turnover Ratios



Operating Cycle

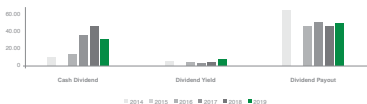


Six Years at a Glance

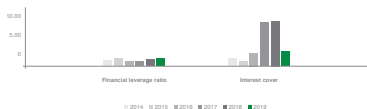
Investment Ratios



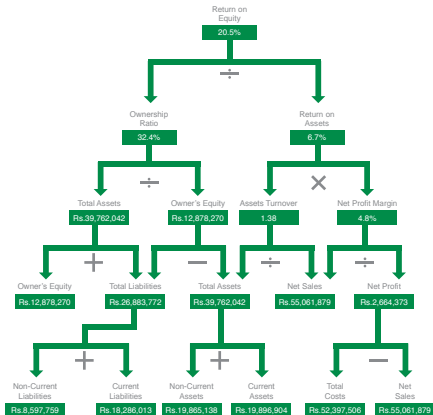
Dividend Ratios



Capital Structure Ratios

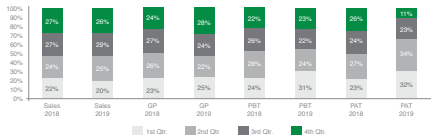


DuPont Analysis

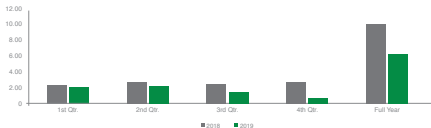


Quarterly Performance Analysis

	2019									
	1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Rupees in million										
Revenue	11,232	100.00	13,549	100.00	15,742	100.00	14,539	100.00	55,062	100.00
Cost of sales	(9,612)	(85.58)	(12,102)	(89.32)	(14,189)	(90.13)	(12,710)	(87.42)	(48,613)	(88.29)
Gross Profit	1,619	14.42	1,447	10.68	1,553	9.87	1,829	12.58	6,449	11.71
Selling and distribution cost	(110)	(0.98)	(133)	(0.98)	(228)	(1.45)	(231)	(1.59)	(702)	(1.27)
Administration cost	(66)	(0.59)	(69)	(0.51)	(63)	(0.40)	(86)	(0.59)	(284)	(0.52)
Operating Profit	1,444	12.85	1,245	9.19	1,263	8.02	1,511	10.40	5,463	9.92
Other expenses	(95)	(0.85)	(75)	(0.55)	(84)	(0.53)	(280)	(1.93)	(534)	(0.97)
Other income	78	0.69	11	0.08	41	0.26	(90)	(0.62)	39	0.07
EBIT	1,426	12.70	1,180	8.71	1,221	7.75	1,141	7.85	4,968	9.02
Finance cost	(285)	(2.54)	(306)	(2.26)	(418)	(2.66)	(280)	(1.92)	(1,289)	(2.34)
PBT	1,141	10.16	874	6.45	803	5.10	861	5.92	3,679	6.68
Taxation	(300)	(2.67)	33	0.24	(191)	(1.21)	(557)	(3.83)	(1,015)	(1.84)
PAT	841	7.49	907	6.69	612	3.89	304	2.09	2,664	4.84
EPS	1.93		2.08		1.41		0.70		6.12	

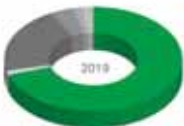


Earnings Per Share



Statement of Value Addition

	2019		2018	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated:				
Sales including sales tax	64,192,404	99.9%	55,356,368	99.8%
Other operating income	39,413	0.1%	92,552	0.2%
	64,231,817	100%	55,448,920	100%
Wealth Distributed:				
Cost of material & Services	45,031,260	70.1%	37,519,274	67.7%
To Employees				
Salaries & other related cost	810,382	1.3%	839,627	1.5%
To Government				
Taxes	13,097,727	20.4%	10,890,590	19.6%
Worker Profit Participation Fund	197,024	0.3%	312,226	0.6%
Workers Welfare Fund	63,287	0.1%	124,890	0.2%
	13,358,038	20.8%	11,327,706	20.4%
To Providers of Capital				
Dividend to Shareholders	1,305,000	2.0%	1,957,500	3.5%
Finance cost	1,289,315	2.0%	539,116	1.0%
	2,594,315	4.0%	2,496,616	4.5%
To Society				
Donation	45,447	0.1%	64,000	0.1%
Retained in the business				
For replacement of fixed assets				
Depreciation & Amortization	1,078,449	1.7%	858,239	1.5%
To provide for growth: Retained profit	1,359,373	2.1%	2,407,458	4.3%
	2,437,822	3.8%	3,265,697	5.9%
	64,231,817	100.0%	55,448,920	100.0%



	2019	2018
Cost of material & Services	70.1%	67.7%
To Government	20.8%	20.4%
To Providers of Capital	4.0%	4.5%
Retained profit	2.1%	4.3%
Depreciation & Amortization	1.7%	1.5%
To Employees	1.3%	1.5%
To Society	0.1%	0.1%



FINANCIAL STATEMENTS

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Auditors' Report to the Members

Opinion

We have audited the annexed financial statements of International Steels Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the Key audit matters:

Key audit matters

1. Revenue recognition

Refer notes 3.1.1, 3.10, 20 and 35.1 to the financial statements.

The Company generates revenue from sale of goods to domestic as well as export customers. Export sales and sales to related parties represent 6% and 18% of total sales respectively.

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

How the matters were addressed in our audit

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

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

with applicable accounting standards;

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

2. Valuation of stock in trade

(Refer note 3.6, 7, 21 and 35.1 to the financial statements.)

Inventory forms a significant part of the Company's assets. During the year 75% of raw materials were purchased by the Company from a related party.

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

How the matters were addressed in our audit

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

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

accordance with applicable accounting and reporting standards.

3. Capitalization of Property, Plant and Equipment

Refer notes 3.2 and 4 to the financial statements.

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

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

How the matters were addressed in our audit

Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:

- understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;
- testing, on sample basis, the costs incurred on projects with supporting documentation and contracts;
- assessing the nature of costs incurred including borrowing costs for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and
- inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs including borrowing cost ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated

in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

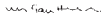
Report on Other Legal and Regulatory Requirements

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

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

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

Karachi
31 August 2019


KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

As at 30 June 2019

As at 30 June 2019		30 June	30 June
		2019	2018
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	19,862,302	18,262,610
Intangible assets	5	2,736	2,565
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		19,865,138	18,265,275
Current Assets			
Stores and spares	6	610,974	438,997
Stock-in-trade	7	14,647,959	14,132,742
Trade debts	8	868,035	644,790
Receivable from K-Electric Limited (KE)		38,997	32,663
Advances, trade deposits and prepayments	9	108,988	65,761
Sales tax receivable		2,312,713	1,485,402
Taxation - net	10	906,326	427,137
Cash and bank balances	11	402,912	99,822
		19,896,904	17,327,314
TOTAL ASSETS		39,762,042	35,592,589
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
500,000,000 (2018: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Share capital			
Issued, subscribed and paid-up capital	12	4,350,000	4,350,000
Revenue reserve			
Unappropriated profit		7,240,140	6,532,704
Capital reserve			
Revaluation surplus on property, plant and equipment	13	1,288,130	942,304
Total shareholders' equity		12,878,270	11,825,008
LIABILITIES			
Non-current liabilities			
Long term finance	14	6,367,141	6,768,281
Staff retirement benefits	30	-	-
Deferred taxation	15	2,230,618	1,708,232
		8,597,759	8,476,513
Current liabilities			
Trade and other payables	16	5,612,295	4,503,754
Contract liabilities	17	1,259,011	954,379
Short term borrowings	18	10,191,219	8,462,310
Unpaid dividend		2,385	9,540
Unclaimed dividend		6,453	2,917
Current portion of long term finance	14	909,943	1,201,679
Accrued mark-up		304,707	156,489
		18,286,013	15,291,068
Total liabilities		26,883,772	23,767,581
Contingencies and commitments	19		
TOTAL EQUITY AND LIABILITIES		39,762,042	35,592,589

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


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer

Statement of Profit or Loss

For the year ended 30 June 2019

	Note	2019	2018
		(Rupees in '000)	
Net sales	20	55,061,879	47,620,719
Cost of sales	21	(48,612,827)	(39,989,559)
Gross profit		6,449,052	7,631,160
Selling and distribution expenses	22	(701,827)	(434,292)
Administrative expenses	23	(284,404)	(285,397)
		(986,231)	(719,689)
Finance cost	24	(1,289,315)	(539,116)
Other operating charges	25	(533,801)	(661,595)
		(1,823,116)	(1,200,711)
Other income	26	39,413	92,552
Profit before taxation		3,679,118	5,803,312
Taxation	27	(1,014,745)	(1,438,354)
Profit after taxation for the year		2,664,373	4,364,958
		(Rupees)	
Earnings per share - basic and diluted	28	6.12	10.03

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



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Comprehensive Income

For the year ended 30 June 2019

Profit for the year

Other comprehensive income

Items that will not be subsequently reclassified to statement of profit or loss

Remeasurements of net defined benefit liability

Revaluation of property, plant and equipment

Related tax

Other comprehensive income for the year - net of tax

Total comprehensive income for the year

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

2019	2018
(Rupees in '000)	
2,664,373	4,364,958
(28,386)	(9,432)
449,987	-
(75,212)	2,735
346,389	(6,697)
3,010,762	4,358,261



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Cash Flows

For the year ended 30 June 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation

Adjustments for:

Depreciation

Amortization

Loss/(gain) on disposal of property, plant and equipment

Provision for obsolescence against stores and spares

Provision for staff gratuity

Provision for compensated absences

Income on bank deposit

Finance cost

Changes in working capital

Cash generated from operations

Finance cost paid

Income on bank deposits received

Staff gratuity paid

Compensated absences paid

Income tax paid

Net cash generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property, plant and equipment

Acquisition of intangible asset

Proceeds from disposal of property, plant and equipment

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long term finance

Repayment of long term finance

Proceeds from short term borrowings - net

Dividend paid

Net cash (used in) / generated from financing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

CASH AND CASH EQUIVALENTS COMPRISE OF:

Cash and bank balances

Short term borrowings - running finance (secured)

Note

2019 2018

(Rupees in '000)

3,679,118 5,803,312

4.2 1,077,059 856,901

5 1,390 1,338

26 29,610 (9,282)

21 15,278 19,553

30 19,148 17,700

7,214 12,749

26 (1,848) (1,040)

24 1,289,315 539,116

2,437,166 1,437,035

(389,725) (5,444,225)

5,726,559 1,796,122

(1,141,097) (451,767)

1,849 1,040

30 (47,534) (50,710)

(6,905) (6,749)

10 (1,046,761) (994,388)

(2,240,448) (1,502,574)

3,486,111 293,548

4 (2,278,452) (5,491,890)

5 (1,561) -

22,078 21,112

(2,257,935) (5,470,778)

600,000 4,300,000

(1,292,876) (1,148,385)

269,437 678,825

(1,961,119) (1,350,865)

(2,384,558) 2,479,575

(1,156,382) (2,697,655)

(5,075,660) (2,378,005)

(6,232,042) (5,075,660)

11 402,912 99,822

181 & 183 (6,634,954) (5,175,482)

(6,232,042) (5,075,660)

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



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Statement of Changes in Equity

For the year ended 30 June 2019

	Issued, subscribed & paid-up capital	Revenue reserve- unappropriated profit	Capital reserve- Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)			
Balance as at 01 July 2017	4,350,000	3,246,005	958,242	8,554,247
Profit for the year	-	4,364,958	-	4,364,958
Other comprehensive income for the year	-	(6,697)	-	(6,697)
Total comprehensive income for the year	-	4,358,261	-	4,358,261
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 10% (Re. 1.00 per share) for the year ended 30 June 2017	-	(435,000)	-	(435,000)
- Interim dividend @ 15% (Rs. 1.50 per share) for the year ended 30 June 2018	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(1,087,500)	-	(1,087,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	15,938	(15,938)	-
Balance as at 30 June 2018	4,350,000	6,532,704	942,304	11,825,008
Balance as at 01 July 2018	4,350,000	6,532,704	942,304	11,825,008
Profit for the year	-	2,664,373	-	2,664,373
Other comprehensive income for the year	-	(20,154)	366,543	346,389
Total comprehensive income for the year	-	2,644,219	366,543	3,010,762
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2018	-	(1,305,000)	-	(1,305,000)
- Interim dividend @ 15% (Rs. 1.50 per share) for the year ended 31 Dec 2018	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(1,957,500)	-	(1,957,500)
Transferred from revaluation surplus on property plant and equipment on account of incremental depreciation - net of tax	-	20,717	(20,717)	-
Balances as at 30 June 2019	4,350,000	7,240,140	1,288,130	12,878,270

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



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer

Notes to the Financial Statements

For the year ended 30 June 2019

1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011. The Company is subsidiary of International Industries Limited (the Holding Company) which holds 245,055,543 (2018: 245,055,543) shares of the Company as at 30 June 2019 representing 56.3% (2018: 56.3%) of the shareholding of the Company.

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

The primary activity of the Company is the business of manufacturing of cold rolled, galvanized and colour coated steel coils and sheets. The Company commenced commercial operations on 01 January 2011. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi - 75530.

The manufacturing facility of the Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi.

The Company has sales offices at following locations.

- Chinoy House, 6-Bank Square, Lahore.
- Office no. 303-A 3rd Floor Evacuee Trust Complex Sector F-5/1 Agha Khan Road, Islamabad.
- Office no. 708-A, United Mall, Abdali Road, Multan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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, freehold land and buildings thereon that are stated at fair values determined by an independent valuer and derivative financial instruments which are stated at fair value.

2.3 Functional and presentation currency

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

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

- Property, plant and equipment and intangible assets (notes 3.2 and 3.3).
- Trade debts, advances and other receivables (note 3.4.2.1)
- Derivative financial instruments (notes 3.4.4 and 3.4.5).
- Stores and spares (note 3.5)
- Stock-in-trade (note 3.6)
- Taxation (note 3.7)
- Staff retirement benefits (note 3.8)
- Impairment (note 3.12)
- Provisions (note 3.13)

2.5 New or amendments / interpretations to existing standards, interpretation and forthcoming requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2018 other than those disclosed in note 3.1. These are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

2.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether

an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management is in the process of analyzing the potential impacts on adoption of this standard.

- 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. The application of interpretation is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1

easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 3.1, the significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

3.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

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

3.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board (IASB) issued International Financial Reporting Standards (IFRS) 15 'Revenue From Contracts with Customers' which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are

made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and the number of revenue related interpretations.

The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Under this transition method, comparative information for prior periods has not been restated and continues to be reported in accordance with the previous standard under IAS 18 and related interpretations.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described below. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 01 July 2018.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Control of the underlying goods could be transferred and revenue recognized when the product leaves the seller's location, based on legal title transfer, the entity's right to receive payment, or the customer's ability to redirect and sell the goods, but there might be additional performance obligations for shipping and in-transit risk of loss. The Company allocates the transaction price to each of the performance obligations, and recognize revenue when each performance obligation is satisfied, which might be at different times.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Company manufactures and contracts with customers for the sale of cold rolled, galvanized and colour coated steel coils and sheets which generally include one performance obligation. Management has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Delivery occurs when the products have been shipped to the specific location, the risks of loss have been transferred to the customers and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Invoices are generated and revenue is recognised at that point in time. The Company allocate the transaction price to additional performance obligations for shipping and recognize revenue when each performance obligation is satisfied.

The Company provides retrospective volume rebates to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. Prior to adoption of IFRS 15 a provision for rebates was included in 'Trade and other payable' which is now reclassified in contract liability presented separately on statement of financial position.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

Generally, the Company receives short-term advances from its customers. Prior to the adoption of IFRS 15, the Group presented these advances within trade and other payables. Under IFRS 15, the contract liabilities primarily relate to the advance consideration received from customers for the goods, for which revenue would be recognized at the point in time, presented separately on statement of financial position. The full amount of contract liabilities includes advance consideration received from customers amounting to Rs. 893.5 million as at the beginning of the period has been recognized as revenue for the year ended 30 June 2019.

Upon the adoption of IFRS 15, for short-term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good and when the Company transfers that promised good to the customer will be one year or less.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of transaction prices for the time value of money. As required for the financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

3.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i Classification and measurement of financial assets and financial liabilities

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

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 3.4 to the financial statements.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018:

		Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
As at 30 June 2018		(Rupees in '000)			
Long term deposit	Loans and receivables	Amortized cost		100	100
Trade debts	Loans and receivables	Amortized cost		644,790	644,790
Trade deposits and Margin against shipping guarantee	Loans and receivables	Amortized cost		24,853	24,853
Receivable from K-Electric Limited (KE)	Loans and receivables	Amortized cost		32,663	32,663
Cash and bank balances	Loans and receivables	Amortized cost		99,822	99,822
Total financial assets				802,228	802,228

ii Impairment

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

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

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

3.2 Property, plant and equipment

3.2.1 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 property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

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

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

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

Subsequent expenditure

Expenditure incurred to replace a significant component of an item of property, 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 statement of profit or loss 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 recognised in statement of profit or loss.

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

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

Revaluation surplus

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

Gains and losses on disposal

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

3.2.2 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.

Advances paid to suppliers for acquisition of property, plant and equipment including land and building is also classified under capital work-in-progress.

3.3 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.

3.4 Financial Instruments

3.4.1 Initial measurement of financial asset

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement

Debt Investments at FVOCI: These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

Financial assets measured at amortized cost: These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

3.4.2 Non-derivative financial assets

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

3.4.2.1 Trade debts, advances and other receivables

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

3.4.2.2 Cash and cash equivalents

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

3.4.3 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.

3.4.3.1 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 amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss over the period of the borrowing using the effective interest method.

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

3.4.3.2 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.

3.4.4 Derivative financial instruments - other than hedging

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

3.4.5 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in profit or loss. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

3.4.6 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 realise 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.

3.5 Stores and spares

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

Provision is made for obsolete and slow moving stores and spares older than one year and is recognised in the statement of profit or loss .

3.6 Stock-in-trade

These are valued at lower of cost and net realisable 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 realisable value signifies the estimated selling price in the ordinary course of the business less net estimated cost of completion and selling expenses. Scrap and by-product is valued at estimated realisable value.

3.7 Taxation

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

Current

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

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

Deferred tax

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

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

3.8 Staff retirement benefits

3.8.1 Defined benefit plan

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

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

3.8.2 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 statement of profit or loss.

3.8.3 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.

3.9 Foreign currency translation

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

3.10 Revenue recognition

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

3.11 Income on bank deposits and finance cost

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

3.12 Impairment

3.12.1 Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

3.12.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future

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

3.13 Provisions

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

3.14 Contingent liabilities

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

3.15 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.

