MADE IN PAKISTAN

REDEFINING CONSTRUCTION IN PAKISTAN

ANNUAL REPORT 2019

INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

Annual Report 2019

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

"Pakistan: a dynamic and ever-evolving Nation with endless possibilities is on the cusp of a construction revolution that IIL is poised to lead with its innovative products that facilitate quick construction while retaining the strength of steel – which mirrors the proud perseverance of the Pakistani people."

ABOUT THIS REPORT

We are pleased to present our Annual Report for the year ended June 30, 2019. The objective of this report is to provide all stakeholders with a transparent and a balanced appraisal of the material issues that confronted the business during the year under review. This report should be read in conjunction with the full financial statements.

SCOPE AND LIMITATION OF THIS REPORT

This annual report is for the period from July 1, 2018 to June 30, 2019 and it provides an account of the Company's operational, financial, social, economic and environmental performances as well as governance for the year under review.

ANNUAL FINANCIAL STATEMENTS

These financial statements are also available on our website (www.iil.com.pk) and provide a complete insight of the financial positions for the period under review.

FORWARD LOOKING STATEMENTS

This report contains certain 'forward looking statements' which are related to the future. These statements include known and unknown risks and opportunities, uncertainties and important factors that could turn out to be materially different following the publications of these results. These statements are as of the date of this document. The Company undertakes no obligation to update publically or release any provisions of these forward looking statements.

FEEDBACK

We value the feedback of our stakeholders and use it to continuously improve our reporting and to ensure that we are reporting on issues relevant to them.

Your emails are welcomed at investors@iil.com.pk

KEY PERFORMANCE INDICATORS

Based on results of the Company as presented in the unconsolidated financial statements.

Sales Revenue	(Rs. in million)	25,750
Profit before Tax	(Rs. in million)	2,093
Gross Profit Ratio	(%)	10.1
Net Profit Margin	(%)	6.12
EBITDA Margin to Sales	(%)	13.53
Earning Per Share (Basic & Diluted)	(Rs.)	13.13
Total Assets	(Rs. in million)	25,327
Shareholders' Equity	(Rs. in million)	9,949
Capital Expenditure	(Rs. in million)	1,456
Break-up Value (with revaluation and market value of investment)	(Rs.)	144.03
Dividend per share (Cash + Bonus)	(Rs.)	6.50
Return on Average Capital Employed	(%)	13.99
Gearing Ratio	(Times)	1.55
Current Ratio	(Times)	1.11
Price Earning Ratio	(Times)	5.87
Share Price	(Rs.)	77.07

CONTENTS

71st
ANNUAL GENERAL MEETING
INTERNATIONAL INDUSTRIES LIMITED

Beach Luxury Hotel, M.T. Khan Road, Karachi

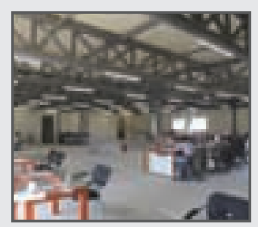
Monday, September 30th, 2019

11:00 AM

Transforming commercial construction

CHANGE BEGINS WITH SELF

Our three-story office building in Lahore was constructed in just 12 weeks, without any compromise on safety or security. This high strength structure provides a unique and comfortable working environment as well as giving physical form to the Company's values.



Transforming commercial construction

LIFE IS FAST. WHY BUILD SLOW?

This residential project was the first of its kind. Constructed using IIL's Hollow Structural Sections, the structure of this multiple story, 1,000 sq. yd. home was erected in a record time of just 4 weeks. The success of this project has led to multiple residences being built using IIL's hollow structural sections.

Transforming industrial construction

BUILDING STRONGER, GIVING STRENGTH TO INDUSTRY

This expansive manufacturing facility in Sheikhupura is constructed over an area of 150,000 sq. ft. using IIL's hollow structural sections and steel pipes.

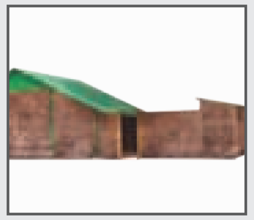
Its uninterrupted 240 ft. span, 40 ft. height and 20 ton crane perfectly illustrate the versatility and strength of steel construction.

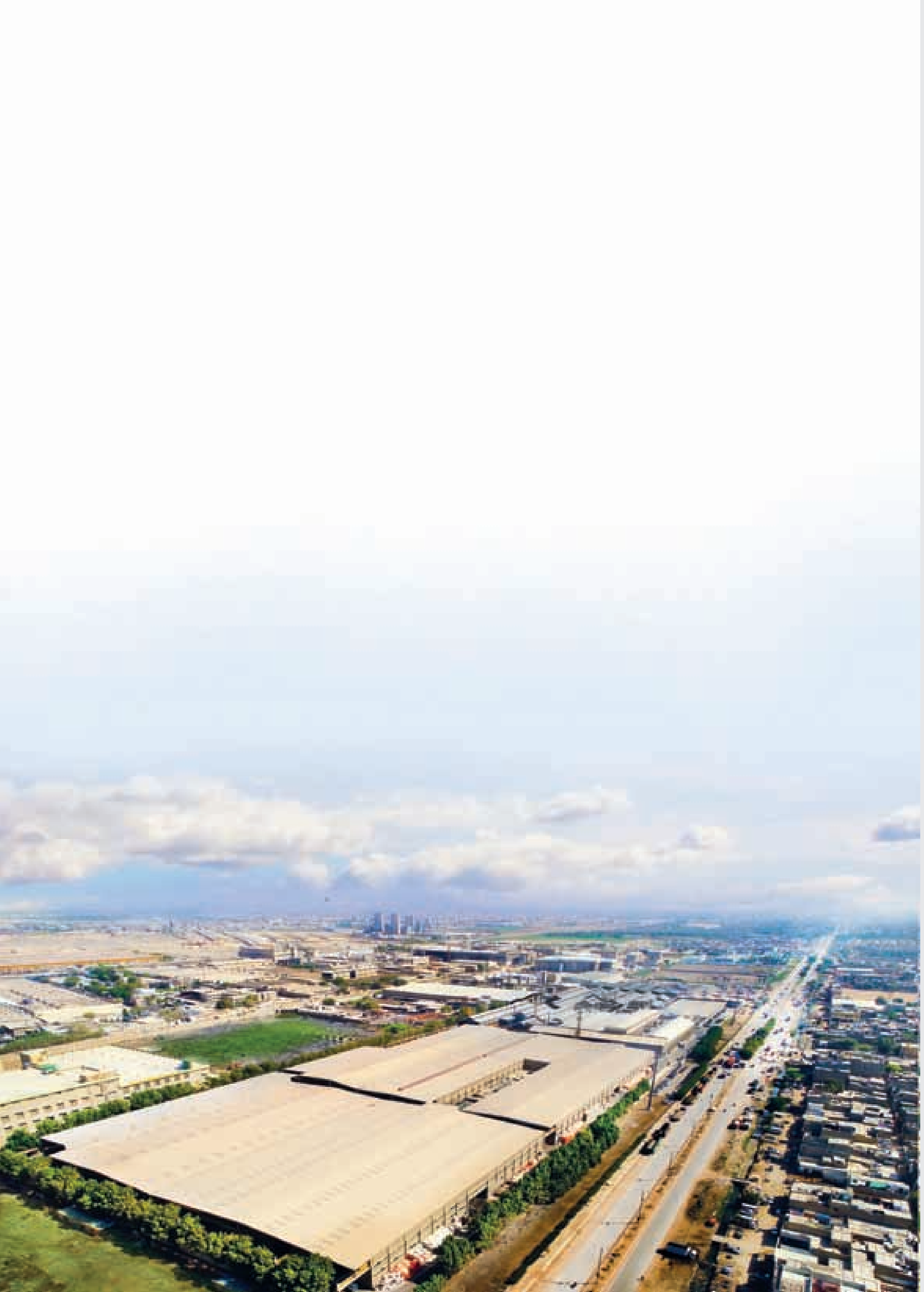



Transforming affordable construction

HOUSING GREAT AMBITION

In line with the government's vision of providing affordable housing to millions of Pakistanis and IIL's vision of 'enriching lives, IIL has developed a model for 'Affordable Houses' in various layouts to provide affordable yet strong housing options. The houses are suitable for all weather conditions and topographies thereby lending applicability across the Pakistan.





COMPANY PROFILE

International Industries Limited (IIL) is Pakistan's largest manufacturer of steel, stainless steel and plastic pipes with an annual manufacturing capacity of 817,000 tons and annual revenues of almost PKR 26 billion.

IIL was incorporated in Pakistan in 1948, is quoted on the Pakistan Stock Exchange and has an equity of over PKR 9.9 billion and has featured on the listing of Pakistan's Top 25 Companies consecutively for more than 11 years.

IIL is a part of a group of Companies that includes:

International Steels Limited (ISL): Pakistan's largest manufacturer of galvanized, cold rolled and color coated steel sheets and coils. ISL has an annual manufacturing capacity of over 1 million tons and annual revenues of over PKR 55 billion.

Pakistan Cables Limited (PCL): Pakistan's premium manufacturer of electrical cables, wires, copper rod, PVC compound and aluminum sections with annual revenues in excess of PKR 9.7 billion.