3.16 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	2019	2018
		(Rupees in '000)	
Operating assets	4.1	19,199,273	14,711,281
Capital work-in-progress	4.7	663,029	3,551,329
		<u>19,862,302</u>	<u>18,262,610</u>

4.1 Operating assets

	2019										Rate %
	Cost / Revaluation					Depreciation				Net book value as at 30 June 2019	
	As at 01 July 2018	Additional Transfers	Revaluation Surplus	(Disposals)	As at 30 June 2019	As at 01 July 2018	For the year	Revaluation Surplus	(Disposals)		
	(Rupees in '000)										
	Freehold land	1,460,250	-	162,250	-	1,622,500	-	-	-	-	
Buildings on freehold land	1,473,571	925,558	28,843	-	2,427,972	169,714	89,180	(258,894)	-	2,427,972	3%-5%
Plant and machinery*	15,653,943	4,165,950	-	(57,048)	19,762,845	3,816,377	953,817	-	(15,672)	4,754,522	3%-33%
Furniture, fixture, computer and office equipment	83,929	21,101	-	(292)	104,738	46,850	9,128	-	(207)	55,771	10%-33%
Vehicles	113,262	54,143	-	(26,916)	140,489	48,733	24,934	-	(16,689)	48,978	20%
	18,784,955	5,166,752	191,093	(84,256)	24,058,544	4,073,674	1,077,899	(258,894)	(32,568)	4,859,271	19,199,273

	2018										Rate %	
	Cost / Revaluation					Depreciation						Net book value as at 30 June 2018
	As at 01 July 2017	Additional Transfers	Revaluation Surplus	(Disposals)	As at 30 June 2018	As at 01 July 2017	For the year	Revaluation Surplus	(Disposals)	As at 30 June 2018		
	(Rupees in '000)											
Freehold land	1,460,250	-	-	-	1,460,250	-	-	-	-	-	1,460,250	-
Buildings on freehold land	1,473,571	-	-	-	1,473,571	84,619	85,095	-	-	169,714	1,303,857	3%-5%
Plant and machinery*	12,680,608	2,973,335	-	-	15,653,943	3,073,394	742,983	-	-	3,816,377	11,837,566	3%-33%
Furniture, fixtures, computer and office equipment	72,717	11,394	-	(182)	83,929	38,016	8,983	-	(148)	46,850	37,079	10%-33%
Vehicles	93,553	45,926	-	(26,217)	113,262	35,313	19,840	-	(14,420)	40,733	72,529	20%
	15,780,699	3,030,655	-	(26,399)	18,784,955	3,231,342	856,901	-	(14,568)	4,073,674	14,711,281	

* Includes capital spares having cost of Rs.522 million (2018: Rs. 406 million) and net book value of Rs. 449 million (2018: Rs. 341 million)

4.1.1 Additions to plant and machinery include interest and other charges capitalized on loan obtained for expansion project amounting to Rs. 238.2 million (2018: Rs. 82.6 million). Rate of mark-up capitalisation ranges from 6.56% to 11.36% (2018: 6.56% to 7.12%) per annum.

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

Note	2019	2018
	(Rupees in '000)	
Cost of sales	21	965,322
Selling and distribution expenses	22	7,815
Administrative expenses	23	6,659
Income from power generation	26.1	97,263
		1,077,059
		856,901

4.3 The revaluation of freehold land and buildings thereon was carried out as of 30 June 2019 by MYK Associates (Private) Limited (an independent valuer who is located in Karachi) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus on revaluation amounting to Rs. 450 million which was incorporated in the books of the Company as at 30 June 2019.

The Company commissioned independent valuation of freehold land and buildings thereon during the years / periods ended 30 June 2013, 30 June 2016 and 30 June 2019.

The carrying amount of the aforementioned assets as at 30 June 2019, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	836,599	-	836,599
Buildings on freehold land	2,165,322	438,591	1,726,731
As at 30 June 2019	3,001,921	438,591	2,563,330
As at 30 June 2018	2,076,479	378,113	1,698,366

- 4.4 Forced sales value of freehold land and building on freehold land is Rs. 1,298 million and 1,942.4 million respectively.

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

Particulars	Location	Total Area
Freehold land (manufacturing plant)	399-405, Deh Sharabi, Landhi Town, City District Government, Karachi	157,058 Sq. Yd
Office premises	Office No. 203, 2nd Floor, Beamont Plaza 10 Beamont Road, Karachi.	1,794.37 Sq. Ft

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

	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser	Relationship with purchaser
	(Rupees in '000)							
Vehicles								
Suzuki Mehran	708	177	531	600	69	Negotiation	Mr. Shaikh Muhammad Sajid	Third Party
Suzuki Mehran	732	122	610	675	65	Negotiation	Mr. Mubashir Ahmed	Third Party
Suzuki Mehran	742	136	606	700	94	As per Policy	Mr. Nabeel Hafeez	Employee
Suzuki Cultus	1,129	564	565	1,025	460	As per Policy	Mr. Omair Baig	Employee
Suzuki Cultus	1,129	489	640	950	310	As per Policy	Mr. Shahbaz Ahmed	Employee
Suzuki Cultus	1,129	452	677	945	268	Negotiation	Haji Muhammad	Third Party
Suzuki Cultus	1,250	312	938	1,000	62	As per Policy	Mr. Ahsan Khan	Employee
Suzuki Cultus	1,250	375	875	1,200	325	Negotiation	Yasir Motors	Third Party
Toyota Corolla	2,029	338	1,691	2,000	309	Snatched	Jubilee Insurance	Insurer
Honda Civic	2,413	402	2,011	-	(2,011)	As per Policy	Mrs. Sohail Jilani	Employee
	12,511	3,367	9,144	9,095	(49)			
Plant and Machinery								
Backup Rolls	52,126	12,649	39,477	4,320	(35,157)	Negotiation	Alliance Traders	Third Party
Equipment	1,465	278	1,187	209	(978)	Negotiation	Rahim Shah	Third Party
	53,591	12,927	40,664	4,529	(36,135)			
Total	66,102	16,294	49,808	13,624	(36,184)			

4.7 Capital work-in-progress

	2019				2018			
	Cost As at 01 July 2018	Additions	(Transfers) / Adjustments	As at 30 June 2019	Cost As at 01 July 2017	Additions	(Transfers) / Adjustments	As at 30 June 2018
	(Rupees in '000)							
Land	61,250	463,830	(61,250)	463,830	-	61,250	-	61,250
Building	696,439	280,565	(925,558)	51,446	-	696,439	-	696,439
Plant and machinery	2,782,039	1,391,653	(4,049,831)	123,861	1,080,004	4,412,140	(2,710,105)	2,782,039
Furniture, fixtures, computer and office equipment	8,148	36,845	(21,181)	23,892	2,318	17,224	(11,394)	8,148
Vehicles	3,453	50,690	(54,143)	-	7,772	41,607	(45,325)	3,453
	3,551,329	2,223,583	(5,111,883)	663,929	1,090,094	5,228,660	(2,767,425)	3,551,329

5. INTANGIBLE ASSETS

	2019							
	Cost		Amortisation			Net book value as at 30 June 2019	Rate %	
	As at 01 July 2018	Additions	As at 30 June 2019	As at 01 July 2018	For the year			As at 30 June 2019
	(Rupees in '000)							
Computer software	21,706	1,561	23,267	19,141	1,390	20,531	2,736	20%-33.33%
	2018							
	Cost		Amortisation			Net book value as at 30 June 2018	Rate %	
	As at 01 July 2017	Additions	As at 30 June 2018	As at 01 July 2017	For the year			As at 30 June 2018
	(Rupees in '000)							
Computer software	21,706	-	21,706	17,803	1,338	19,141	2,565	33.33%

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

6. STORES AND SPARES

	2019	2018
	(Rupees in '000)	
Stores	218,599	175,113
Spares	419,434	275,850
Loose tools	7,772	7,587
	645,805	458,550
Less: Provision for obsolescence against stores and spares	(34,831)	(19,553)
	610,974	438,997

7. STOCK-IN-TRADE

	Note	2019	2018
		(Rupees in '000)	
Raw material - in hand		1,919,579	5,930,245
Raw material - in transit		4,811,283	4,453,970
Work-in-process		1,942,101	1,187,243
Finished goods		5,850,831	2,504,609
Scrap material		118,741	49,383
By-products		5,424	7,292
		14,647,959	14,132,742

8. TRADE DEBTS - CONSIDERED GOOD

- Secured	8.1	151,932	183,933
- Unsecured		716,103	460,857
		868,035	644,790

8.1 This represents trade debts arising on account of export sales of Rs. 68.93 million (2018: Rs. 141.86 million) which are secured by way of Export Letters of Credit and Rs. 83 million (2018: Rs. 42.07 million) arising on account of domestic sales which are secured by way of Inland Letters of Credit.

8.2 Trade debts includes receivable from IIL Australia PTY Limited - a related party amounting to Rs. 19.12 million (2018: Nil) and Sumitomo Corporation - an associated company amounting to Nil (2018: Rs. 43.32 million) which is not past due (2018: not past due) as at year end.

8.2.1 The maximum aggregate amount due from the related parties at the end of any month during the year is Rs. 682.8 million (2018: Rs. 233.99 million).

9. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

	Note	2019	2018
		(Rupees in '000)	
Advances to suppliers - considered good		64,594	29,629
Trade deposits		14,617	10,904
Margin against shipping guarantee		16,255	13,949
Prepayments		13,522	11,279
		108,988	65,761

9.1 These advances and trade deposits are non interest bearing.

10. TAXATION - NET

Tax receivable as at 01 July		427,137	616,557
Tax payments / adjustments made during the year		1,046,761	994,388
		1,473,898	1,610,945
Less: Provision for tax - current year	27	(567,572)	(1,183,808)
Tax receivable as at 30 June		906,326	427,137

11. CASH AND BANK BALANCES

Cash in hand
Cash at bank - in current accounts in local currency
- in deposit accounts in foreign currency

2019	2018
(Rupees in '000)	
-	10
56,292	7,738
346,620	92,074
402,912	99,822

11.1 Mark-up rate on bank accounts ranges from 4.75% to 10.25% (2018: 4.5% to 4.75%) per annum. The deposits account are placed with bank under conventional banking arrangements.

11.2 Cash at bank represent 100% balance deposited in conventional bank accounts (2018: 100%).

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018
(Number of shares)	

30,000	30,000	Fully paid ordinary shares of Rs. 10 each issued for cash
417,716,700	417,716,700	Fully paid ordinary shares of Rs. 10 each issued against transfer of net assets
17,253,300	17,253,300	Fully paid ordinary shares of Rs. 10 each issued as right shares
435,000,000	435,000,000	

2019	2018
(Rupees in '000)	

300	300
4,177,167	4,177,167
172,533	172,533
4,350,000	4,350,000

12.1 As at 30 June 2019, the Holding Company and Sumitomo Corporation (an associated company) held 245,055,543 (2018: 245,055,543) and 39,477,659 (2018: 39,477,659) ordinary shares respectively of Rs. 10 each.

13. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT Note**Freehold land**

Balance as at 01 July

Revaluation during the year

Balance as at 30 June

Buildings on freehold land

Balance as at 01 July

Revaluation during the year

Transferred to retained earnings in respect of incremental depreciation charged during the year

Balance as at 30 June

Related deferred tax liability

Balance as at 30 June - net of deferred tax

2019	2018
(Rupees in '000)	

623,651	623,651
162,250	-
785,901	623,651
448,808	477,987
287,737	-
(29,179)	(29,179)
707,366	457,808
(205,137)	(130,155)
1,288,130	951,304

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

13.2 Movement in related deferred tax liability

	Note	2019	2018
		(Rupees in '000)	
Balance as at 01 July		130,155	143,396
Effect of revaluation		83,444	-
Effect of change in tax rates		-	(4,487)
Tax effect of incremental depreciation transferred to retained earnings		(8,462)	(8,754)
Deferred tax liability as at 30 June		205,137	130,155

14. LONG TERM FINANCE - SECURED

Long-term financing utilised under mark-up arrangements	14.1	7,277,084	7,969,960
Current portion of long term financing shown under current liabilities		(909,943)	(1,201,679)
		6,367,141	6,768,281

14.1 Long term finances utilised under mark-up arrangements

	Sale price	Purchase price	Number of installments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2019	2018
	(Rupees in '000)					(Rupees in '000)	
Conventional							
i) Long Term Finance Facility (LTFF) - Local currency							
Bank Al Habib Limited Assistance for plant and machinery	1,000,000	4,675,000	32 quarterly installments 16 October 2016	01 June 2026	1.00% over SBP Refinance rate	740,441	865,442
United Bank Limited Assistance for plant and machinery	1,000,000	2,501,562	16 half yearly installments 12 December 2016	28 November 2026	1.00% over SBP Refinance rate	719,977	843,406
ii) Long Term Finance - Local currency							
MCB Bank Limited Assistance for plant and machinery	800,000	1,112,512	18 quarterly installments 30 June 2016	01 September 2020	0.15% over 06 months KIBOR	266,666	444,445
Bank Al Habib Limited Assistance for plant and machinery	500,000	575,512	30 equal monthly installments 28 July 2016	28 December 2018	0.15% over 03 months KIBOR	-	100,000
Islamic							
iii) Long Term Finance - Local currency							
Meezan Bank Limited Assistance for plant and machinery	1,000,000	1,743,300	01 half yearly & 14 quarterly installments 26 December 2016	26 June 2020	0.20% over 03 months KIBOR	250,000	500,000
Standard Chartered Bank (Pakistan) Limited Assistance for plant and machinery	1,000,000	1,038,967	36 equal monthly installments 01 October 2016	02 May 2019	0.20% over 01 months KIBOR	-	416,667
Habib Bank Limited Assistance for plant and machinery	5,000,000	5,625,000	10 half yearly installments 28 August 2020	28 February 2025	0.10% over 06 months KIBOR	4,900,000	4,300,000
Bank Al Habib Limited Assistance for plant and machinery	500,000	575,512	30 equal monthly installments 28 December 2018	28 June 2021	0.15% over 03 months KIBOR	480,000	500,000
						7,277,884	7,969,960

- 14.1.1** The above loans are secured against joint pari passu charge over fixed assets of the Company (such as land, building, plant and machinery etc.) with aggregate carrying amount of Rs. 14,400 million.
- 14.1.2** In relation to above borrowings, the Company needs to observe certain financial covenants (such as debt servicing ratio, current ratio, debt equity ratio etc.) and other non financial covenants as specified in the agreement with respective lenders which are complied with as of the reporting date.
- 14.1.3** During the year, mark-up paid on conventional long term finance is Rs. 124.26 million (2018: Rs. 140.51 million) whereas mark-up paid on Islamic long term finance is Rs. 215.41 million (2018: Rs. 53.92 million).

15. DEFERRED TAXATION

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

	Note	2019	2018
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		2,257,816	1,709,462
Revaluation surplus on buildings	13	205,137	130,155
Deductible temporary differences			
Provision for compensated absences		(3,293)	(3,154)
Unrealised exchange losses		(17,517)	5,784
Provision for infrastructure cess and government levies		(207,413)	(128,845)
Provision for obsolescence against stores and spares		(4,112)	(5,170)
		2,230,618	1,708,232

16. TRADE AND OTHER PAYABLES

Trade creditors	16.1	2,525,391	2,029,925
Payable to provident fund	16.2	-	3,164
Accrued expenses		1,742,862	1,360,709
Provision for infrastructure cess	16.3	1,058,166	774,813
Provision for government levies	16.4	329	230
Short term compensated absences		12,237	11,928
Workers' Profit Participation Fund	16.5	17,024	24,171
Workers' Welfare Fund		219,266	265,342
Others		37,020	33,472
		5,612,295	4,503,754

- 16.1** Trade creditors includes Nil (2018: Rs. 1,072.79 million) payable to a related party.
- 16.2** The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified thereunder.

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

	Note	2019	2018
		(Rupees in '000)	
Opening Balance		774,813	519,204
Provided during the year		283,353	255,609
Closing balance		1,058,166	774,813

16.4 Provision for government levies

Opening balance		230	257
Provided during the year		350	-
Payment during the year		(251)	(27)
Closing balance		329	230

16.5 Workers' Profit Participation Fund

Opening balance		24,171	-
Allocation for the year	25	197,024	312,226
Interests on workers' profit participation fund		1,053	4,090
Payment during the year		(205,224)	(292,145)
Closing balance		17,024	24,171

17. CONTRACT LIABILITIES

Sales commission payable		50,183	60,868
Advances from customers - unsecured	17.1	1,208,828	893,511
		1,259,011	954,379

- 17.1 Advance from customers includes Rs. 0.17 million (2018: Rs. 0.18 million) received from a related party for supply of finished goods.

18. SHORT TERM BORROWINGS - SECURED

		2019	2018
		(Rupees in '000)	
<i>Conventional</i>			
Short term finance under mark-up arrangement	18.1	6,381,084	3,919,725
Short term finance under Export Refinance Scheme	18.2	1,984,265	1,861,675
<i>Islamic</i>			
Short term finance under Running Musharakah	18.3	253,870	1,255,757
Short term finance under Term Musharakah	18.4	-	1,425,153
Short term finance under Term Murabaha	18.5	1,572,000	-
		10,191,219	8,462,310

- 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 7.12% to 13.90% (2018: 6.62% to 8.42%) per annum.
- 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 2.1% to 3% (2018: 2.1% to 2.15%) per annum.
- 18.3 The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is 7.12% to 13.10% (2018: 6.34% to 6.63%) 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 6.99% to 11.05% (2018: 6.09% to 6.47%) per annum. This facility matures within twelve months and is renewable.
- 18.5 The Company has obtained facilities under short term finance under Term Murabaha from Standard Chartered Bank Pakistan Limited amounting to Rs. 1,572 million (2018: nil) for meeting working capital requirement. The tenure of the loan is six months from 20 June 2019 to 19 December 2019 at 13.25% (2018: nil) per annum.
- 18.6 As at 30 June 2019, the unavailed facilities from the above borrowings amounted to Rs. 11,459 million (2018: Rs. 4,594 million).
- 18.7 During the year, mark-up paid on conventional short term borrowings is Rs. 641.74 million (2018: Rs. 166.04 million) whereas mark-up paid on Islamic short term borrowings is Rs. 143.24 million (2018: Rs.79.55 million).
- 18.8 The above facilities are secured by way of joint pari passu charge and ranking over current and future moveable assets of the Company having aggregate charge amounting to Rs. 25,870 million.

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 Sindh High Court on petition filed by the petitioner, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs. 1,111.5 million (2018: Rs. 791.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Company on prudent basis (Note 16.3). Subsequently through Sindh Finance Act, 2015 and 2016, the legislation has doubled the rate of Sindh infrastructure cess. The Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.

- 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 Sindh High Court. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 380.8 million (from 01 July 2011 till 22 May 2015) in these financial statements. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the Sindh High Court held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of Sindh High Court was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions

of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. Such decision has been challenged on appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending. In light of aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 935 million (2018: Rs. 850 million) pertaining to period from 01 July 2011 to 30 June 2019 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 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs. 600 Per MMBTU vide its notification dated 30 December 2016, increasing the rate by Rs. 112 per MMBTU disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay, subject to submission of security for the differential amount with the Nazir of the Court. The Company has issued cheques amounting to Rs. 424.8 million (2018: Rs. 348.3 million) in favour of the Nazir of the Court upto September 2018. The Company, on prudent basis, has also accrued this amount in these financial statements. OGRA has further revised the gas tariff to Rs. 780 per MMBTU vide its notification dated 04 October 2018, further increasing the rate by Rs. 180 per MMBTU. The Company has filed a petition before the court challenging such further revision and the matter is partially heard. Pending the decision on the matter, the Company is settling the bills at the revised rate.
- 19.1.4 The Company filed a constitutional petition in the Sindh High Court against notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. Stay was obtained on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan and is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.
- 19.1.5 The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 02 April 2002 on the account of non-payment of 17% sales tax a constitutional petition in the Sindh High Court (SHC) has been filed on 01 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 were implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The Court granted a stay order by allowing Company's exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (2018: Rs. 2.65 million) (i.e. value of disputed sales tax amount) before the Nazir of the Court. On 30 October 2015 the tax authority issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The same has already been filed before the Court and disposal of the case along with return of the said bank guarantees is awaited.
- 19.1.6 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 404.67 million (2018: Rs. 269.74 million) as a security for supply of gas.
- 19.1.7 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs. 53 million (2018: Rs. 12 million).
- 19.1.8 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2018: Rs. 8.67 million).
- 19.1.9 Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. 59.11 million (2018: Rs. 21.8 million).
- 19.1.10 Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs. 4.39 million (2018: Rs. 4.61 million).
- 19.2 **Commitments**
- 19.2.1 Capital expenditure commitments outstanding as at 30 June 2019 amounted to Rs. 446.2 million (2018: Rs. 581.3 million).