IIL Australia Pty Limited: IIL's wholly owned Australian subsidiary which represents the Group's interest in the Asia Pacific region.

IIL is a proud recipient of numerous accolades including the Management Association of Pakistan's "Corporate Excellence Award" for the Industrial Metals & Mining Sector, the National Forum for Environment & Health's "Environment Excellence Award" and the Employers Federation of Pakistan's "OHSE award".

IIL also has a credible export pedigree with an ever-expanding footprint in 60 countries across 6 continents.

As a result, IIL has been awarded the "FPCCI Export Performance Award" consecutivealy for 19 years. With an unshakeable focus on health, safety & environment, IIL is a reputable corporate citizen. The Company is ISO 9001, ISO 14001, ISO 45001, API 5L, PSQCA, UL and CE certified and manufactures its products according to international standards and specifications.

CERTIFIED ISO 9001:2015 CERTIFIED ISO 14001:2015 CERTIFIED ISO 45001 License No. 5L-0391 License No. 5L-1104

Member of the ITA International Tube Association Member of PAAPAM

COMPANY INFORMATION

Chairman (Non-Executive)
Mr. Mustapha A. Chinoy

Independent Director
Mr. Adnan Afridi
Mr. Tariq Ikram
Mr. Ehsan A. Malik
Mr. Jehangir Shah

Non-Executive Director
Mr. Kamal A. Chinoy
Mr. Azam Faruque
Mr. Fuad Azim Hashimi

Chief Executive Officer
Mr. Riyaz T. Chinoy

Advisor
Mr. Towfiq H. Chinoy

Chief Financial Officer
Mr. Muhammad Hanif Idrees

Company Secretary
Mr. Sunaib Barkat

Group Chief Internal Auditor
Ms. Asema Tapal

Internal Auditors
M/s EY Ford Rhodes

External Auditors
M/s KPMG Taseer Hadi & Co.

Bankers
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
Meezan Bank Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Legal Advisor(s)
Ms. Sana Shaikh Fikree
Mr. Ameen Bandukda

Registered Office
101, Beaumont Plaza, 10,
Beaumont Road, Karachi – 75530
Telephone Nos: +9221-35680045-54
UAN: +9221-111-019-019
Fax: +9221-35680373
E-mail: sunaib.barkat@iil.com.pk

Lahore Office
Chinoy House, 6 Bank Square, Lahore - 54000
Telephone Nos: +9242-37229752-55
UAN: +9242-111-019-019, Fax: +9242-37220384
E-Mail: lahore@iil.com.pk

Islamabad Office
3rd Floor, Evacuee Trust, Plot No. 4, Agha Khan Road
F-5/1, Islamabad
Telephone Nos: +9251-2524650, +9251-4864601-2

Multan Office
1592, 2nd Floor, Quaid-e-Azam
Shopping Centre No.1
Multan Cantt.
Telephone: +9261-4583332

Faisalabad Office
Office No.1/1, Wahab Centre,
Electrocity Plaza Susan Road
Faisalabad
Telephone: +9241-8720037

Peshawar Office
Office No.1 & 2, First Floor,
Hurmaz Plaza, Opp. Airport
Main University Road, Peshawar
Telephone Nos: +9291-5845068

Factories
Factory 1
LX 15-16, Landhi Industrial Area, Karachi – 75120
Telephone Nos: +9221-35080451-55
Fax: +9221-35082403, E-mail: factory@iil.com.pk

Factory 2
Survey # 405 & 406, Rehri Road,
Landhi, Karachi – 75160
Telephone Nos: +9221-35017026-28, 35017030
Fax: +9221-35013108

Factory 3
22 KM, Sheikhupura Road, Lahore
Telephone Nos: +9242-37190491-3

Investor Relations Contact
Shares Registrar
CDC Share Registrar Services Limited
CDC House, 99-B, Block "B", S.M.C.H.S
Shahrah-e-Faisal, Karachi
Telephone Nos: +92-0800-23275
FAX: +92-21-34326053
E-mail : info@cdcsrsl.com
Website: www.cdcsrsl.com

Corporate Website
www.iil.com.pk

Financial Statements
Annual Report 2019

Group Sustainability Report
Sustainability Report 2019

BUSINESS AT A GLANCE

Principal Business Activities:

IIL is engaged in the manufacture, sale and export of steel pipes and tubes, stainless steel tubes and polymer pipes and fittings.

Key Markets:

The Company is the market leader in Pakistan with sales across the Nation. Sales are led by the North region consisting of Punjab, Khyber Pakhtunkhwa, Azad Jammu and Kashmir and Gilgit-Baltistan followed by the South region consisting of Sindh and Balochistan.

Additionally, IIL is Pakistan's main exporter of pipes and tubes with a significant export footprint spanning 60 countries across 6 continents with over 850,000 tons of pipe exported to date.

Key Brands and Products:

IIL is widely recognized as Pakistan's leading brand of pipes and tubes across all product segments.

However, IIL also has various product specific brands and products as highlighted below:

STEEL

IIL Galvanized Iron Pipes

IIL Galvanized Iron (GI) pipes are corrosion and rust resistant pipes that are ideal for the transmission of potable water, natural gas, oil and other fluids. They are also used in fencing, hand pumps, low cost shelters and general fabrication.

IIL GI pipes are certified as European Conformity Standards (CE) and are manufactured in accordance with the highest international standards (BS EN 10255: 2004, ASTM A53, ASTM A795, EN39, SLS829:2009)

IIL GI pipes are available in nominal diameters of 15mm (1/2") to 200mm (8") and in thickness from 1.80mm to 5.40mm.

IIL Hollow Structural Sections

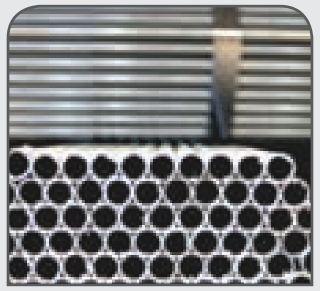
IIL Hollow Structural Sections (HSS) are ideal for construction of buildings, bridges, pedestrian walkways, stadiums and structures of all kinds.