19.2.2 Commitments under Letters of Credit for raw materials and spares as at 30 June 2019 amounted to Rs. 11,843 million (2018: Rs. 9,538 million).

19.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 30 June 2019 amounted to Rs. 10,822 million (2018: Rs. 10,199.52 million) and Rs. 1,206 million (2018: Rs. 59.31 million) respectively.

20. NET SALES

	2019	2018
	(Rupees in '000)	
Local	60,962,022	51,726,237
Export	3,973,179	4,216,796
	64,935,201	55,943,033
Sales tax	(9,130,525)	(7,735,649)
Trade discounts	(84,915)	(31,825)
Sales commission	(657,882)	(554,840)
	(9,873,322)	(8,322,314)
	55,061,879	47,620,719

20.1 Disaggregation of Revenue

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

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

	2019	2018
	(Rupees in '000)	
Primary geographical markets:		
Local	51,088,700	43,403,923
United States	1,157,006	1,757,083
Africa	416,201	643,491
Afghanistan	499,659	731,900
Middle East	1,032,613	685,320
Others	867,700	399,002
	55,061,879	47,620,719
Major product lines:		
Cold Rolled	21,066,956	15,910,769
Galvanized Product	33,395,353	31,111,650
By-product	599,570	598,300
	55,061,879	47,620,719

21. COST OF SALES

	Note	2019	2018
		(Rupees in '000)	
Opening stock of raw material and work-in-process		7,117,488	4,219,066
Purchases		47,915,850	40,813,376
Salaries, wages and benefits	21.1	546,146	540,843
Electricity, gas and water		1,351,254	1,017,789
Insurance		27,628	22,037
Security and janitorial		28,397	21,294
Depreciation	4.2	965,322	762,089
Amortisation	5.1	1,390	1,338
Stores and spares consumed		123,545	98,148
Provision for obsolescence against stores and spares		15,278	19,553
Repairs and maintenance		103,401	97,912
Postage, telephone and stationery		8,252	6,741
Vehicle, travel and conveyance		37,672	15,145
Internal material handling		39,260	26,235
Environment controlling expense		2,225	1,741
Computer stationery and software support fees		8,566	5,506
Sundries		19,020	32,838
Recovery from sale of scrap		(2,422,475)	(1,538,907)
		55,888,219	46,162,744
Closing stock of raw material and work-in-process		(3,861,680)	(7,117,488)
Cost of goods manufactured		52,026,539	39,045,256
<i>Finished goods, scrap material and by-products:</i>			
Opening stock		2,561,284	3,505,587
Closing stock	7	(5,974,996)	(2,561,284)
		(3,413,712)	944,303
		48,612,827	39,989,559

21.1 Salaries, wages and benefits include Rs. 21.65 million (2018: Rs. 21.51 million) in respect of staff retirement benefits.

22. SELLING AND DISTRIBUTION EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Salaries, wages and benefits	22.1	93,564	78,399
Rent, rates and taxes		32,465	11,445
Electricity, gas and water		2,754	2,522
Insurance		1,490	919
Depreciation	4.2	7,815	6,654
Postage, telephone and stationery		3,709	3,018
Vehicle, travel and conveyance		26,098	13,865
Freight and forwarding charges		420,180	257,387
Sales promotion		102,497	51,580
Others		11,255	8,503
		701,827	434,292

22.1 Salaries, wages and benefits include Rs. 5.33 million (2018: Rs. 3.25 million) in respect of staff retirement benefits.

23. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	23.1	149,482	197,776
Rent, rates and taxes		4,738	4,831
Electricity, gas and water		2,190	2,169
Insurance		2,661	2,138
Depreciation	4.2	6,659	5,827
Security and janitorial services		681	530
Printing and stationery		4,716	4,922
Computer stationery and software support fees		229	63
Postage and communication		1,158	2,153
Vehicle, travel and conveyance		9,828	7,009
Legal and professional charges		84,501	36,924
Certification and registration charges		3,217	4,810
Directors' fee		5,625	4,950
Others		8,719	11,295
		284,404	285,397

23.1 Salaries, wages and benefits include Rs. 10.12 million (2018: Rs. 9.03 million) in respect of staff retirement benefits.

24. FINANCE COST

Note	2019	2018
	(Rupees in '000)	
Conventional:		
- Interest on long term finance	123,455	156,763
- Interest on short term borrowings	650,317	184,801
	773,772	341,564
Islamic:		
- Mark-up on Running Musharakah	110,979	34,376
- Mark-up on Term Musharakah	102,652	43,878
- Mark-up on Diminishing Musharakah	279,445	107,545
- Mark-up on Murabaha	6,277	-
	499,353	185,799
Bank charges	15,137	7,663
Interest on Workers' Profit Participation Fund	1,053	4,090
	1,289,315	539,116

25. OTHER OPERATING CHARGES

Auditors' remuneration	25.1	2,786	2,254
Donations	25.2	45,477	64,000
Workers' Profit Participation Fund	16.5	197,024	312,226
Workers' Welfare Fund		63,287	124,890
Exchange loss - net		225,227	158,225
		533,801	661,595

25.1 Auditors' remuneration

Audit fee	1,629	1,550
Half yearly review	443	443
Other services including certifications	583	136
Out of pocket expenses	131	125
	2,786	2,254

25.1.1 These amounts are inclusive of sales tax.

		2019	2018
		(Rupees in '000)	
25.2	Donations		
25.2.1	Donations to following Organizations and Trusts exceed 10% of total donations of the Company:		
	Sindh Institute of Urology and Transplantation	10,000	5,000
	SiNA Health Education and Welfare Trust	6,000	8,000
	Amir Sultan Chinoy Foundation	6,000	6,000
	The Citizens Foundation	5,200	4,800
	Indus Valley School of Art and Architecture	5,000	-
	Habib University Foundation	-	10,500
		32,200	34,300

25.2.2 Donations in which directors are interested are as follows:

Name of Director	Interest in Donee	Name and address of the Donee	Amount donated	
			2019	2018
(Rupees in '000)				
Mr. Tawfiq H. Chinoy & Trustee		Habib University Foundation		
Syed Salim Raza		18, Faisal Cantonment, Karachi.	-	10,500
Mr. Samir M. Chinoy	Chairman	Amir Sultan Chinoy Foundation		
		101, Beamount Plaza, Beamount Road, Karachi.	6,000	6,000
Mr. Kamran Y. Mirza	Trustee	Karwan-e-Hayat Plot # SC-54, Darusalam Housing Society, Sector 31-F, Korangi, Karachi.	2,200	1,000
Mr. Riyaz T. Chinoy	Director	The Citizen Foundation	5,200	4,800
Syed Salim Raza	Trustee	Layton Rehmatullah Benevolent Trust		
		37-C, Sunset Lane No. 4, Phase II Extension, 24th Commercial Street, D.H.A., Karachi.	1,000	-
			14,400	22,300

26. **OTHER INCOME**

	Note	2019	2018
Income from non financial assets		(Rupees in '000)	
Income from power generation	26.1	20,828	32,110
(Loss) / gain on sale of property, plant and equipment		(29,610)	9,282
Rental income		1,948	1,942
Others		44,399	48,178
		37,565	91,512
Income / return on financial assets			
Income on bank deposit - conventional		1,848	1,040
		39,413	92,552

26.1 Income from power generation

	Note	2019	2018
		(Rupees in '000)	
Net sales		407,031	421,065
Cost of electricity produced:			
Salaries, wages and benefits	26.1.1	21,190	22,609
Electricity, gas and water		1,003,530	821,520
Depreciation	4.2	97,263	82,331
Stores and spares consumed		24,930	20,291
Repairs and maintenance		49,834	33,797
Sundries		4,107	1,616
		1,200,854	962,164
Less: Self consumption		(814,651)	(593,209)
		386,203	368,955
Income from power generation		20,828	32,110

26.1.1 Salaries, wages and benefits include Rs. 0.83 million (2018: Rs. 0.67 million) in respect of staff retirement benefits.

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

27. TAXATION

Current - for the year		567,572	1,025,358
- for prior years		-	158,450
	10	567,572	1,183,808
Deferred		447,173	254,546
		1,014,745	1,438,354

27.1 Relationship between income tax expense and accounting profit

	2019	2018	2019	2018
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			3,679,118	5,803,312
Tax at the enacted tax rate	29.00	30.00	1,066,944	1,740,994
Effect on income under final tax regime	(2.04)	(1.05)	(75,130)	(60,666)
Effect of adjustments on account of change in rates and proportionate etc.	5.50	(4.62)	202,426	(268,311)
Effect of super tax	1.38	2.58	50,914	149,607
Effect of prior year taxation	-	2.73	-	158,450
Effect of tax credit	(6.02)	(4.99)	(221,485)	(289,659)
Others	(0.24)	0.14	(8,924)	7,939
	27.58	24.79	1,014,745	1,438,354

27.2 The provision for current year tax represents tax on taxable income at the rate of 29% (2018: 30%) per annum. The Finance Act, 2019 enacted the corporate tax rates for companies at 29% (current tax rate) and onward is 29%. The Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient.

27.3 Under section 5A of Income Tax Ordinance, 2001 (as amended by the Finance Act, 2019), a tax shall be imposed at the rate of 5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 20% of its after tax profits within six months of the end of the tax year through cash.

The Board of Directors in their meeting held on 19 August 2019 have recommended sufficient cash dividend for the year ended 30 June 2019 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 2019.

28. EARNINGS PER SHARE - BASIC AND DILUTED

	2019	2018
	(Rupees in '000)	
Profit after taxation for the year	2,664,373	4,364,958
	(Number)	
Weighted average number of ordinary shares in issue during the year	435,000,000	435,000,000
	(Rupees)	
Earnings per share	6.12	10.03

28.1 There is no dilutive impact on earnings per share.

29. CHANGES IN WORKING CAPITAL

	2019	2018
	(Rupees in '000)	
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(187,255)	49,146
Stock-in-trade	(515,217)	(4,594,896)
Trade debts	(223,245)	119,253
Receivable from K-Electric Limited (KE)	(6,334)	10,324
Advances, trade deposits and prepayments	(43,227)	5,235
Sales tax receivable	(827,311)	(351,114)
	(1,802,589)	(4,762,052)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	1,412,864	(682,173)
	(389,725)	(5,444,225)

30. STAFF RETIREMENT BENEFITS

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

The following significant assumptions has been used:

Financial assumptions	2019	2018
Rate of discount	14.25%	10.00%
Expected rate of salary increase	13.25%	9.00%
Demographic assumptions		
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Rates of employee turnover	Moderate	Moderate
Retirement assumption	Age 60 years	Age 60 years

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

Present value of defined benefit obligation	149,405	125,399
Fair value of plan assets	(149,405)	(125,399)
Liability as at 30 June	-	-

Movements in the present value of defined benefit obligation

Present value of defined benefit obligation - beginning of the year	125,399	98,758
Current service cost	20,384	17,445
Interest cost	11,725	8,957
Remeasurements: Actuarial losses on obligation	8,191	4,096
Benefits paid	(16,294)	(3,857)
Present value of defined benefit obligation	149,405	125,399

Movements in the fair value of plan assets

Fair value of plan assets - beginning of the year	125,399	75,180
Interest income on plan assets	12,961	8,702
Return on plan assets, excluding interest income	(20,195)	(5,336)
Benefits paid	(16,294)	(3,857)
Contribution to fund	47,534	50,710
Fair value of plan assets	149,405	125,399

	2019	2018
	(Rupees in '000)	
Movement in net defined benefit liability		
Opening balance	-	23,578
Re-measurements recognised in other comprehensive income during the year	28,386	9,432
Expense chargeable to statement of profit or loss	19,148	17,700
Contribution paid during the year	(47,534)	(50,710)
Closing balance	-	-
Amount recognised in total comprehensive income		
The following amounts have been charged in respect of these benefits to statement of profit or loss and other comprehensive income:		
<i>Component of defined benefit costs recognized in statement of profit or loss</i>		
Current service cost	20,384	17,445
Net interest cost		
- Interest cost on defined benefit obligation	11,725	8,957
- Return on plan assets	(12,961)	(8,702)
	19,148	17,700
<i>Component of defined benefit costs (re-measurement) recognised in other comprehensive income</i>		
Re-measurements: Actuarial (gain) / loss on obligation		
- Loss due to change in experience adjustments	8,191	4,096
- Return on plan assets	20,195	5,336
Net re-measurement recognised in other comprehensive income	28,386	9,432
Total defined benefit cost recognised in statement of profit or loss and other comprehensive income	47,534	27,132
Components of defined benefit cost for the next year		
Current service cost	25,379	20,384
Interest expense on defined benefit obligation	20,588	12,136
Return on plan assets	(22,349)	(13,404)
Net interest cost	(1,761)	(1,268)
Cost for the next year to be recognised in profit or loss	23,618	19,116

Composition of fair value of plan assets

	2019		2018	
	Fair Value (Rupees in '000)	Percentage	Fair Value (Rupees in '000)	Percentage
Government securities	89,045	60%	81,224	65%
Shares - Listed	35,675	24%	34,412	27%
Bank deposits	24,685	16%	9,763	8%
Fair value of plan assets	149,405	100%	125,399	100%

Sensitivity analysis on significant actuarial assumptions:

	2019	2018
	(Rupees in '000)	
Actuarial liability		
Discount rate + 100 basis points	133,914	112,512
Discount rate - 100 basis points	167,787	140,745
Salary increases + 100 basis points	168,074	140,989
Salary increases - 100 basis points	133,406	112,079
	(Number in years)	
Weighted average duration of the Defined Benefit Obligation	11	11

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.

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	27,146	24,999	107,962	21,076	67,403	125,309
Bonus	9,048	3,000	27,618	7,025	4,628	24,922
Retirement benefits	3,392	1,124	10,613	2,633	933	9,344
Rent, utilities, leave encashment etc.	13,573	12,499	54,436	10,538	4,591	64,615
	53,159	41,622	200,649	41,272	77,555	224,190
Number of persons	1	2	34	1	2	33

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. 5.62 million (2018: Rs. 4.95 million) on account of meetings attended by them.

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.

Exposure to credit risk

The carrying amounts of financial assets as disclosed in note 33 represent the maximum credit exposure. The Company's principal credit risk arises from trade debts, receivable from K-Electric Limited (KE), deposits, margin against shipping guarantee and bank balances. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset reported in these financial statements. Receivable from K-Electric Limited (KE) is monitored on an on-going basis in accordance with a settlement agreement. The Company does not expect to incur loss there against. The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. Majority of the Company's sales are made against receipts in advance from customers. The Company has no major concentration of credit risk with any single customer. The majority of the trade customers have been transacting with the Company for several years. The Company establishes an allowance for impairment where it considers recoveries are not probable.

- 32.1.1** Trade debts and receivable from K-Electric (KE) amounting to Rs. 122.9 million (2018: Rs. 114.5 million) at the reporting date belong only to domestic region whereas trade debts amounting to Rs. 784 million (2018: Rs. 562.9 million) belong to foreign customers.

32.1.2 Impairment losses

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

	2019		2018	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	905,848	-	663,717	-
Past due 1-60 days	671	-	13,737	-
Past due 61 + days	513	-	-	-
Total	907,032	-	677,454	-

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

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

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

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focuses 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 the 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 there is 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:

	2019					
	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 finance	7,277,084	(9,436,108)	(801,396)	(777,885)	(6,623,429)	(1,233,399)
Short-term borrowings	10,191,219	(10,191,219)	(10,191,219)	-	-	-
Accrued mark-up	304,707	(304,707)	(304,707)	-	-	-
Trade and other payables	2,562,411	(2,562,411)	(2,562,411)	-	-	-
Contract liabilities	50,183	(50,183)	(50,183)	-	-	-
Unpaid dividend	2,385	(2,385)	(2,385)	-	-	-
Unclaimed dividend	6,453	(6,453)	(6,453)	-	-	-
	20,394,442	(22,553,466)	(13,918,754)	(777,885)	(6,623,429)	(1,233,399)

	2018					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)					
Non-derivative financial liabilities						
Long term finance	7,969,960	(8,737,466)	(776,789)	(770,725)	(6,082,624)	(1,107,328)
Short-term borrowings	8,462,310	(8,462,310)	(8,462,310)	-	-	-
Accrued mark-up	156,489	(156,489)	(156,489)	-	-	-
Trade and other payables	2,063,397	(2,063,397)	(2,063,397)	-	-	-
Contract liabilities	60,868	(60,868)	(60,868)	-	-	-
Unpaid dividend	9,540	(9,540)	(9,540)	-	-	-
Unclaimed dividend	2,917	(2,917)	(2,917)	-	-	-
	18,725,481	(19,492,987)	(11,532,310)	(770,725)	(6,082,624)	(1,107,328)

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 has been disclosed in respective notes to these financial statements.

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

32.3 Market risk

Market risk is the risk which arises due to changes in market prices, such as foreign exchange rates, interest rates and equity prices, that 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, bank balances and trade creditors that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2019		2018	
	Rupees	US Dollars	Rupees	US Dollars
	(Amounts in '000)			
Bank Balance	346,620	2,128	92,074	758
Trade debts	784,049	4,814	562,874	4,635
Trade creditors	(2,307,880)	(14,138)	(1,483,519)	(12,197)
Balance sheet exposure	(1,177,211)	(7,196)	(828,571)	(6,804)

The following significant exchange rates applied during the year:

	Average rates		Reporting date rate	
	2019	2018	2019	2018
	(Rupees)			
US Dollars to PKR	136.25	109.97	163.24	121.63

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June 2019 would have (decreased) / increased the profit by Rs. 85.3 million (2018: Rs. 62.3 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 banks.

a) Cash flow sensitivity analysis for variable rate instruments

The Company holds various variable rate financial instruments amounting to Rs. 16,008 million (2018: Rs. 14,723 million) exposing the Company to cash flow interest rate risk. A change of 100 basis points as at 30 June 2019 would have increased / (decreased) profit after tax and equity for the year by Rs. 113.66 million (2018: Rs. 103.06 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

b) Cash flow sensitivity analysis for fixed rate instruments

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

Management assessed that the fair values of cash and cash equivalents and short-term deposits, receivable from K-electric, trade debts, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit asset and long term liabilities, management considers that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings is at market rate.

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

	Short term borrowings used for cash management purpose	Other short term borrowings	Long term finance	Unappropriated profit	Total
(Rupees in '000)					
Balance as at 01 July 2018	5,175,482	3,329,218	8,084,069	6,532,704	23,121,483
<i>Changes from financing cash flows</i>					
Repayment of loan	-	-	(1,292,876)	-	(1,292,876)
Proceeds from long term loan	-	-	600,000	-	600,000
Payments / (repayments) - net	-	269,437	-	-	269,437
Dividend paid	-	-	-	(1,961,119)	(1,961,119)
Total changes from financing activities	-	269,437	(692,876)	(1,961,119)	(2,384,558)
<i>Other changes - interest cost</i>					
Interest expense	-	886,415	402,900	-	1,289,315
Interest paid	-	(812,527)	(328,570)	-	(1,141,097)
Changes in running finance	1,459,472	-	-	-	1,459,472
Total loan related other changes	1,459,472	73,888	74,330	-	1,607,690
Total equity related other changes	-	-	-	2,668,555	2,668,555
Balance as at 30 June 2019	6,634,954	3,672,543	7,465,513	7,240,140	25,013,150

During the year Rs. 238.2 million (2018: Rs. 82.6 million) has been capitalized as borrowing cost as disclosed in note 4.1.1 to these financial statements and the related amount is not yet due for payment.

33. MEASUREMENT OF FAIR VALUES

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

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

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

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

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

Financial assets not measured at fair value

Trade debts	868,035	-	-	-	-	-
Receivable from K-Electric Limited (KE)	38,997	-	-	-	-	-
Trade deposits and Margin against shipping guarantee	30,872	-	-	-	-	-
Cash and bank balances	402,912	-	-	-	-	-
Total financial assets	1,340,816	-	-	-	-	-

Financial liabilities not measured at fair value

Long term finance	-	-	6,367,141	-	-	-
Current maturity of long term finance	-	-	909,943	-	-	-
Trade and other payables	-	-	2,562,411	-	-	-
Short term borrowings	-	-	10,191,219	-	-	-
Contract liabilities	-	-	50,183	-	-	-
Unpaid dividend	-	-	2,385	-	-	-
Unclaimed dividend	-	-	6,453	-	-	-
Accrued mark-up	-	-	304,707	-	-	-
Total financial liabilities	-	-	20,394,442	-	-	-

Financial assets not measured at fair value

Trade debts	644,790	-	-	-	-	-
Receivable from K-Electric Limited (KE)	32,663	-	-	-	-	-
Trade deposits and Margin against shipping guarantee	24,853	-	-	-	-	-
Cash and bank balances	99,822	-	-	-	-	-
Total financial assets	802,128	-	-	-	-	-

Financial liabilities not measured at fair value

Long term finance	-	-	6,768,281	-	-	-
Current maturity of long term finance	-	-	1,201,679	-	-	-
Trade and other payables	-	-	2,063,397	-	-	-
Short term borrowings	-	-	8,462,310	-	-	-
Contract liabilities	-	-	60,868	-	-	-
Unpaid dividend	-	-	9,540	-	-	-
Unclaimed dividend	-	-	2,917	-	-	-
Accrued mark-up	-	-	156,489	-	-	-
Total financial liabilities	-	-	18,725,481	-	-	-

2019					
Carrying amount			Fair value		
Loans and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
(Rupees in '000)					
868,035	-	-	-	-	-
38,997	-	-	-	-	-
30,872	-	-	-	-	-
402,912	-	-	-	-	-
1,340,816	-	-	-	-	-
-	-	6,367,141	-	-	-
-	-	909,943	-	-	-
-	-	2,562,411	-	-	-
-	-	10,191,219	-	-	-
-	-	50,183	-	-	-
-	-	2,385	-	-	-
-	-	6,453	-	-	-
-	-	304,707	-	-	-
-	-	20,394,442	-	-	-
2018					
Carrying amount			Fair value		
Loans and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
(Rupees in '000)					

2018					
Carrying amount			Fair value		
Loans and receivables	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
(Rupees in '000)					
644,790	-	-	-	-	-
32,663	-	-	-	-	-
24,853	-	-	-	-	-
99,822	-	-	-	-	-
802,128	-	-	-	-	-
-	-	6,768,281	-	-	-
-	-	1,201,679	-	-	-
-	-	2,063,397	-	-	-
-	-	8,462,310	-	-	-
-	-	60,868	-	-	-
-	-	9,540	-	-	-
-	-	2,917	-	-	-
-	-	156,489	-	-	-
-	-	18,725,481	-	-	-

The fair value of land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing assets in use. The resulting fair value is a level 3 fair value measurement.

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-relationships between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment - Land and Building	30 June 2019	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.

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:

	(Rupees in '000)
Opening net book value	2,764,107
Additions during the year	925,558
Depreciation for the year	(89,180)
Revaluation during the year	449,987
Closing net book value	4,050,472

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 capital, as well as the level of dividends to ordinary shareholders.

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 contractual engagements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

35.1 Transactions with related parties

	Note	2019	2018
		(Rupees in '000)	
Holding Company			
Sales		9,484,967	9,322,568
Purchases		47,772	234,145
Rent expense		27,080	8,076
Shared resources cost		52,615	58,105
Reimbursement of expenses		8,320	6,368
Partial manufacturing - Sales		54	23
Corporate, legal, marketing & IT services		25,396	19,587
Dividend paid		1,102,750	612,639
Other related parties			
Sales		460,029	1,172,694
Purchases		35,784,829	27,253,573
Dividend paid		177,649	98,694
Rental income	35.4	1,948	1,942
Reimbursement of expenses		3,067	-
Services*		57,784	49,019
Remuneration to Key Management Personnel		244,682	245,748
Payment to staff retirement funds		47,257	69,475

* Services include premium against insurance policies.

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

Name of the Related Party	Relationship and percentage of Shareholding
International Industries Limited	Holding Company holds 56.3% (2018: 56.3%)
Sumitomo Corporation (Incorporated in Japan)	Associated Company holds 9% (2018:9%)
Pakistan Cables Limited	Associated Company due to common directorship
Management Association of Pakistan	Associated Company due to common directorship
Pakistan Institute of Corporate Governance	Associated Company due to common directorship
Jubilee General Insurance Company Limited	Associated Company due to common directorship
Jubilee Life Insurance Company Limited	Associated Company due to common directorship
Beaumont Plaza Owners / Occupants Welfare Association	Associated Company due to common directorship
KSB Pumps Limited	Associated Company due to common directorship
IL Australia PTY Limited (Incorporated in Australia)	Associated Company due to common directorship

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

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

36. ANNUAL PRODUCTION CAPACITY

	2019	2018
	(Metric Tonnes)	
The production capacity at the year end was as follows:		
Galvanising	462,000	462,000
Cold rolled steel strip	1,000,000	1,000,000
Colour coated	84,000	84,000
The actual production for the year was:		
Galvanising	330,350	330,259
Cold rolled steel strip	584,408	470,841
Colour coated	15,789	19,846

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix is different. Actual production was as per market demand.

37. OPERATING SEGMENT

- 37.1 These financial statements have been prepared on the basis of a single reportable segment.
- 37.2 Revenue from sales of steel products represents 99% (2018: 99%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its 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 2019 are located in Pakistan.
- 37.4 93.88% (2018: 92%) of sales of steel are domestic sales whereas 6.12% (2018: 8%) of sales are export / foreign sales.

37.5 Geographic Information

	2019	2018
	(Rupees in '000)	
Domestic Sales	60,962,022	51,726,237
Export Sales	3,973,179	4,216,796
	64,935,201	55,943,033

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

38. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2019	2018
	(Number of employees)	
Total employees of the Company at the year end	724	673
Average employees of the Company during the year	708	633

39. GENERAL

39.1 Non-adjusting events after reporting date

The Board of Directors of the Company in their meeting held on 19 August 2019 has proposed a final cash dividend of Rs. 1.5 per share amounting to Rs. 652.5 million.(2018: Rs. 3 per share amounting to Rs. 1,305 million) for the year ended 30 June 2019. 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 2019. The financial statements for the year ended 30 June 2019 do not include the effect of the proposed final cash dividend which will be accounted for in the year ending 30 June 2020.

39.2 Corresponding figures

IFRS 15 'Revenue from Contracts with Customers' has introduced certain presentation and classification requirements for contract liabilities and assets. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of IFRS 15. Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

Description	Reclassified from	Reclassified to	2019 (Rupees in '000)
Sales commission payable	Trade and other payables	Contract Liabilities (presented on face of statement of financial position)	60,868
Advances from customers	Trade and other payables	Contract Liabilities (presented on face of statement of financial position)	893,511

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 19 August 2019 by the Board of Directors of the Company.


Tariq Iqbal Khan
Director & Chairman
Board Audit Committee


Mujtaba Hussain
Chief Financial
Officer


Yousuf H. Mirza
Chief Executive
Officer

STAKEHOLDERS INFORMATION

Ownership

On 30th June, 2019 there were 5,993 members on the record of the company's ordinary shares.

Dividend Payment

The Board of Directors of the company has recommended 15% final dividend for the year as per the Profit Appropriation Policy. The proposal shall be placed before the shareholders of the company in the Annual General Meeting for their consideration and approval on 25th September 2019. The dividend amounts, if approved by the shareholders, shall be directly credited to their designated banks to the shareholders listed in the company's share register at the close of business on 16th September, 2019 and shall be subject to the Zakat and Tax deductions as per law.

FINANCIAL CALENDAR

Results

Year ended June 30, 2019	Approved & Announced on	August 19, 2019
Third quarter ended March 31, 2019	Approved & Announced on	April 16, 2019
Half year ended December 31, 2018	Approved & Announced on	January 25, 2019
First quarter ended September 30, 2018	Approved & Announced on	October 16, 2018

Dividend

Interim - Cash (2019)	Approved on Entitlement date Statutory limit upto which payable Paid on	January 25, 2019 March 14, 2019 April 3, 2019 April 2, 2019
Final - Cash (2018)	Announced on Entitlement date Statutory limit upto which payable Paid on	August 15, 2018 Sept. 13, 2018 October 15, 2018 October 4, 2018
Interim - Cash (2018)	Approved on Entitlement date Statutory limit upto which payable Paid on	January 23, 2018 March 14, 2018 April 3, 2018 April 2, 2018

Latest Annual Report Issued On	September 4, 2019
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12th Annual General Meeting	September 25, 2019
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Tentative Dates of Financial Results 2019-20

For the Period	To be Announced on
1st Quarter	15-10-2019
2nd Quarter	27-01-2020
3rd Quarter	14-04-2020
Annual Accounts	18-08-2020

Pattern of Shareholding

As at 30 June 2019

Number of Shareholders	Having shares		Shares held	Percentage
	From	To		
575	1	100	31,092	0.0071
1,477	101	500	632,145	0.1453
1,057	501	1,000	994,956	0.2287
1,651	1,001	5,000	4,611,158	1.0600
456	5,001	10,000	3,597,508	0.8270
154	10,001	15,000	2,042,219	0.4695
118	15,001	20,000	2,172,093	0.4993
92	20,001	25,000	2,180,971	0.5014
44	25,001	30,000	1,258,212	0.2892
33	30,001	35,000	1,095,700	0.2519
25	35,001	40,000	965,500	0.2220
23	40,001	45,000	996,956	0.2292
35	45,001	50,000	1,725,335	0.3966
28	50,001	60,000	1,564,451	0.3596
22	60,001	70,000	1,458,628	0.3353
14	70,001	80,000	1,041,633	0.2395
10	80,001	90,000	868,873	0.1997
25	90,001	100,000	2,472,817	0.5685
30	100,001	150,000	3,731,900	0.8579
25	150,001	200,000	4,503,126	1.0352
21	200,001	300,000	5,419,704	1.2459
15	310,001	395,000	5,341,083	1.2278
10	400,001	500,000	4,640,508	1.0668
4	505,001	550,000	2,102,000	0.4832
2	555,001	570,000	1,125,746	0.2588
3	635,001	700,000	2,037,750	0.4684
2	720,001	775,000	1,496,500	0.3440
7	800,001	900,000	6,017,344	1.3833
3	920,001	1,000,000	2,850,100	0.6552
3	1,035,001	1,045,000	3,124,700	0.7183
4	1,130,001	1,200,000	4,642,500	1.0672
3	1,430,001	1,490,000	4,398,500	1.0111
2	1,520,001	1,535,000	3,054,200	0.7021
1	1,650,001	1,655,000	1,853,000	0.3800
1	1,775,001	1,780,000	1,775,500	0.4082
1	1,845,001	1,850,000	1,850,000	0.4253
1	1,975,001	1,980,000	1,978,100	0.4547
1	1,995,001	2,000,000	2,000,000	0.4598
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	2,110,001	2,115,000	2,111,500	0.4854
1	2,260,001	2,265,000	2,263,000	0.5202
1	2,465,001	2,470,000	2,467,800	0.5673
1	2,665,001	2,670,000	2,670,000	0.6138
1	2,980,001	2,985,000	2,983,344	0.6858
1	3,160,001	3,165,000	3,161,500	0.7268
1	3,245,001	3,250,000	3,248,000	0.7467
1	3,580,001	3,585,000	3,583,400	0.8238
1	4,595,001	4,600,000	4,600,000	1.0575
1	5,085,001	5,090,000	5,089,100	1.1699
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	245,055,542	56.3346
5,993		Company Total	435,000,000	100.0000

Categories of Shareholders

As at 30 June 2019

Particulars	No. of Shareholders	No. of Shares held	Percentage
Sponsor / Holding Company & Nominee Director	2	245,055,543	56.3346
Directors & Spouses	15	16,197,493	3.7236
Associated Company	1	39,477,657	9.0753
Govt. Financial Institutions	1	1,653,000	0.3800
Banks, DFI & NBF	15	17,405,600	4.0013
Insurance Company	16	1,174,378	0.2700
Mutual Funds	68	14,633,564	3.3640
Public & Other Companies	119	12,285,563	2.8243
Retirement Funds & Charitable Trusts	50	3,807,127	0.8752
Strategic Investor	1	20,626,500	4.7417
Foreign Companies	8	3,385,708	0.7783
Modarabas & Others	7	63,500	0.0146
General Public / Individuals - Local	5,341	53,175,836	12.2243
General Public / Individuals - Foreign	349	6,058,531	1.3928
TOTAL	5,993	435,000,000	100.0000

Key Shareholding

As at 30 June 2019

	No. of Shareholders	No. of Shares	Percentage
Sponsor/Holding Company			
International Industries Ltd. & Nominee Director	2	245,055,543	56.3346
Directors & Spouses	10	11,950,493	2.7472
Sponsoring Family Members	5	4,247,000	0.9763
Associated Company			
Sumitomo Corporation	1	39,477,657	9.0753
Government Financial Institutions			
CDC - Trustee National Investment (Unit) Trust	1	1,653,000	0.3800
Foreign Corporate Investors			
JFE Steel Corporation	1	20,626,500	4.7417
Others	8	3,385,708	0.7783
		24,012,208	5.5200
Executives	2	31,019	0.0071

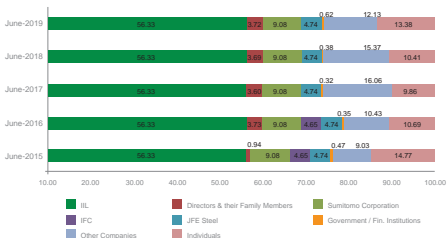
Members Having 5% or More of Voting Rights

Particulars	No. of Shares	Percentage
International Industries Limited	245,055,542	56.3346
Sumitomo Corporation	39,477,657	9.0753

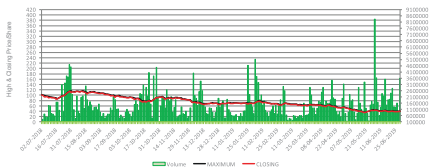
Shares Trading by Directors/Executives

14,025 shares were traded by an Executive of the Company during the year 2018-19.

Shareholders Composition



ISL Share Prices-Trend V/S Volume Traded
FY 2018-19



Notice of Annual General Meeting

For the year ended 30 June, 2019

Notice is hereby given to the members that the 12th Annual General Meeting of the Company will be held on 25th September, 2019 at 11.00 a.m. at the Jasmin Hall, Beach Luxury Hotel, Off; M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

- To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2019 and the Directors' Report and Auditors' Report thereon.
- To Consider and approve payment of Rs. 1.50 (15%) per share as final cash dividend in addition to 15% interim cash dividend announced and already paid, making a total dividend of Rs. 3 (30%) per share for the financial year ended 30th June, 2019 as recommended by the Board of Directors.
- To elect 11 Directors for a period of next 3 years
 - As required U/s 159(1), the Board has fixed the number of Directors to be elected as Eleven (11). Following are the retiring directors:

1) Mr. Kemal Shoaib	2) Mr. Towfiq H. Chinoy	3) Mr. Mustapha A. Chinoy
4) Mr. Kamal A. Chinoy	5) Mr. Tariq Iqbal Khan	6) Syed Salim Raza
7) Mr. Kamran Y. Mirza	8) Mr. Kazuteru Mihara	9) Mr. Riyaz T. Chinoy
10) Mr. Samir M. Chinoy		
- To appoint auditors for the year 2019-2020 and fix their remuneration. The retiring Auditors, M/s KPMG Taseer Hadi & Co, Chartered Accountants, being eligible, have offered themselves for re-appointment.

Special Business

- To approve and adopt a revised and updated set of Articles of Association and for this purpose to pass the following resolution as a Special Resolution:

RESOLVED as and by way of Special Resolution THAT the regulations contained in the document submitted to this meeting, and for the purpose of identification subscribed by the Chairman hereof, be approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, all the existing Articles thereof.

- To transact with the permission of the Chair any other business which may be transacted at an Annual General Meeting.

By Order of the Board
International Steels Ltd.

Karachi
Dated: 19th August 2019

M. Irfan Bhatti
Company Secretary

Notes

1. The Share Transfer Books of the Company shall remain closed from 17th September 2019 to 25th September 2019 (both days inclusive) to establish the right to attend annual general meeting and to receive the dividend declared.
2. A Member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. An instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarized 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
 - i) 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.
 - ii) 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
 - i) In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the CDC regulations shall submit the proxy form as per the above requirement.
 - ii) Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form. The proxy shall produce his original CNIC at the time of the meeting.

For CNIC / IBAN & Zakat

4. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments will be withheld.
5. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

Statement Material Facts

Under Section 166(3) of the Companies Act, 2017
Ordinary Business
Item 3 – Election of Directors

The term of office of the existing board of directors of the Company will expire on 25th September, 2019. In terms of Section 159(1) of the Companies Act, 2017, the directors have fixed the number of directors at 11 to be elected at the 12th annual general meeting for a period of three years commencing from the conclusion of the 12th AGM.

Any person who seeks to contest the election of directors shall, whether he is a retiring director or otherwise, file with the Company at its Registered Office, 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530, not later than fourteen days before the date of the meeting, the following documents:

- (i) Notice of his/her intention to offer himself/herself for election of directors in terms of Section 159(3) of the Act, together with the consent to act as a director in Form 28 prescribed under the Companies Act, 2017;
- (ii) A detailed profile along with mailing address and other contact details as required under SECP's SRO 634 (I)/2014 dated 10 July 2014;
- (iii) A candidate consenting for the election as director must be a member of the Company at the time of filing of his/her consent except a person representing a member, which is not a natural person.
- (iv) A declaration confirming that:
 - 1) He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Articles of Association of the Company and listing regulations of the Pakistan Stock Exchange;
 - 2) He/she is not ineligible to become a director of a listed company under any provisions of the Act, the Listed Companies (Code of Corporate Governance) Regulations, 2017 and any other applicable law, rules and regulations.

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under Section 166(2) of the Act.