IIL Hollow Structural Sections are made in accordance to the highest relevant international quality standards (BS EN 10219, ASTM A53, A500).

IIL Hollow Structural Sections are available in round, square and rectangle shapes with thickness range from 2.0mm to 12.70mm.

IIL Cold Rolled Steel Tubes

IIL Cold Rolled (CR) steel tubes are predominantly used in the automotive, motorcycle, bicycle, transformer industries and in the manufacturing of fans, furniture, tents and other mechanical and general engineering items.



IIL CR steel tubes are certified as European Conformity Standards (CE) and are manufactured in accordance with the highest international standards (BS 1717: 1983, BS EN 10305-3: 2010, BS EN 10305-5: 2010 and EN 10296-1:2003)

IIL CR steel tubes are available in round, square, rectangle, oval and elliptical shapes in various sizes with thickness range from 0.6mm to 2.00mm.

IIL Scaffolding Pipes (SAFESCAF)

IIL's high strength scaffolding pipes are sold under the brand name IIL Safescaf and can be applied for scaffolding use in any construction project.

IIL Scaffolding Pipes are manufactured in accordance to BS EN 39:2001 which is the highest international quality standard for such pipes.

IIL Scaffolding Pipes are available in galvanized and black forms with diameter of 48.3mm in Type 2, 3 and 4.

IIL Firefighting Pipes

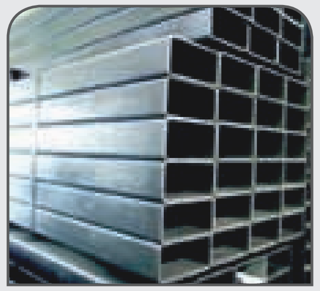
IIL Firefighting pipes are ideal for specialized water transmission (high pressure, chemical liquids, extreme temperature steam, water and gas).

IIL Firefighting pipes are certified as European Conformity Standards (CE) and Underwriters Laboratories (UL) and are manufactured in accordance with the highest international standards (ASTM A53 Sch. 40 Grade A and B and ASTM A795).

IIL Firefighting pipes are available in nominal diameters of ½" to 12" with thickness range from 2.77mm to 10.31mm.

Pre-Galvanized Tubes

IIL Pre-Galvanized Tubes have a variety of uses in general fabrication including fence framework.

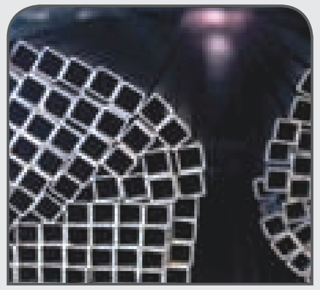


IIL Pre-Galvanized Tubes are manufactured in accordance to BS EN10305-3.

IIL Pre-Galvanized Tubes are available in round, square and rectangle shapes and thickness range from 0.8mm to 1.50mm.

IIL CRS Tubes

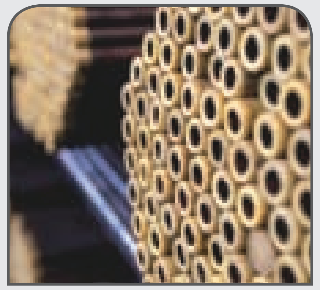
IIL CRS tubes are ideal for straight use and are most commonly used in the fabrication of gates, grills, railings, charpai and other furniture.



These pipes are available in various thicknesses ranging from 0.9mm to 1.8mm.

IIL API Line Pipes

IIL API Line pipes are used in distribution of natural gas and petroleum.

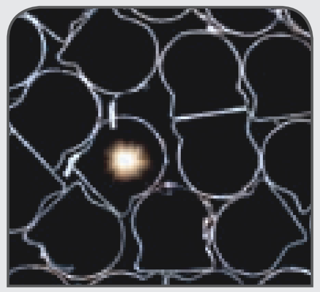


IIL API Line pipes are available in PSL1 and PSL2 specification made in accordance with ANSI/API Specification 5L under license: API-0391 and API-1104.