U/S 134(3) OF THE COMPANIES ACT, 2017

Special Business

Item 5 – Alterations in the Articles of Association of the Company:

Statement as required by section 134(3) of the Companies Act 2017 in respect of the Special Business to be considered at the [Annual] General Meeting is appended below

The Board of Directors has recommended that the Company's Articles of Association be substituted for, and to the exclusion, of all the existing articles by a new set of articles of association. The new set of the articles of association brings the Company's existing Articles of Association in line with the several changes made by the promulgation of the new Companies Act 2017 (which has repealed the Companies Ordinance 1984).

These alterations include provisions for inter alia the issuance of shares in book-entry form, for the nomination of a person by a Member as a trustee to facilitate the transfer of shares of the Company to the legal heirs of the deceased, video-link facilities for members to attend Annual General Meeting and payment of dividend in cash through electronic mode. Further the amendments also reflect the new references for the sections of the Companies Act 2017.

A copy of the new set of Articles of Association is attached.

The resolution required for the above purpose is set forth in the notice convening the Annual General Meeting and that resolution will be proposed and passed as a Special Resolution.

Postal Ballot &/or E-voting

The Companies (Postal Ballot) Regulations, 2018 allows shareholders to exercise their right to vote at the general

meetings of the Company through Postal Ballot or E-voting, where the poll is demanded at a general meeting or through a secret ballot under section 143 and 144 respectively.

Further, to update records for E-Voting facility, if demanded at the general meeting, we request all shareholders to provide their correct email addresses and mobile numbers to CDC Investors Account Services or to their respective Participants and in case of shareholding in physical form, to the Share Registrar of the Company i.e. M/s THK Associates (Pvt) Ltd. In case the poll is demanded at the general meeting, detailed procedure with web address, login details, passwords, date of casting vote and other necessary details will be communicated to the shareholders at their designated email addresses.

Video Conferencing

Pursuant to Section 132(3) of the Companies Act, 2017, if the Company receives consent from members, holding in aggregate 10% or more shareholding residing in a geographical location different from the town where the registered office is situated, to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility subject to availability of such facility in that city.

To avail this facility please send a written request, which must include the following information, to the Company Secretary and the Share Registrar of the Company i.e. M/s. THK Associates (Pvt) Ltd., 40-C, Block-6, PECHS, Shah-rah-e-Faisal, Karachi at their respective email addresses irfan.bhatti@isl.com.pk and secretariat@thk.com.pk not later than 7 days before the date of 12th annual general meeting.

Request to Avail Video Conferencing Facility

1. Folio No. / CDC Investors A/c No./ Sub-A/c No.
2. Name of Shareholder :
3. No. of Shares held at the 1st day of the Book Closure to establish the right to attend AGM:
4. Name of City where Video facility is required:

Signature of the member

Unclaimed Dividends & Bonus Shares

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

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

E-dividend Mandate

As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be remitted through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account No. (IBAN) & details in the Central

Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s THK Associates (Pvt) Ltd. Please ensure an early update of your particulars to avoid any inconvenience in future. E-Dividend mandate form is enclosed.

Notice Of Meeting & Annual Accounts Through Email

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

Filer And Non Filer Status

- i) The Government of Pakistan through Finance Act, 2019 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- a) For filers of income tax returns – 15%
- b) For non-filers of income tax returns – 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of approval of cash dividend at the annual general meeting on 25th September 2019 otherwise tax on their cash dividend will be deducted @ 30% instead of @ 15%.

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

THK Associates (Pvt) Ltd.
40-C, Block-6, PECHS,
Off: Shahrah-e-Faisal,
Karachi.
021-111-000-322
info@thk.com.pk

- iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the 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.

غیر دعویٰ شدہ ویب سائٹ اور پوسٹس:

ایسے شیئر ہولڈرز جنہوں نے کسی بھی وجہ سے اپنے ڈیویڈنڈ ٹیکس نہیں کئے ہیں یا اپنے فروغی شیئر حاصل نہیں کی ہیں کو ہدایت کی جاتی ہے کہ وہ کھلی کے شیئر رجسٹرار میسرز THK (ایسوی ایٹس) پرائیویٹ لمیٹڈ سے اس سلسلے میں رابطہ کریں۔

برائے میراثی نوٹ کرلیں کیلینڈر 1438ھ کے مطابق کھلیں کے چارٹی کرڈ شیڈر زیادہ اعلان کرڈ موائع جو کرڈ ادا نیگی کی چارٹی کے تین سال تک میراثی اشدو رہتا ہے تو ایسا نیگی کیلینڈر 1438ھ کے تحت کرڈ ردا کی کی تعمیل کے بعد وفاقی حکومت کے ہر کرڈ ایجے کرڈ ریشیڈر کی صورت میں یہ نیگی ریشا ایڈر کیلینڈر آف پاکستان کو کرڈ سال کرڈ ہے چا نیگی ہے۔

ایڈیٹوریل کمیٹی

کینیڈا ایکٹ 2017 کے سیشن 242 کے مطابق ایک ایسٹریٹھ کی بنیے ضروری قرار دیا ہے کہ کوئلہ منافع صرف ایک انکسار کا ذریعہ ہے، براہ راست میشر ہولڈرز کے نامزد کردہ ایک اکاؤنٹ میں جمع کر کے ادا کریں۔ اسے ایک اکاؤنٹ میں براہ راست منافع حاصل کرنے کے لیے استعمال نہیں کیا جاتا ہے بلکہ تمام میشر ہولڈرز کے درخواست کی جاتی ہے کہ وہ اپنے ایک اکاؤنٹ نمبر/IBAN اور دیگر بینک تفصیلات جلد از جلد فراہم کریں۔ اگر پہلے تصدیق فراہم نہیں کی گئی۔ برائے میشر ایسٹریٹھ کوٹ فرائس کو ڈیوٹیڈ کی اسٹیٹنگ صرف نامزد کردہ ایک اکاؤنٹ میں انکسار فی خریدا سے کی جائے گی اور ای۔ ڈیوٹیڈ مینڈیٹ کی عدم موجودگی کی صورت میں کوئی ایسے پیش ڈیوٹیڈ روک لے گی۔ ایس ڈیوٹیڈ کو فارم نامہ مشک ہے۔

لوٹس پرانے میٹنگ اور سالانہ اکاؤنٹس پذیر پیدائی میل

انسانی ہی کی ہے ایس آر اے ڈیجیٹل / 787(1) تا 8، ستمبر 2014ء کے تحت شیئر ہولڈرز کو نوٹس کے ذریعے ایک میٹنگ اور اسلاٹس کا دعوتیس کے ذریعہ ای میل حاصل کر سکتے ہیں۔
شیئر ہولڈرز درخواست کے کارڈ کو دوبارہ ایکلیٹ حاصل کرنا چاہتے ہیں تو خود کو قیادت پر اپنی رضامندی کی کھٹی کے جتنی ضرورت THK ایس آر اے ڈیٹس (پرائیویٹ)
لیمٹڈ 40-42، بلاک 6، PECHS شاہ پور ایف سی کرائی کو ارسال کریں، تاکہ اسے اس کے ذریعہ ڈکوپ ایٹ کر سکیں۔ تاہم اگر کوئی شیئر ہولڈر آٹھ ماہ قبل درخواست پر رپٹ
میں شدہ کاب حاصل کرنا چاہتے ہیں تو اسے تحریری درخواست موصول ہونے کے 7 دن کے اندر دیا جاسا اور صرف اس کے بعد ہی جاری کیے جائیں گے۔

فاکر اور تان فاکر اسٹیش

فنانس ایکٹ 2019 کے ذریعے حکومت پاکستان نے نوٹیفکس آرڈیننس 2001 کے سیکشن 150 میں کچھ تبدیلیاں کی ہیں جن کے تحت کمپنیز کی جانب سے ادا کئے جانے والے ڈیویڈنڈ پر لاگو ہونے والی 20 روٹنگ ٹیکس مندرجہ ذیل شرح سے منسوخ کیا جائے گا:

الف برائے انکم ٹیکس فاکٹرز ----- 15%

پ برائے انجمن فلمسٹان فاکرز 30%

کھائی گئیں کی کوئی کورسٹ تھاب سے چمکنے والے ایلے اسٹیرولوز جن سے فام کو ہونے کے باوجود FBR کی ایڈیجنگل جیٹس شامل نہیں ہیں، سے درخواست کی جاتی ہے کہ وہ 25 ستمبر 2019 کو ہونے والے اس اجلاس عام میں پیش فرمائیڈ کی دھڑکی سے تمنا ہے۔ نام ATSL میں شامل کر دیا گیا تاکہ یہ فیڈ پر نام کا نیکس 30 ایسڈ کی 15 ایسڈ کی شرح سے منہا کیا جائے۔ بصورت حال اس کے نیکس کی کوئی 15 ایسڈ کی بجائے 30 ایسڈ کی شرح سے ہوگی۔ کسی سوال (مسئلہ) معلومات اسٹیرولوز ہمارے شیئر رجسٹر اور ورچوئل سے ڈون فہرڈ ای میل پر رابطہ کر سکتے ہیں۔

میسر THK ایسوی انشس (پرائیویٹ) لمیٹڈ

40-C، بلاک 6، PECHS، شاہراہ فیصل کراچی

021-111-000-322

info@thk.com.pk

iii CDC وائٹس کے حامل کارچر میں شیئر ہولڈرز سے درخواست ہے کہ وہ اپنا NTN اپنے متعلقہ پارٹنرس کے پاس آپ ڈیٹ کریں، کیونکہ کارچر ریٹ فیکل شیئر ہولڈرز اپنے NTN سرٹیفکیٹ کی نقل شیئر رجسٹرار میسرز THK ایوی ایشن (پرائیویٹ) لمیٹڈ کو ارسال کریں۔ NTN یا NTN سرٹیفکیٹ ارسال کرتے وقت پتہ بھی لکھیں اور اوپر دیئے گئے متعلقہ نوٹیفیکیشن کا جواب دیں۔

نوٹس:

- 1- کینیڈا کی شیزر ٹرانسٹرکریپٹ 17 ستمبر، 2019 سے 25 ستمبر، 2019 تک (بشمول دونوں دن) سالانہ اجلاس عام میں شرکت اور معافی بخش ڈیوٹی لڈ کی ادائیگی کے اشتقاق کے قیمن کیلئے بندہ رہیں گی۔
- 2- سالانہ اجلاس عام میں شرکت اور ووٹ دینے کا اہل کوئی بھی ممبر سالانہ اجلاس عام میں شرکت اور ووٹ دینے کیلئے اپنی جگہ کسی اور ممبر کو بطور پراکسی مقرر کر سکتا ہے۔
- 3- پراکسی کے طور پر ہونے کیلئے لازم ہے کہ وہ اپنی دستاویزات بشمول پراکسی کا تقرر نامہ اور پاور آف اٹارنی یا دیگر تصدیقی (اگر کوئی ہو) کینیڈا کی شیزر ٹرانسٹرکریپٹ پر اجلاس سے 48 گھنٹے قبل اور درست طور پر مقرر شدہ دستخط شدہ اور گواہوں کی موجودگی میں چھپ کر کے بھیجیں۔
- CDC کا ڈسٹریکٹ ڈائریکٹر ایگزیکٹو کمیشن آف پاکستان کی جانب سے جاری شدہ مقررہ نمبر 1 تا تاریخ 26 دسمبر 2000 میں مذکور گجیلے لائسنس پر عمل کرنا ہوگا۔

الف- سالانہ اجلاس عام میں شرکت کیلئے

- (i) فرد واحد کی صورت میں اکاؤنٹ ہولڈرز یا سب اکاؤنٹ ہولڈرز یا دو افراد جن کی رجسٹریشن کی تفصیلات قواعد کے مطابق اپ لوڈ کر دی گئی ہیں، کو اجلاس میں شرکت کیلئے اصل کپیڈر انڈویڈیو شاپنی کارڈ یا اصل پاسپورٹ دکھانا لازمی ہے۔
 - (ii) کارپوریٹ اداروں کی صورت میں پورڈ آف ڈائریکٹرز یا پورڈ آف اٹارنی مع تاحر شخص کے نمونہ دستخط کو اجلاس میں پیش کرنا لازم ہے۔ (اگر پراکسی فراہم نہ کیا گیا ہو)
- پراکسی کی تقرری کیلئے

- (i) فرد واحد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر یا دو افراد جن کی کپیڈر انڈویڈیو شاپنی کارڈ یا اصل پاسپورٹ دکھانا لازم ہے۔ (اگر پراکسی فراہم نہ کیا گیا ہو)
- (ii) تنظیم اور ان کے پراکسی کے CNIC کی کپیڈر انڈویڈیو شاپنی کارڈ یا اصل پاسپورٹ دکھانا لازمی ہے۔

کپیڈر انڈویڈیو شاپنی کارڈ یا اصل IBAN ڈسٹریکٹ

- 4- ممبران سے درخواست کی جاتی ہے کہ وہ اپنے بینک اکاؤنٹ نمبر/IBAN اور دیگر بینکنگ تفصیلات کپیڈر انڈویڈیو شاپنی کارڈ کی نقلی طور پر جمع کر دیا کریں تاکہ ہم اپنے ریکارڈز کو آپ ڈیٹ کر سکیں۔ ان دستاویزات کی عدم فراہمی کی صورت میں کینیڈا کی ڈیوٹی لڈ کی ادائیگی روک لیگی۔
- 5- ممبران سے درخواست ہے کہ ڈسٹریکٹ ڈائریکٹر 1980 کے تحت ڈسٹریکٹ 3 سے انتخابی کا تقرر نامہ (CZ-50) جمع کر دیا کریں اور اپنے ایڈریس میں کسی تبدیلی کی صورت میں بھی کینیڈا کو مطلع کریں۔

اہم حقائق کا بیان:

کینیڈا ایکٹ 2017 کے سیکشن (3) 166 کے تحت

عمومی کارروائی

آئینم نمبر 3۔ ڈائریکٹران کا انتخاب

- موجودہ پورڈ آف ڈائریکٹرز کی مدت 25 ستمبر 2019 کو ختم ہو رہی ہے۔ کینیڈا ایکٹ 2017 کے سیکشن (1) 159 کے تحت سالانہ اجلاس عام کے اختتام سے 3 سالہ مدت کیلئے پورڈ آف ڈائریکٹرز کی جانب سے مقرر کردہ 11 ڈائریکٹران کا انتخاب باوجود سالانہ اجلاس عام کیا جائے گا۔
- کوئی فرد جو ڈائریکٹر کے انتخاب میں حصہ لینا چاہتا ہے، کیلئے ضروری ہے کہ وہ اجلاس عام سے 14 دن قبل اپنی کمر جیٹ ڈیوٹی لڈ 10 فیصد پلازہ 10، بیمنٹ روڈ گراہی، 75530 کوئٹہ جیل دستاویزات کی فراہمی کے ساتھ آگاہ کرے۔
- i کینیڈا ایکٹ 2017 کے سیکشن (3) 159 کے تحت ڈائریکٹر کے انتخاب کیلئے خود کو پیش کیا جائے اور کینیڈا ایکٹ 2017 کے تحت فارم 28 پر بحیثیت ڈائریکٹر کام کرنے کی رضامندی ظاہر کی جائے۔
- ii ایس ای پی کی سائش اور ایپریل 2014/634 (1) تاریخ 10 جولائی 2014 کی شرائط کے تحت تصدیق شدہ نوفاکس خط و کتابت کا پتہ اور ایپلی کی دیگر تفصیلات۔
- iii ڈائریکٹر کے انتخاب میں حصہ لینے والے امیدوار کیلئے ضروری ہے کہ وہ رضامندی کا فارم بھرتے وقت کینیڈا کا ممبر ہو ورنہ ایسا شخص جو کسی ممبر کی نمائندگی کر رہا ہو۔

اطلاع برائے سالانہ اجلاس عام برائے سال ختمہ 30 جون 2019

ممبران کو بذریعہ نوٹس پُر اطلاع کیا جاتا ہے کہ کئینی کا پتہ سالانہ اجلاس عام 25 ستمبر 2019 کو 11 بجے دن بمقام مجسمین ہال، گنج گٹھڑی، ڈی، آف ایٹمی خان روڈ، درج ذیل کارروائی کی انجام دہی کیلئے منعقد کیا جائے گا:

عوامی کارروائی:

- 1۔ 30 جون 2019 کو ختم ہونے والے سال کیلئے کئینی کے آڈٹ شدہ اکاؤنٹس کو وصول کر کے ذریعہ پوراڈا انریکٹران اور آڈیٹرز کی رپورٹ پر غور کرنا اور منظوری دینا۔
- 2۔ پورڈا آڈٹ انریکٹرز کی جانب سے منظور کردہ 15 لیکند حقیکش ذلیع پٹڈ کی ادائیگی پر غور کرنا اور اس کی منظوری دینا، یعنی فی شیئر 1.50 روپے، جو کہ پہلے سے ادا کئے گئے 15 لیکند عیوری ذلیع پٹڈ کے علاوہ ہوگا، یوں 30 جون 2019 کو ختم ہونے والے سال کیلئے شیئرزدکا مجموعی ذلیع پٹڈ 30 لیکند یعنی 3.00 روپے فی شیئر ہو جائے گا۔
- 3۔ نیکشن (159) کے تحت 3 سالہ مدت کیلئے پورڈا آڈٹ انریکٹرز کی جانب سے مقرر کردہ 11 ڈائریکٹران کا انتخاب کرنا۔ رینڈم ہونے والے ڈائریکٹران کے نام مندرجہ ذیل ہیں:

- | | |
|--------------------------|----------------------------|
| i۔ جناب کمال شہب | vii۔ جناب کامران واسے مرزا |
| ii۔ جناب قریب ایچ چٹوے | viii۔ جناب کازو وسمبارا |
| iii۔ جناب مصطفیٰ اے چٹوے | ix۔ جناب ریاض ٹی چٹوے |
| iv۔ جناب کمال اے چٹوے | x۔ جناب سمیرا ایم چٹوے |
| v۔ جناب طارق اقبال خان | |
| vi۔ سید سلیم رضا | |

- 4۔ سال 2019-2020 کیلئے آڈیٹرز کا تقرر اور انکے معاوضے کا تعین کرنا۔ فارغ ہونے والے آڈیٹر سمیرا KPMG 2 شیئر ہاؤس ایجنڈ کئینی، چارڈا اکاؤنٹنٹس نے داخل ہونے کی نام پر پھر سے تقرری کی درخواست دی ہے۔

خصوصی کارروائی:

- 5۔ انظر جنی اور تہہ پے شدہ آرٹیکل آف ایسوی انیشن کے تحت منظور اور لاگو کرنے کیلئے مندرجہ ذیل قرارداد کی بطور خصوصی قرارداد منظوری
- ”قرارداد اور بطور خصوصی قرارداد قرار دیا جاتا ہے کہ اس اجلاس میں پیش کردہ دستاویزات میں درج قواعد اور جتنے شیئرس کے دستخط سے جاری ہونے والی دستاویز کو کئینی کے موجودہ آرٹیکل آف ایسوی انیشن کی جگہ نئے آرٹیکل آف ایسوی انیشن کے طور پر منظور اور لاگو کیا جائے۔
- 6۔ جتنے شیئرس کی اجازت سے اس سالانہ اجلاس عام میں کسی دیگر کارروائی کو ختم میں لانا۔

کئینڈرا ایکٹ 2017 کے نیکشن (3) 134 اور (3) 166 کے تحت درکار تمام معلومات اس سالانہ اجلاس عام کے نوٹس کے سر اوپنر ہو ریکارڈ اور سال کی جاری ہیں۔

حسب اہم پورڈ
انجینئر سٹیل انڈیا
ایم مرقان، سٹی
کئینی بکریٹری

کراچی
19 اگست 2019



Shaping Tomorrow

Consent for Annual Report Through Emails



Shaping Tomorrow

Dear Shareholder(s)

The Securities & Exchange Commission of Pakistan (SECP) through its Notification (SRO 787(I) 2014 dated September 8, 2014, has allowed the circulation of the 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 the Company's (Audited Annual Financial Statements) along with notice (AGM) via - email, you are requested to provide this letter duly filled & signed and sent to us or our Share Registrar at their below address:

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

E-Mail Address: _____

CNIC Number:

FOLIO / CDS ACCOUNT # _____

Signature of
Shareholder

Address:

40-C, Block - 6, P.E.C.H.S,
Off Shahrah-e-Faisal, Karachi
Phone: +92 21 111 000 322
Fax: +92 21 3416827
Email: info@thk.com.pk

Yours sincerely,
FOR INTERNATIONAL STEELS LTD.,
M. Irfan Bhatti
Company Secretary



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E-Dividend Mandate Form



Shaping Tomorrow

To:

Date: _____

Subject: Bank Account Details For Payment Of Dividend Through Electronic Mode

Dear Sir,

I/We/Messrs., _____

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

(i) Shareholder's details:

Name of the Shareholder	
CDC Participant ID & Sub-Account No. /CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Shareholder's Address	
Contact Number (Landline & Cell Nos.)	
Email	

(ii) Shareholder's Bank account details:

Title of Bank Account	
IBAN (See Note 1 below)	
Bank's Name	
Branch Name & Code No.	
Branch Address	

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

Yours sincerely

Signature of Shareholder

(Please affix company stamp in case of a corporate entity)

Notes:

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



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Proxy Form



Shaping Tomorrow

I / We _____
of _____
being a member of INTERNATIONAL STEELS LIMITED and holder of _____
ordinary shares as per Share Register Folio No. _____ and / or CDC Participant I.D.
No. _____ and Sub Account No. _____ of _____
hereby appoint _____
_____ 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 25, 2019, and at any adjournment thereof.

Signed this _____ day of _____ 2019

WITNESS:

- 1 Signature _____
Name _____
Address _____
CNIC / Passport No. _____
Signature _____
Revenue Stamp _____
(Signature should agree with the specimen signature registered with the Company)
- 2 Signature _____
Name _____
Address _____
CNIC / 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 a member of the Company.

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



Shaping Tomorrow

پیشیت انٹرنیشنل سولڈر لمیٹڈ

کرن دھامل _____ عام تخصص بمطابق شیئر رجسٹرڈ فوڈ ٹیکنیشن

رکن وصالی _____ عام حصہ

اور ایسی ڈی جی کے شراکتہ کی ڈی جی _____ اور ذیلی کھاتہ نمبر۔

یا انصارِ حیدرؑ و بدرِ محمدؑ | کم وہ

کواپنی جگہ سمجھو۔ 25 جنوری 2019 کو منعقدہ پالیسی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنے اراکین کو مدعو کرنا کرتی ہوں کہ آئیے ہیں۔

12

سی این آئی سی یا اسپی آرٹ نمبر _____

 $\frac{1}{2} \sqrt{2}$

2

200

سی این آئی سی یا سپورٹ ٹیم

(دستکار کھیتی میں پہلے سے موجود جوڑی گوند کے علاوہ باقی ہونے والی کھانسیں)

نوٹ: برا کيسر کے موثر جو نے ليکھنے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل سمیٹی کو موصول ہو جائے۔

دی وی شیئر ہولڈرز اور ان کے پراسیکور سے گزارش ہے کہ وہ اپنے ایکٹو انڈر ٹو کی حاشی کا ڈیٹا سپورٹ کی تصدیق شدہ ڈیٹو کی کاپی کو پیش کرنے سے قبل اس پرائی فام کے ساتھ ملک کریں۔

GLOSSARY

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



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(Based on live Nasd from NASD)
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- 📄 Risk profiler
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THE COMPANIES ACT, 2017

ARTICLES OF ASSOCIATION

OF

INTERNATIONAL STEELS LIMITED

COMPANY LIMITED BY SHARES

(Adopted by Special Resolution passed at the Annual General Meeting of the Company held on 25th September, 2019)

PRELIMINARY

Table 'A' not to apply.

1. The Regulations in Table A in the First Schedule to the Companies Act 2017, shall not apply to the Company except in so far as they are repeated or contained in these Articles.

Interpretation.

2. In these Articles, unless there be something in the subject or context inconsistent therewith:-

"Act" means the Companies Act 2017 as amended and now in force in Pakistan and any amendment or re-enactment thereof for the time being in force.

"Central Depository" means a central depository as defined in clause (vi) of Section 2 of the Securities Act, 2015 (III of 2015), and licensed by the Commission under Section 49 of the Securities Act 2015.



"Chief Executive" means the Chief Executive for the time being of the Company.

"Commission" means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act 1997.

"Company" means INTERNATIONAL STEELS LIMITED.

"Directors" means the Directors for the time being of the Company or the Directors present at a duly convened meeting of Directors at which a quorum is present.

"Dividend" means dividend and/or bonus.

"Financial Statements" shall have the same meaning as assigned thereto by Section 2(1)(33) of the Act.

"Independent Director" shall have the same meaning as assigned thereto under Section 166(2) of the Act and any rules or regulations specified in this regard.

"Member" means a person whose name is for the time being entered in the Register of Members by virtue of his being a subscriber to the Memorandum of Association of the Company or of his holding by allotment or otherwise any share, scrip or other security which gives him a voting right in the Company.

"Month" means calendar month according to the Gregorian calendar.

"Office" means the Registered Office for the time being of the Company.

"Proxy" includes an attorney duly constituted under a power of attorney.

"Register" means the Register of Members to be kept pursuant to Section 119 of the Act.

"Seal" means the Common Seal for the time being of the Company with the Company's name engraved on it in a legible form.

"Secretary" means the Secretary for the time being of the Company.

"Securities" shall have the same meaning as assigned thereto by section 2(1)(61) of the Act.

"Securities Exchange" means a public company licensed by the Commission as a securities exchange under the Securities Act, 2015.

"Special Resolution" has the meaning assigned thereto by Section 2(1)(66) of the Act.

"these Articles" means these Articles of Association as originally framed or as from time to time altered by Special Resolution.

"In writing" and "written" include printing, lithography, and other modes of representing or reproducing words in a visible form.

Words importing the singular number include the plural number and vice versa.

Words importing the masculine gender include the feminine gender.

Words importing persons include corporations.

The marginal notes are inserted for convenience and shall not affect the construction of these Articles.

REGISTERED OFFICE

The Office.

3. The Office shall be at such place as the Directors shall from time to time appoint.

BUSINESS

Directors may undertake or discontinue any business.

4. Any branch or kind of business which the Company is either expressly or by implication authorised to undertake may be undertaken by the Directors at such time or times as they shall think fit, and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not so long as the Directors may deem it expedient not to commence or proceed with such branch or kind of business.

SHARES

Power to issue shares of different classes.

5. Subject to Section 58 of the Act and any rules or regulations specified in this regard, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights and restrictions as may from time to time be determined by the Company in General Meeting.

No partly paid shares to be issued.

6. The Company shall not issue partly paid shares. In the case of an issue of shares for cash, the amount payable on application shall be the full nominal amount of the share, except where shares are issued at a discount.

Issue of shares at a discount.

7. With the previous authority of the Company in General Meeting and the sanction of the Commission and upon otherwise complying with the provisions of Section 82 of the Act it shall be lawful for the Directors to issue shares in the capital of the Company at a discount.

Issue of shares.

8. Subject to any special rights or privileges for the time being attached to any issued shares, the shares in the capital of the Company for the time being remaining unissued, including any new shares resulting from an increase in the authorised share capital, shall be at the disposal of the Directors who may allot or otherwise dispose of the same to such persons (subject to the provisions of Article 34), on such terms and conditions, with such rights and privileges annexed thereto as the resolution creating the same shall direct, and if no such direction be given, as the Directors shall determine either at par or at premium or subject to Article 7 at a discount, with power to the Directors to give any person the right to call for and be allotted shares of any class of the Company at par or at a premium or, subject as aforesaid at a discount such option being exercisable at such times and in such manner and for such consideration, as the Directors think fit.

Allotment of shares.

9. As regards any allotment of shares, the Directors shall duly comply with the directions of the Company in General Meeting, and with the conditions, if any, specified in that behalf by the Commission and with such of the provisions of Sections 67 to 70 of the Act as may be applicable thereto.

Shares may be issued for consideration other than cash

10. The Directors may subject to the approval of the Members in General Meeting allot and issue shares in the capital of the Company as payment or part payment for any property sold or transferred (including intellectual property), or for services rendered, to the Company in the ordinary course of its business, and shares so allotted shall be issued as and shall be deemed to be fully paid shares.

Commission for placing shares etc.

11. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or other Securities of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures of the Company. The Company may also pay such brokerage as may be lawful on any issue of shares or other Securities.

Company may purchase its shares if listed.

12. Subject to Sections 88 of the Act and any rules or regulations specified in that regard under the Act, the Company if it is a listed company may purchase its own shares on such terms and in such manner as may be provided in the said sections or any rules or regulations specified in that regard. Except as aforesaid no part of the funds of the Company shall be employed in the purchase of its own shares.

No purchase of or loan on Company's shares.

13. Except as permitted in Sections 86 to 88 of the Act and any rules or regulations specified in that regard under the Act, the Company shall not purchase or otherwise acquire any of its shares or the shares of its holding company (if any), and the Company shall not except as permitted by Section 86(2) of the Act give, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of any shares of the Company or its holding company (if any) or give any loan upon the security of any shares of the Company or those of its holding company (if any).

Trusts not recognised.

14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided or under an order of a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

Who may be registered as shareholders.

15. Shares may be registered in the name of any person but not in the name of a minor or person of unsound mind. Not more than four persons shall be registered as joint-holders of any shares.

Joint shareholders.

16. If any shares stand in the name of two or more persons, the person first named in the Register shall, as regards receipt of dividend or bonus or service of notices and all or any other matters connected with the Company except voting at the meeting and the transfer of shares, be deemed the sole holder. Provided, however, that anyone of such persons may give effectual receipts for any dividends or other moneys payable in respect of such shares.

CERTIFICATES

Member's right to certificate.

17. Every person whose name is entered as a Member in the Register shall without payment be entitled to receive after allotment or registration of transfer one certificate for all his shares or several certificates each for one or more of his shares upon payment of such charge, if any, as the Directors may determine for every certificate after the first.

Issue of certificate.

18. The certificate of title to shares shall be issued under the Seal.

Certificates in the case of joint holders.

19. The Company shall not be bound to issue more than one certificate in respect of a share or shares held jointly by two or more persons and delivery of a certificate for a share to any one of joint holders shall be sufficient delivery to all.

Time for issue of Certificates.

20. Unless the conditions of issue of any shares or other Securities of the Company otherwise provide, the Company shall within thirty days after the allotment of any of its shares or other Securities ensure delivery of the certificates of such share or other Securities to the person entitled thereto at his registered address.

Issuance of shares in book entry form.

21. Subject to Section 72 of the Act and any directions given in that regard by the Commission, all new shares to be issued by the Company will be in book entry form only and all physical shares will be replaced with book entry form.

Certificates lost, defaced etc.

22. If a certificate of shares or other Securities, is proved to the satisfaction of the Company to have been lost or destroyed or being defaced or mutilated or torn, or if there is no further space on the back thereof for endorsements of transfer and the certificate is surrendered to the Company, and the Company is requested to issue a new certificate in replacement thereof, the Company shall, after making such enquiry as it may deem fit, advise the applicant within twenty days from the date of application the terms and conditions (as to indemnity and otherwise and as to payment of the actual expenses incurred on such enquiry and of a fee not exceeding one hundred rupees) on which the Company is prepared to issue a new certificate and a time for compliance therewith or of the reasons why the Company is unable to issue a new certificate, as the case may be, and in the former case if the applicant shall within the time allowed comply with the terms and conditions specified the Company shall issue a new certificate to the applicant within thirty days from the date

of application. Any renewed certificate shall be marked as such.

TRANSFER OF SHARES

Execution of transfer.

23. The instrument of transfer of any share and other Securities in the Company shall be duly stamped and executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share until the name of the transferee is entered in the Register in respect thereof. The application for the registration of the transfer of a share and other transferable securities may be made either by the transferor or the transferee. The Company shall record the transfer within fifteen (15) days of the application for registration of transfer of shares or other transferable Securities. In the case of conversion of physical shares and other transferable securities into book-entry form, the Company shall, within ten (10) days after an application is made for the registration of the transfer of any shares or other Securities to a Central Depository, register such transfer in the name of the Central Depository.

No liability for registering transfer of shares.

24. Neither the Company nor the Directors nor any other officer of the Company shall incur any liability or responsibility whatsoever in consequence of its registering or acting upon or giving effect to a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or the Directors or any other officer of the Company, as aforesaid, be legally inoperative or insufficient to pass property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and, notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Form of transfer.

25. The instrument of transfer of any share shall be in writing in the following form or in any usual or common form which the Directors shall approve:

"I, A.B., of in consideration of the sum of Rs. paid to me by C.D., of (hereinafter called "the said transferee"), do hereby transfer to the said transferee share (or shares) numbered to inclusive, in the undertaking called INTERNATIONAL STEELS LIMITED to hold unto the said transferee, his legal personal representatives and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said transferee, do hereby



agree to take the said share (or shares) subject to the conditions aforesaid. As witness our hands the day of 20..... Witness to the signature of, etc."

When Directors may decline to register transfers.

26. (1) The Directors shall not refuse to register any transfer of fully paid shares unless the instrument of transfer is defective or invalid or is not accompanied by the certificate of the shares to which it relates. The Directors may also decline to recognise any instrument of transfer unless such instrument of transfer is accompanied, in addition to the certificate of the shares to which it relates, by such other evidence as the Director may reasonably require to show the right of the transferor to make the transfer. The Directors may, on such terms and subject to such conditions, including without limitation the submission of indemnities, as the Directors may in their absolute discretion determine, waive the requirement for the production of any certificate upon evidence satisfactory to them of its loss or destruction.

Consequences of refusal to register transfer of shares.

(2) If the Directors refuse to register a transfer of any shares they shall, within fifteen (15) days or where the transferee is a Central Depository within five (5) days after the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal indicating the reason for such refusal; provided that if the Directors refuse to register a transfer of shares on account of a defect in or the invalidity of the instrument of transfer, the transferee shall be entitled, after removal of such defect or invalidity, to re-lodge the instrument of transfer with the Company. All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same.

Register may be closed.

27. On giving not less than seven days' previous notice by advertisement in some newspaper circulating in the areas specified in Section 125 of the Act the registration of transfers may be suspended and the transfer books and the Register may be closed during such time as the Directors think fit, not exceeding in the whole thirty days in each year (which may be extended by the Commission under the proviso to Section 125(1) of the Act).

TRANSMISSION OF SHARES

Nomination.

28. Any Member may make and deposit with the Company a nomination in writing specifying one person, and conferring on such person, the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of the shares to the legal heirs of the deceased subject to the succession to be determined under the Islamic law of inheritance and in the case of a non-Muslim Members as per their respective laws. A person shall be eligible for nomination for the purposes of this Article only if he is a spouse, parent, brother, sister or child of the Member nominating him and the applicable relationship shall be specified in the nomination in respect of each

nominee. A Member may at any time by notice in writing cancel, or by making and depositing with the Company another nomination before his death vary, any nomination already made by him pursuant to this Article. In the event of the death of a Member the person nominated by him in accordance with this Article shall be deemed as a member of the Company till the shares are transferred to the legal heirs of the Member.

Person entitled on death of member.

29. (1) In the case of the death of a Member who was a joint-holder of shares the survivor or survivors shall be the only person or persons recognised by the Company as having any title to his interest in the shares. If the deceased Member was a sole holder of shares, the nominee of the deceased where a nomination under Article 28 is effective, and the legal personal representative of the deceased where no such nomination has been made and deposited with the Company, shall be the only persons recognised by the Company as having any title to his interest in the shares.

(2) Before recognising any legal representative or executor or administrator, the Directors may require him to obtain a grant of succession certificate or probate or letters of administration or other legal representation, as the case may be, from a court of competent jurisdiction in Pakistan having effect in Karachi. Provided nevertheless that in any case where the Directors in their absolute discretion think fit, it shall be lawful for the Directors to dispense with the production of succession certificates or probates or letters of administration or such other legal representation, upon such terms as to indemnity or otherwise as the Directors, in their absolute discretion, may consider necessary.

Person entitled on death or insolvency may elect to be registered or to transfer.

30. Any person becoming entitled to a share in consequence of the death or insolvency of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as the holder of the share or instead of being registered himself, to make such transfer of the share as the deceased or insolvent person could have made, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or insolvency as the case may be.

Effect of election.

31. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the Member had not occurred and the notice or transfer were a transfer signed by that Member.

Yash oach

**Rights of person
entitled by
transmission.**

32. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not before being registered as a Member in respect of the share be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

ALTERATION OF CAPITAL

**Power to alter capital
increase,
consolidation, sub-
division and
cancellation.**

33. The Company may by Special Resolution and subject to compliance with the requirements of Section 85 of the Act, alter the conditions of its Memorandum of Association, so as to:-

- (a) increase the authorized share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- (b) consolidate and divide the whole or any part of its share capital into shares of larger amount than its existing shares;
- (c) by sub-division of its existing shares or any of them, divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association; or
- (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the share so cancelled.

**When shares to be
offered to existing
Members.**

34. The Directors may from time to time increase the issued share capital by such sum as they think fit. In respect of any intended issue of shares, the Directors shall be entitled to seek the directions of the Company in General Meeting as to the persons or class of persons to whom the shares may be offered or as to any other matter relating to the issue and may offer the shares in accordance with those directions. Subject to any direction to the contrary that may be given by the Company in General Meeting, all shares intended to be issued by the Directors shall, before issue, be offered to the Members strictly in proportion to the amount of the issued shares held by each Member (irrespective of class); provided that fractional shares shall not be offered and all fractions less than a share shall be consolidated and disposed of by the Company and the proceeds from such disposition shall be paid to such of the entitled Members as may have accepted such offer. Such offer shall be made by notice specifying the number of shares offered, and limiting a time not being less than fifteen days and not exceeding

thirty days from the date of the offer within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of the same in such manner as they may deem fit within the time period provided under the Act. In respect of each such offer of shares the Directors shall comply with the provisions of Section 83 of the Act and in particular with the provisions of sub-sections (2), (3) and (7) thereof. Any difficulty in the apportionment of shares amongst the Members, shall, in the absence of any directions given by the Company in General Meeting, be determined by the Directors.

How far new shares
to rank with shares
in original capital.

35. Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital, and shall be subject to the provisions herein contained with reference to transfer, transmission, right to bonus, dividends, voting and otherwise.

Reduction of capital.

36. The Company may, by Special Resolution, reduce its share capital in any manner and with, and subject to, any incident authorization and consent required, by law.

Share Premium
Account.

37. The share premium account maintained pursuant to Section 81 of the Act may be applied by the Company:

- (a) in writing off the preliminary expenses of the Company;
- (b) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares of the Company;
- (c) in providing for the premium payable on the redemption of any redeemable preference shares of the Company; or
- (d) in issuing bonus shares to the Members.