IIL API Line pipes are available in diameter ranging from ¾” to 12 ¾” with the length ranging from 6 meters to 12.20 meters.

IIL LTZD Profiles

IIL LTZD profiles are used in fabrication of doors, windows, gates and railings.



These profiles are available in various sizes with thickness range from 0.70mm to 1.20mm.

STAINLESS STEEL

IIL Cosmo (SS Grade 300 Series)

IIL Cosmo is a (SS Grade 300 Series), rust resistant, premium stainless steel tube that can be used in a variety of ornamental applications.

IIL Cosmo (SS Grade 300 Series) are made in accordance to ASTM A240 and A554, JIS G-4305.

IIL Cosmo (SS Grade 300 Series) are available in round, square and rectangle shapes in various sizes with thickness range from 0.8mm to 1.5mm. IIL Cosmo (SS Grade 300 Series) are available in bright, satin/euro and hairline surface finish.

IIL Forza (SS Grade 400 Series)

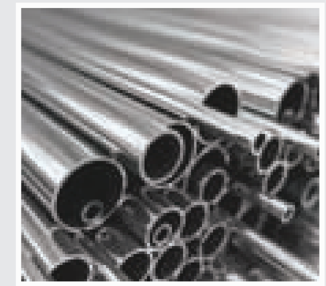
IIL FORZA is a (SS Grade 400 Series) premium stainless steel tube that is manufactured for use in automotive exhausts, trims and frames, mufflers and home geysers.

IIL Forza (SS Grade 400 Series) is manufactured in accordance to ASTM A240 and A554.

IIL Forza (SS Grade 400 Series) are available in diameter range from 12.0mm to 63.50mm with wall thickness range from 0.8mm to 1.5mm.

IIL Eco (SS Grade 200 Series)

IIL Eco is a (SS Grade 200 Series), economical grade stainless steel tube that can be used in indoor applications and non-coastal areas only.



IIL Eco (SS Grade 200 Series) are made in accordance to ???

IIL Eco (SS Grade 200 Series) are available in round, square and rectangle shapes in various sizes with thickness range from 0.8mm to 1.5mm. IIL Cosmo (SS Grade 200 Series) are available in bright, satin/euro and hairline surface finish.

POLYMERS

IIL PPRC Pipes and Fittings

IIL PPRC Pipes and Fittings are ideal for transmission of hot and cold water in all residential, commercial, and industrial settings.

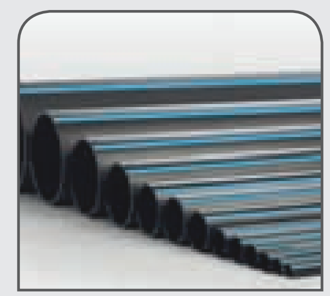
IIL PPRC Pipes and Fittings are manufactured in accordance to the highest quality international standards (DIN 16962, DIN 8077, DIN 8078).

IIL PPRC Pipes and Fittings are the only PSQCA certified PPRC pipes and fittings in Pakistan.

IIL PPRC Pipes are available in PN-16, PN-20 and PN-25 with diameter range from 20mm to 110mm and wall thickness range of 2.8mm to 18.3mm. IIL’s PPRC fittings range is the largest in Pakistan.

IIL HDPE Water Pipes

IIL HDPE water pipes are used in municipal and industrial applications and provide a safe, corrosion free piping system for transporting potable water and other liquids.



IIL HDPE water pipes are made in accordance to the highest quality standards (DIN 8074/75, ISO 4427) and are PSQCA certified.

IIL HDPE water pipes are available in Grade-80 (PN 08), Grade-100 (PN 08, PN 10, PN 12.5, PN 16 and PN 20) with diameter range from 20mm to 1600mm and wall thickness of 1.9mm to 94.1mm.