MODIFICATION OF RIGHTS

Power to modify rights.

38. If at any time the share capital is divided into different classes of shares, the rights attached to any class of shares in the Company (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Section 59 of the Act, be varied extended or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class passed at a separate general meeting of the holders of the shares of that class. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall mutatis mutandis apply, but so that the necessary quorum shall be holders of that class in holding or representing by proxy twenty-five percent of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum is not present, the holders present shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll.

GENERAL MEETINGS

Annual General Meeting.

39. Except as may be allowed under Section 132(1) of the Act, the Company shall hold a General Meeting, designated as the Annual General Meeting within a period of one hundred and twenty (120) days following the close of each financial year of the Company. Unless otherwise allowed by the Commission, Annual General Meetings shall be held in the town in which the Office is situate or in a nearest city and each such Meeting shall be held at such location in that town as the Directors may determine. Provided that at least seven days prior to the date of the Annual General Meeting, on the demand of Members holding at least ten percent (10%) of the total paid-up capital, the Company shall provide to such Members the facility of video-link enabling such Members to participate in the Annual General Meeting.

Other General Meetings.

40. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Extraordinary General Meeting.

41. The Directors may, whenever they think fit, call an Extraordinary General Meeting, and Extraordinary General Meetings shall also be called on such requisition, or in default, may be called by such requisitionists, as provided by Section 133 of the Act.

NOTICE OF GENERAL MEETINGS

Notice of Meetings.

42. (1) Notice of a General Meeting shall be sent in the manner hereinafter mentioned at least twenty-one days before the date on which the meeting is to be convened to all such persons as are under the Act or these Articles entitled to receive such notices from the Company and shall specify the place and the day and hour of the meeting and the nature of the business to be transacted

thereat. In addition, the notice shall be sent to the Commission and shall be published in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language having nationwide circulation.

(2) The notice of every General Meeting shall mention that the Members who hold ten percent (10%) of the total paid up capital or such other percentage as may be specified, may demand the Company to provide such Members the facility of video link for attending the General Meeting.

(3) Where any special business, that is to say business other than consideration of the accounts, balance-sheets and the reports of the Directors and auditors, the declaration of dividend, the appointment and fixation of the remuneration of auditors and the election of Directors (all such matters being herein referred to as ordinary business) is to be transacted at a General Meeting, there shall be annexed to the notice of such meeting a statement setting out all such facts as may be material for the consideration of such business including the nature and extent of the interest (whether direct or indirect) of any Director, and where the item of business involves approval of any document, the time and place appointed for inspection thereof, and to the extent applicable such a statement shall be annexed to the notice also in the case of ordinary business to be transacted at the meeting.

(4) Where a resolution is intended to be proposed for consideration at a General Meeting in some special or particular form, a copy thereof shall be annexed to the notice convening such meeting.

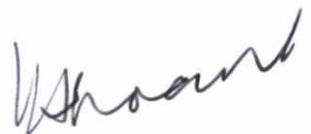
(5) If a Special Resolution is intended to be passed at a General Meeting, the notice convening that meeting shall specify the intention to propose the resolution as a Special Resolution.

(6) A notice for a General Meeting convened for the election of Directors shall state the number of Directors to be elected at that meeting and the names of the retiring Directors.

(7) The notice of every General Meeting shall prominently specify that a proxy may be appointed who shall have the right to attend, demand and join in demanding a poll and vote on a poll and speak at the meeting in place of the Member appointing him and the notice shall be accompanied by a form of proxy acceptable to the Company.

Omission to give notice.

43. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.



PROCEEDINGS AT GENERAL MEETINGS

Quorum.

44. No business shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business; save as herein otherwise provided Members whether present in person or by proxy or through video-link representing not less than twenty-five percent of the total voting power shall be a quorum provided that at least ten such Members are present in person or through video-link.

When if quorum not present, meeting to be dissolved and when to be adjourned.

45. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of Members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present personally or through video-link or by proxy, not being less than two persons, shall be a quorum.

Chairman of Meeting.

46. The Chairman, if any, of the Board of Directors shall preside as chairman at every General Meeting of the Company, or if there is no such Chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, any one of the Directors present may be elected to be Chairman of the meeting or if no Director be present, or if all the Directors present decline to take the chair, the Members present shall choose one of their number to be Chairman of the meeting.

While chair remains vacant.

47. No business shall be discussed at any General Meeting except the election of a Chairman so long as the chair is vacant.

Adjournments.

48. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for fifteen (15) days or more, not exceeding fourteen (14) days in case of an adjournment for taking a poll pursuant to Article 54, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

How questions to be decided.

49. At a General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the show of hands) demanded:-

- (a) by the Chairman of the meeting; or

- (b) by Members present in person; or through video-link or by proxy holding not less than one-tenth of the issued capital which carries voting rights.

Unless a poll be so demanded a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Poll how taken.

50. If a poll is demanded, it shall be taken in such manner as the Chairman of the meeting directs. The votes given on a poll shall be scrutinized by the Chairman or a scrutineer nominated by him and, where Members or proxies have demanded the poll also by a scrutineer nominated by them. The result of the poll shall be announced by the Chairman and shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.

Voting by electronic means

51. (1) The provisions and requirements for e-voting as prescribed by the Commission from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of other provisions of these Articles and notwithstanding anything contradictory therein.

(2) In case of e-voting, Members may appoint either Members or non-Members as proxy and the Company shall facilitate voting by electronic means and comply with the requirements of the Companies (E-Voting) Regulations, 2016 or any other rules or regulations that may be prescribed in that regard.

Casting vote.

52. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Poll through secret ballot

53. Notwithstanding anything contained in these Articles or the Act, when a poll is demanded on any resolution, it may be ordered to be taken by the Chairman of the meeting by secret ballot of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the Members present in person, through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.

When poll taken.

54. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other questions shall be taken at such time, not being more than fourteen days from the day on which the poll is demanded, as the Chairman of the meeting directs. The demand of a poll shall not prevent the continuance of the meeting for the transaction of any

business other than the question on which a poll has been demanded. The demand for a poll may be withdrawn at any time before such poll is taken. In case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same, and such determination made in good faith shall be final and conclusive.

VOTES OF MEMBERS

Right to vote.

55. On a show of hands every Member present in person shall have one vote. On a poll every Member present in person or through video-link or by proxy or through postal ballot shall have one vote in respect of each share held by him. Provided always that in the case of an election or removal of a Director, the provisions of Articles 72 and 73 respectively shall apply.

Voting shares in different ways.

56. On a poll a Member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

Joint holders.

57. In the case of joint holders, the vote of the senior present, whether in person or by video-link or by proxy or through postal ballot, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which their names stand in the Register.

Member of unsound mind.

58. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

Objections to votes.

59. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

Votes by proxy or other means.

60. On a poll votes may be given either personally (including without limitation by a representative of a company or corporation authorised under Article 66) or through video-link or by proxy or through postal ballot.

Proxy to be in writing.

61. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a body corporate or corporation, either under its seal or under the hand of an officer or attorney duly authorised. Except for a proxy appointed by a corporation, a proxy must be a Member of the Company.

Instrument appointing proxy to be deposited. 62. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the Office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. In calculating the said period, no account shall be taken of any part of the day that is not a working day.

Form of proxy. 63. An instrument appointing a proxy may be in the following form or in any other form which the Directors shall approve:-

"INTERNATIONAL STEELS LIMITED.

I of
..... in the district of
being a Member of INTERNATIONAL STEELS
LIMITED, hereby appoint of
..... as my proxy and failing him,
..... of another Member of the
Company to vote for me and on my behalf at the
(Annual or Extraordinary, as the case may be)
General Meeting of the Company to be held on
the day of and at any adjournment
thereof.

Signed this day of"

Notwithstanding the above, in case of voting by electronic means, in default, the instrument of proxy set out above shall not be treated as valid. For the purposes of voting by or through electronic means, the instrument appointing the proxy shall be in such form and provided to the Company in the manner and in accordance with the requirements prescribed by the Commission.

Proxy may demand poll. 64. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

Revocation of authority. 65. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the Office before the commencement of the meeting or adjourned meeting at which the proxy is used. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

Corporation acting by representative. 66. Any company or other body corporate or corporation which is a Member may by resolution of its Directors or other

governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorised shall be entitled to exercise the same powers on behalf of the company or body corporate or corporation which he represents as that company or body corporate or corporation could exercise if it were an individual Member, present in person. The production before or at the meeting of a copy of such resolution purporting to be signed by a director or the secretary of such company or body corporate or corporation and certified by him as being a true copy of the resolution shall be accepted by the Company as sufficient evidence of the validity of the appointment of such representative. A company or body corporate or corporation which is a Member but which is not resident in Pakistan may appoint a representative as aforesaid by facsimile transmission or electronic mail which, if purporting to be sent by such company or body corporate or corporation, need not be certified as a true copy as aforesaid.

DIRECTORS

Directors to be elected.

67. Subject to the provisions of these Articles and the Act the Directors shall all be elected by the Members in General Meeting.

Number of Directors.

68. The Company shall have at least seven Directors but not more than fifteen Directors. Subject to the said minimum, the number of Directors that the Company shall have shall be determined by the Directors themselves in the manner provided in this Article. Before every General Meeting at which Directors are to be elected, and not later than thirty-five days preceding the date of such meeting, the Directors shall fix the number of elected Directors that the Company shall have from the effective date of the election at such meeting. Except with the prior approval of the Company in General Meeting, the number of Directors so fixed shall not be increased or reduced by the Directors so as to have effect before the effective date of election at the next such General Meeting at which Directors are to be elected.

Period of office of elected Directors.

69. A Director elected by the Members in General Meeting shall hold office for a period of three years following the date from which his election is effective unless he earlier resigns, becomes disqualified from being a Director or otherwise ceases to hold office.

Directors may fill up casual vacancies.

70. Any casual vacancy occurring among the Directors may be filled up by the Directors, but a person so appointed shall hold office for the remainder of the term of the Director in whose place he is appointed. The Company shall prior to every such appointment secure in the form prescribed for this purpose, the consent and certificate of the person concerned consenting to act as a Director and certifying that he is not ineligible to become a Director and shall within fifteen (15) days of his appointment file such consent with the Registrar of Companies as required by Section 167 of the Act.

**Eligibility for election
as Director.**

71. The Members in General Meeting shall elect the Directors from amongst persons who, not being ineligible in accordance with Section 153 of the Act, offer themselves for election as Directors in accordance with this Article. Any person claiming to be eligible who desires to offer himself for election shall, whether he is a retiring Director or not, file with the Company not later than fourteen (14) days before the date of the General Meeting at which Directors are to be elected, a notice that he, being eligible, intends to offer himself for election as a Director at that meeting and that he consents to act as a Director if elected. If such person is elected a Director, the Company shall file his consent to act as a Director with the Registrar of Companies within fifteen (15) days of his election as required by Section 167 of the Act. A person offering himself for election as a Director may withdraw his candidature at any time before the holding of the election and may do so by withdrawing the notice in which he offered himself for election. Not later than seven (7) days before the date of the meeting the Company will notify the Members of the persons offering themselves for election as Directors at such meeting and shall so notify the Members by publication in at least one issue each of a daily newspaper in the English language and a daily newspaper in the Urdu language having nationwide circulation.

**Procedure for
election of
Directors.**

72. (1) The Directors shall, subject to Section 154 of the Act, fix the number of elected Directors not later than thirty-five days before the convening of the General Meeting at which Directors are to be elected, and the number so fixed shall not be changed except with the prior approval of a General Meeting of the Company.

(2) The notice of the meeting at which Directors are proposed to be elected shall, among other matters, expressly state:-

- (a) the number of elected Directors fixed under sub-Article (1); and
- (b) the names of the retiring Directors.

(3) Any person who seeks to contest an election to the office of Director shall, whether he is a retiring Director or otherwise, file with the Company, not later than fourteen (14) days before the date of the meeting at which elections are to be held, a notice/consent in terms of Article 71 above.

Provided that any such person may, at any time before the holding of election, withdraw such notice.

(4) All notices received by the Company in pursuance of sub-article (3) shall be transmitted to the Members not later than seven days before the date of the meeting, in the manner provided for sending of a notice of General Meeting in the normal manner or in the case of a listed company by publication at least in one issue each of a daily newspaper in English language and a daily newspaper in Urdu language having nationwide circulation.

(5) The provisions of this Article shall apply for the election of Directors by the Members in General Meeting from

amongst the candidates eligible for election, namely:

- (a) every Member present in person or by proxy shall have such number of votes as is equal to the product of the number of shares carrying the right to vote held by him and the number of Directors to be elected;
- (b) the number of votes calculated in accordance with the preceding clause (a) may be given to a single candidate or may be divided between any two or more candidates in such manner as the person voting may choose; and
- (c) the candidate who gets the highest number of votes shall be declared elected as Director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of Directors to be elected has been so elected.

**Removal or reduction
of Directors.**

73. The Company in General Meeting may remove a Director from office by a resolution passed with the requisite number of votes determined in accordance with the provisions of Section 163 of the Act.

**Qualification of
Directors.**

74. The qualification of a Director, in addition to his being a Member, where required, shall be his holding 500 shares at least in his own name, but a Director representing the interests of a Member or Members holding 500 shares at least shall require no such share qualification. A Director shall not be qualified as representing the interests of a Member or Members holding shares of the requisite value, unless he is appointed as such representative by the Member or Members concerned by notice in writing addressed to the Company specifying the shares of the requisite value appropriated for qualifying such Director. Shares thus appropriated for qualifying a Director shall not, while he continues to be such representative, be appropriated for qualifying any other Director. A Director shall acquire his share qualification within two Months from the effective date of his appointment.

**Remuneration of
Directors.**

75. The remuneration of a Director for attending meetings of the Directors or any committee of Directors shall from time to time be determined by the Directors. A Director may also be paid all travelling, hotel and other expenses properly incurred by him in attending and returning from meetings of the Directors or any committee of Directors or General Meetings of the Company or in connection with the business of the Company.

Special Remuneration.

76. Any Director who is an employee of the Company or

who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration as the Directors may determine.

ALTERNATE DIRECTORS

Alternate Directors.

77. A Director who is about to leave or is absent for a period of ninety (90) days or more from Pakistan may with the approval of the Directors appoint any person who is eligible under Section 153 of the Act for appointment as a Director to be an Alternate Director during his absence from Pakistan and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to exercise in place of his appointer all the functions of his appointer as a Director of the Company but he shall ipso facto vacate office as and when his appointer returns to Pakistan or vacates office as a Director or removes the appointee from office. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same. Such Alternate Director may be one of the Directors of the Company. In such case he shall be entitled to act in both capacities including the right to vote on behalf of his appointer in addition to his own right to vote. An Alternate Director need not hold any share qualification.

BORROWING POWERS

Borrowing powers.

78. (1) The Directors may exercise all the powers of the Company to raise money otherwise than by the issue of shares and to mortgage or charge its undertaking or property or any part thereof and to issue debentures and other Securities whether outright or as security for any obligation or liability or debt of the Company or of any third party.

(2) In exercising the powers of the Company aforesaid the Directors may, from time to time and on such terms and conditions as they think fit, raise money from banks and financial institutions and from other persons under any permitted system of financing, whether providing for payment of interest or some other form of return, and in particular the Directors may raise money on the basis of mark-up on price, musharika, modaraba or any other permitted mode of financing, and without prejudice to the generality of the foregoing the Directors may exercise all or any of the powers of the Company arising under Section 30 of the Act.

(3) Subject to the provisions of Article 78(1), in regard to the issue of Securities the Directors may exercise all or any of the powers of the Company arising under Sections 30, 66 and 183(2) of the Act and in particular the Directors may issue any Securities or may issue any instrument or certificate representing redeemable

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capital or participatory redeemable capital as defined in Section 2(1)(55) of the Act.

POWERS AND DUTIES OF DIRECTORS

**General powers of
Company vested in
Directors.**

79. (1) The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not by the Act or any statutory modification thereof for the time being in force or by these Articles or by a Special Resolution required to be exercised by the Company in General Meeting, subject nevertheless to any regulation of these Articles, to the provisions of the Act, and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

(2) A resolution at a meeting of the Directors duly convened and held shall be necessary for exercising the powers of the Company specified in Section 183(2) of the Act.

(3) The consent of the Company in General Meeting shall be necessary for the Directors to do any of the things as specified in Section 183(3) of the Act.

Power of Attorney.

80. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly (including any Director or officer of the Company) by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him; and without prejudice to the generality of the foregoing any such power of attorney may authorise the attorney to institute, conduct, defend, compound or abandon any legal proceedings by or against the Company, whether generally or any particular case.

**Official seal for use
abroad.**

81. The Company may exercise the powers conferred by Section 203 of the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

**Conditions on which
Directors may hold
office of profit.**

82. A Director of the Company or a firm of which such Director is a partner or a private company of which such Director is a director may with the consent of the Company in General Meeting hold any office of profit under the Company provided that no such

consent is required where the office held is that of Chief Executive or legal or technical adviser or banker.

Making of loans, etc.

83. In the matters of granting loans, giving guarantees and providing Securities, the Company shall have due regard to the prohibitions and restrictions contained in Section 182 of the Act.

Directors may contract with the Company.

84. The Directors may authorise any one or more of the Directors or a firm of which such Director(s) are partner(s) or a private company of which such Director(s) are member(s) or director(s) to enter into any contract with the Company for making sale, purchase or supply of goods or rendering services to the Company. No such Director(s) so contracting or being such partner(s) or so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director(s) holding that office or of the fiduciary relation thereby established, but the nature of interest must be disclosed by such Director(s) at the meeting of the Directors at which the contract or arrangement is agreed to, if the interest then exists, or in any other case at the first meeting of the Company's Directors after the acquisition of the interest. A general notice that any Director(s) of the Company is a Director(s) or partner(s) of any other named company or firm and is to be regarded as interested in any subsequent transaction with such company or firm shall, as regards any such transaction, be sufficient disclosure under this Article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or company.

Directors to disclose interest.

85. A Director who, or whose parents or whose spouse or children, including step child or parent, is or are in any way, whether directly or indirectly, concerned or interested in any contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of such concern or interest at a meeting of the Directors in accordance with Section 205 of the Act.

Where Director's interest lies in appointment of Chief Executive etc.

86. Where by any contract or resolution of the Directors an appointment or a variation in the terms of an existing appointment is made (whether effective immediately or in the future) of a Chief Executive, whole-time Director or Secretary of the Company, in which appointment any Director of the Company is, or after the contract or resolution becomes, in any way, whether directly or indirectly, concerned or interested, such Director shall disclose the nature of his interest or concern at a meeting of the Board in which such appointment or contract is to be approved and the interested Director shall not participate or vote in the proceedings of the board and the Company shall comply with the requirements of Section 213 of the Act in regard to the maintaining of such contracts and resolutions open for inspection by Members at the Office, the provision of certified copies thereof and extracts therefrom and otherwise.

Prohibition of voting by interested Directors.

87. Except as provided in Section 207 of the Act, a Director shall not vote in respect of any contract or arrangement in which he is either directly or indirectly concerned or interested nor

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shall his presence count for the purpose of forming a quorum at the time of any such vote, and if he does so vote, his vote shall not be counted.

Register of contracts, arrangements and appointments.

88. The Company shall comply with the provisions of Section 209 of the Act in regard to the keeping of a register and the entry therein of the particulars of all contracts and arrangements or appointments of the kind referred to in Sections 205, 206, 207 or 213 of the Act separately for each Section and in regard to the maintaining of such register open for inspection by Members at the Office, the provision of certified copies thereof and extracts therefrom and otherwise.

Director holding office with companies in which the Company is interested.

89. A Director of the Company may be or become a director of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise, and no such Director shall be accountable for any benefits received as a director or member of such other company.

Signing of cheques, etc.

90. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

Directors to comply with the provisions of the Act.

91. The Directors shall duly comply with the provisions of the Act or any statutory modification thereof for the time being in force, and in particular with the provisions in regard to the registration of the particulars of mortgages and charges affecting the property of the Company or created by it, and to keeping a register of the Directors and officers of the Company (including the Chief Executive, Secretary, chief accountant, auditors and legal adviser), and to sending to the Registrar an annual list of Members, and a summary of particulars relating thereto and notice of any consolidation or increase of share capital or any sub-division or cancellation of shares and copies of Special Resolutions and a copy of the register of the Directors and officers of the Company and notifications of any changes therein. The Directors shall also comply with the provisions of the Securities Act 2015 and any rules or regulations prescribed in that regard, for keeping of a register of the shareholding of persons prescribed in the Securities Act 2015. The Directors shall further comply with such general or special orders of the Commission issued from time to time under Section 238 of the Act as may be applicable to the Company in regard to the submission of periodical statements of accounts, information and other reports as specified in such orders.

Minutes.

92. The Directors shall cause minutes to be made in books provided for the purpose and kept at the Office:

(a) of all appointments of officers made by the

Directors;

- (b) of the names of the Directors present at each meeting of the Directors and of any committee of Directors;
- (c) of all resolutions and proceedings at all meetings of the Company, and of the Directors and of committee of Directors;

and the Directors present at any meeting of Directors or committee of Directors and all Members and proxies of Members present at any General Meeting shall sign their names in books to be kept for that purpose; and any such minute of such a meeting if purporting to be signed by the Chairman thereof, or by the Chairman of the next succeeding meeting of the same body, shall be sufficient evidence without any further proof of the facts therein stated.

Payment of pensions,
etc., to Directors.

93. The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

DISQUALIFICATION OF DIRECTORS

Disqualification of
Directors.

94. A Director shall *ipso facto* cease to hold office if:-

- (a) he becomes ineligible to be appointed as a Director on any one or more of the grounds specified in Section 153 of the Act, or
- (b) he absents himself from three consecutive meetings of the Directors without seeking leave of absence from the Directors, or
- (c) he or any firm of which he is a partner or any private company of which he is a director without the sanction of the Company in General Meeting accepts or holds any office of profit under the Company other than that of a Chief Executive or a legal or technical adviser or a banker, or
- (d) he or any firm of which he is a partner or any private company of which he is a Director accepts a loan or guarantee from the

Company in contravention of Section 182 of the Act, or

- (e) he fails to obtain within two Months from the effective date of his appointment or at any time thereafter ceases to hold, the share qualification necessary for his appointment, or
- (f) the Member or Members who appointed him as a representative under Article 66 or any of them revoke his appointment by notice in writing to the Company or for any reason cease to hold any of the shares appropriated for qualifying him; or
- (g) he renders to the Board his resignation from the office of Directors of the Company, or
- (h) his appointment is revoked by the Federal Government in case of a Government Director.

PROCEEDINGS OF DIRECTORS

Meetings of Directors.

95. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit; provided that the Directors shall meet once in each quarter of a calendar year. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time, summon a meeting of Directors. A copy of the draft minutes of Directors meetings shall be furnished to each Director within fourteen (14) days of such meeting. Notice shall be given in writing to every Director or his alternate director for any meeting of the Directors and such notice shall be given in writing to his address in Pakistan and by facsimile transmission or electronic mail outside Pakistan, if any, notified by him to the Company for this purpose

Quorum of Directors.

96. The quorum necessary for the transaction of the business of the Directors shall be four Directors, but if one-third of the Directors exceeds four Directors then the number of Directors nearest to but not less than one-third of the Directors for the time being shall be a quorum and the participation of the Directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this Article. An Alternate Director whose appointment is effective shall be counted in a quorum.

Directors may act notwithstanding vacancy.

97. The continuing Directors may act notwithstanding any vacancy in their body so long as their number is not reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors.

Reference to General Meeting where no quorum.

98. If as a consequence of the Directors or some of them being concerned or interested in any contract or arrangement a quorum is not available for the transaction of any business relating thereto on account of the provisions of Section 207 of the Act, such business shall be referred to the Company in General Meeting whose decision shall be carried into effect.

Chairman.

99. (1) The Directors may from time to time and within fourteen (14) days from the date of election of directors, elect one of the non-executive Directors as Chairman of the Board of Directors who shall hold office for a period of three (3) years unless he earlier resigns becomes ineligible or disqualified under any provision of the Act or removed by the directors.

(2) The Directors may also appoint, remove and replace any other Director as Deputy Chairman of the Board of Directors.

(3) The Chairman or in his absence the Deputy Chairman shall preside at all meetings of the Directors. The Deputy Chairman (in the absence of the Chairman) may at his discretion request any other Director to preside at any meeting of the Directors. If at any meeting neither the Chairman nor the Deputy Chairman is present within fifteen minutes from the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.

Powers of quorum.

100. A meeting of the Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Directors generally.

Power to delegate.

101. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. Save as aforesaid the meetings and proceedings of a committee consisting of more than one member shall be governed by the provisions of these Articles regulating the proceedings and meetings of the Directors.

When acts of Directors or committee valid.

102. All acts done at any meeting of the Directors, or of a committee of Directors, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment or continuance in office of any such Directors or person acting as aforesaid, or that they or any of them

were disqualified or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed or had duly continued in office and was qualified and had continued to be a Director and had been entitled to be a Director and had been entitled to vote.

Resolution in writing
passed by circulation.

103. Subject to the provisions of Article 79(2), a resolution in writing, signed by all the Directors (or in their absence their Alternate Directors) or by all the members of a committee of Directors for the time being entitled to receive notice of a meeting of the Directors or committee of Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors, or as the case may be, of such committee, duly called and constituted in accordance with the provisions of these Articles. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors or members of the committee concerned. A facsimile transmission or electronic mail sent by a Director or a member of the committee shall be deemed to be a document signed by him for the purposes of this Article.

Meetings by way
of electronic
communication.

104. Subject to any rules framed under or any regulations or directives issued, Directors or Members of a committee may take part in a meeting of the Directors or a committee by using any communication equipment which allows everybody participating in the meeting to speak to and hear each other. Taking part in this way will count as being present at the meeting. Meetings will be treated as taking place where the largest group of the participants are or, if there is no such group, where the Chairman of the meeting is present.

CHIEF EXECUTIVE

Appointment of Chief
Executive.

105. The Company shall have an office of Chief Executive which shall be filled from time to time by the Directors who may appoint a Director or (subject to Section 189 of the Act) any other person to be the Chief Executive of the Company for a period not exceeding three (3) years and on such terms and conditions as the Directors may think fit, and such appointment shall be made within fourteen (14) days from the date on which the office of Chief Executive falls vacant. Prior to each such appointment the Company shall secure as required by Section 167 of the Act in the form prescribed for this purpose, the consent and certificate of the person concerned to act as the Chief Executive of the Company and if appointed within fourteen days of such appointment file such consent with the Registrar of Companies. If the Chief Executive at any time is not already a Director he shall be deemed to be a Director of the Company notwithstanding that the number of Directors for the time being fixed in accordance with Article 68 shall thereby be increased. The Chief Executive may be removed from office in accordance with the provisions of Section 190 of the Act.

Remuneration of Chief
Executive.

106. A Chief Executive shall receive such remuneration as the Directors may determine and it may be made a term of his appointment that he be paid a pension and/or gratuity on retirement

from his office.

Powers of Chief Executive.

107. The Directors may entrust to and confer upon the Chief Executive any of the powers exercisable by them, except those required by Article 79(2) to be exercised only by a meeting of the Directors, upon such terms and conditions and with such restrictions as they may think fit and may from time to time revoke, withdraw, alter or vary all or any of such powers.

SECRETARY

Appointment.

108. The Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them. Where there is no Secretary capable of acting, the Directors may appoint an assistant or deputy secretary or any other officer of the Company to perform the duties of Secretary.

THE SEAL

Common Seal.

109. The Directors shall provide a Seal for the purposes of the Company and shall have the power from time to time to destroy the same and substitute a new Seal in lieu thereof and the Directors shall provide for the safe custody of the Seal which shall only be used by the authority of the Directors or of a committee of the Directors authorized by the Directors in that behalf; and every instrument to which the Seal shall be affixed shall either be signed by one Director and countersigned by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose or be signed by the Chief Executive alone, but so that the Directors may by resolution determine, either generally or in any particular case, that the signature of the Chief Executive, any Director and/or Secretary may be affixed by some mechanical means to be specified in such resolution including without limitation by printing, lithography or stamping.

DIVIDENDS AND RESERVES

Declaration of dividend.

110. The Company in General Meeting may declare dividends, but no dividends shall exceed the amount recommended by the Directors.

Interim dividends.

111. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.

Dividends payable out of profits.

112. No dividends shall be paid otherwise than out of profits of the year or any other undistributed profits and in the

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determination of the profits available for dividends the Directors shall have regard to the provisions of the Act and in particular to the provisions of Sections 81, 240 and 241 of the Act.

Reserved fund.

113. (1) The Directors may, before recommending any dividend set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested, subject to the provisions of the Act, in such investments (other than shares of the Company) as the Directors may from time to time think fit.

(2) The Directors may also carry forward any profits which they may think prudent not to distribute, without setting them aside as a reserve.

Right to dividends and apportionment.

114. All dividends shall be declared and paid according to the amounts paid on the shares. All dividends shall be apportioned and paid proportionally to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

Effect of transfer.

115. A transfer of shares shall not pass the right to any dividend declared thereon unless such transfer has been registered before the closure of the share transfer books for this purpose.

Payment of dividend through electronic mode.

116. Subject to the provisions of section 242 of the Act and any rules or regulations prescribed in that regard, the dividend in respect of any share shall be paid to the registered holder of such share or to his banker or to a financial institution (as defined in Section 2(31)(a) of the Act) nominated by him for the purpose. Any dividend payable in cash in respect of such share may be paid through electronic mode directly into the bank account designated or through such other means as may generally or specially be permitted by the Commission.

Time for payment of dividend.

117. All dividends shall be paid within the period specified in Section 242 of the Act or under any rules or regulations prescribed in that regard.

Notice of Dividend.

118. Notice of any dividend that may have been declared shall be given in such manner as the Directors may deem fit.

Dividend not to bear interest.

119. No dividend payable in respect of a share shall bear interest against the Company.

Unclaimed Dividends.

120. Any dividends unclaimed or unpaid for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, and the Company shall not be constituted a trustee in respect thereof, provided that the Company shall comply with the provisions of Section 244 of the Act and any regulations framed thereunder in respect of any dividend unclaimed or unpaid for a period of three years after it is due and payable.

Payment of dividends in specie.

121. With the sanction of a General Meeting any dividend may be paid wholly or in part by the distribution of paid-up shares of any other listed company. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and may determine that cash payments shall be made to any Members upon the footing of the value so fixed, in order to adjust the rights of all Members, and may vest any such shares in trustees upon trust for the Members entitled to the dividend as may seem expedient to the Directors.

ACCOUNTS

Directors to keep Accounts.

122. The Directors shall cause to be kept proper books of account with respect to:-

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipts and expenditures take place;
- (b) all sales and purchases of goods by the Company;
- (c) all assets of the Company;
- (d) all liabilities of the Company; and
- (e) where the provisions of Section 220(1) of the Act are applicable, such particulars relating to utilisation of material or labour or to other inputs or items of cost as may be prescribed.

Where accounts to be kept.

123. The books of account shall be kept at the Office or at such other place in Pakistan as the Directors may decide and shall be open to inspection by the Directors during business hours. If the Directors decide to keep the books of account at a place other than

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the Office they shall comply with the directions contained in the proviso to Section 220(1) of the Act.

**Securities and
Deposits to be
kept in special
account.**

124. Subject to the provisions contained in Section 217 of the Act the Company shall not receive or utilise any money received as securities or deposits except in accordance with the contract in writing and all moneys so received shall be kept or deposited with the Company in a special account with the scheduled bank but the money received in the nature of an advance payment for goods to be delivered in accordance with the contract in writing, shall not be deemed to be a security or deposit.

**Period for maintaining
books of account.**

125. The Company shall preserve in good order the books of account of the Company relating to a period of not less than ten financial years immediately preceding a financial year.

**Inspection by
Members.**

126. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any account or books or papers of the Company except as conferred by the Act or authorised by the Directors or by the Company in General Meeting.

**Annual Accounts and
Reports.**

127. (1) The directors shall arrange to place before the Annual General Meeting of the Company in every year duly audited Financial Statements, conforming to the requirements of Sections 223, 225, 228, 229 and 231 of the Act and made upto a date not more than one hundred and twenty days before the date of such meeting and having the auditor's report attached thereto, and a report of the Directors, conforming to the requirements of Sections 226 and 227 of the Act and the Chairman's review report conforming to the requirements of section 192 of the Act.

(2) As required by Section 232 of the Act the Financial Statements shall first be approved by the Directors and when so approved shall be signed by the Chief Executive and at least one Director, but if on account of his absence from Pakistan or other reason the signature of the Chief Executive cannot be obtained, the Financial Statements shall be signed by at least two Directors for the time being in Pakistan, and in every such case a statement signed by those two Directors shall be subjoined to the Financial Statements stating the reason why the signature of the Chief Executive was not obtained.

(3) The Directors may authorize the Chairman or the Chief Executive to sign the report of the Directors which may then be signed accordingly, but in the absence of any such authority the report of the Directors shall be signed as required by Section 227 of the Act in the same manner as the Financial Statements.

Copies of Annual
Accounts and Reports
to be provided.

128. (1) A copy of the Financial Statements, the reports of the Directors and auditors and the review report of the Chairman shall be sent not less than twenty-one days before the date of the Annual General Meeting to the Members and other persons entitled to receive notices of General Meetings either by post or electronically and a copy thereof shall be kept at the Office for inspection by Members. The Company shall also send, by post and electronically a copy of such Financial Statements together with the reports of the Directors and auditors and review report of the Chairman, to each of the Commission, Securities Exchange and the Registrar of Companies at the same time as they are despatched to the Members and other persons in accordance with this Article and shall also post the same on the Company's website.

(2) After the Financial Statements, the reports of the Directors and auditors and review report of the Chairman have been laid before the Annual General Meeting of the Company, a copy thereof (or such larger number as may be prescribed under Section 233(1) of the Act) signed by the signatories thereto shall be filed with the Registrar of Companies within thirty days from the date of the meeting and the Company shall also comply with the provisions of Section 233(2) of the Act where applicable.

Quarterly Accounts.

129. Within such times from the close of the first, second and third quarter of each year of account of the Company and in such manner, as may be prescribed by the Act (including without limitation Section 237 of the Act) or any rules framed thereunder or any regulations or directives issued pursuant thereto, a copy of the quarterly financial statements shall be posted on the Company's website for the information of its Members and also be transmitted electronically to the Commission, Securities Exchange and with the Registrar of Companies within the period specified under Section 237 of the Act. Such quarterly financial statements need not be audited (provided that the cumulative figures for the half year presented in the second quarter accounts shall be subject to limited scope of review by the auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission) but must be signed in the same manner as the annual financial statements are required to be signed.

Directors to comply
with the Act.

130. The Directors shall in all respects comply with the provisions of Sections 220 to 239 of the Act, or any statutory modification thereof for the time being in force.

CAPITALIZATION OF PROFITS

Power to capitalize.

131. The Company in General Meeting may upon the recommendation of the Directors resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the Members who would be entitled thereto if distributed by way of

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dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution.

**Effect of Resolution to
capitalize.**

132. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

AUDIT

Audit.

133. Auditors shall be appointed and their duties regulated in accordance with Sections 246 to 249 of the Act, or any statutory modifications thereof for the time being in force.

NOTICES

Notices to Member.

134. (1) A notice may be given by the Company to any Member at his registered address in Pakistan or (if he has no registered address in Pakistan) to the address, if any, supplied by him to the Company for the giving of notices to him against an acknowledgement, or by post or courier service or through electronic means or in any other manner as may be specified through regulations made under the Act.

(2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.

Notice to Joint holders.

135. A notice may be given by the Company to the joint-holders of a share by giving the notice to the joint-holder named first in the Register in respect of the share.

Notice to legal representatives.

136. A notice may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignee of the insolvent or by any like description, at the address (if any) in Pakistan supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.

Persons entitled to receive notices of General Meetings.

137. Notice of every General Meeting shall be given in some manner hereinbefore authorised to (a) every Member, (b) every Director, (c) every person entitled to a share in consequence of the death or insolvency of a Member, who but for his death or insolvency would be entitled to receive, notice of the meeting, and (d) the auditors of the Company.

Transferees etc., bound by prior notices.

138. Every person who, by operation of law, transfer or other means whatsoever shall become entitled to any shares shall be bound by every notice in respect of such shares which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derived his title to such shares.

Notice valid though Member deceased.

139. Any notice or document delivered or sent by post to or left at the registered address of any Member in pursuance of these Articles shall notwithstanding such Member be then deceased and whether or not the Company has notice of his demise, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such Member, until some other person be registered in his stead as the holder or joint holder



thereof and such service shall for all purposes of these Articles be deemed a sufficient service of such notice of document on his or her heirs executors or administrators and all persons, if any, jointly interested with him or her in any such share.

WINDING-UP

Distribution of assets in specie.

140. If the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Act, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how much division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members or any of them as the liquidator with the like sanction shall think fit, but so that no Member shall be compelled to accept any shares or other Securities whereon there is any liability.

SECRECY

No shareholder to enter the premises of the Company without permission.

141. Save as otherwise provided in the Act no Member or other person (not being a Director) shall be entitled to visit and inspect any of the Company's premises or properties of the Company without the permission of the Directors of the Company for the time being or any person authorised in this behalf by the Directors or to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company and which in the opinion of the Directors will be inexpedient in the interest of the Members of the Company to communicate to the public.

INDEMNITY

Indemnity of Directors etc.

142. Every Director or officer of the Company and every person employed by the Company as auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, officer or auditor in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under Section 492 of the Act in which relief is granted to him by the Court.

ADDITIONAL PROVISION

**Additional
provision for
Board resolutions
in certain cases.**

143. A resolution purporting to be a resolution of the Board of Directors of the Company in relation to the following matters, shall be deemed not to have been passed and shall be treated as being of no effect, unless majority of the Independent Directors vote in favour of such resolution.

- (a) any agreement or transactions with any related party, other than non-material agreements having a term of less than one (1) year that are negotiated on an arm's-length basis in the ordinary course of business;
- (b) removal or replacement of the Auditors;
- (c) change of the financial year of the Company;
- (d) any arrangement for the disposal of: (i) more than 10% but less than 50% of the assets of the Company, whether in one or a series of transactions;
- (e) entering into any obligation outside of the normal course of business which involve the payment by the Company, in cash or otherwise, of amounts in excess of three million Dollars (\$3,000,000) in the aggregate in any financial year; or
- (f) direct or indirect declaration, authorization or making of any distribution in relation to any shares of the Company inconsistent with these Articles or the dividend policy of the Company (if any).