At 1600mm in diameter, IIL manufactures the largest HDPE pipe in Pakistan.

IIL MDPE Gas Pipes

IIL MDPE gas pipes are used for distribution of natural gas, liquefied petroleum gas (LPG) and other gaseous fuels.

IIL MDPE gas pipes are made in accordance to the highest quality international standards (BGC/PS/PL2: Part 1, ISO 4437 and ASTM D-2513)

IIL MDPE gas pipes are available in PE-80 and PE-100 and SDR 7-17.6, with diameter range from 20mm to 250mm and wall thickness range from 1.0mm to 22.7mm.

IIL HDPE Duct Pipes

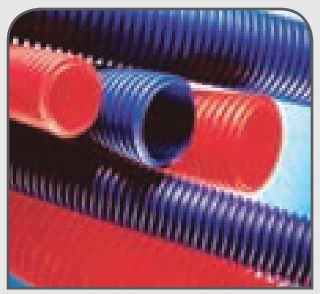
IIL HDPE duct pipes are used to provide a ducting sheath for fiber optic and telecom cables.

IIL HDPE duct pipes are made in accordance to the highest quality international standards (ASTM D638, ISO 1183, ASTM F-2160, ISO 2505, Bell Core GR-456)

IIL HDPE duct pipes are available in diameter range from 12mm to 250mm with wall thickness range from 1.9mm to 27.9mm.

IIL HDPE CorruDuct Pipes

IIL HDPE CorruDuct pipes are corrugated structural wall duct with advantage of light weight and high flexibility.



IIL HDPE CorruDuct pipes are used to provide a ducting ducting sheath for fiber optic and telecom cables.

IIL HDPE CorruDuct pipes are made in accordance to the highest quality international standards (ASTM D638, ISO 1183, ASTM F-2160, ISO 2505, Bell Core GR-456)

IIL HDPE CorruDuct pipes are available in diameter range from 20mm to 50mm with wall thickness range from 0.4mm to 1.0mm.

VISION

To be a globally respected, innovative and entrepreneurial company, enriching lives while remaining focused on providing competitive quality products and services.

MISSION

International Industries Limited is a customer focused, quality conscious company committed to economies of scale. It shall continually enhance the effectiveness of its quality, environmental, occupational health and safety management systems. IIL is committed to be an ethical company and shall conform to all applicable legal requirements, as well as fulfill and exceed the expectations of all stakeholders.

Team work, continual improvement, waste reduction, protection of the environment, improvement in safety practices, a fair return to shareholders and fulfillment of social responsibility shall be the hallmark of all activities.

STRATEGIC OBJECTIVES

- To remain an ethical Company.
- Ensure a fair return to shareholders.
- Retain our reputation as the quality leader in our markets.
- To remain the volume leader by maintaining quality and easy availability of diversified products.
- To enhance market share by maintaining a fair price, ensuring availability and timely deliveries.
- To enhance exports and leverage them to take advantage of economies of scale.
- Focus on new ventures, especially M&A's and JV's in near home markets in order to capitalize on opportunities for inorganic growth.
- Capitalize on traditionally strong engineering base and invest to expand / modernize production capability.
- Maintain focus on CSR, environment and safety management in order to reap corporate benefits as good corporate citizen and employer.
- Ensure aggressive training and development of personnel commensurate with strategic needs, of the company specially those who are key executives of the company.

ETHICS, CULTURE AND VALUES

At IIL, we take pride in uncompromising integrity through each individual's effort towards a quality product for our customers and sizeable contributions to the National Exchequer.

Ethical: IIL is honest and ethical in its dealings at all times through compliance with the applicable laws and regulations.

Excellence: IIL endeavors to exceed the expectations of all stakeholders.

Fairness: IIL believes in fairness to all stakeholders.

Innovation: IIL encourages its employees to be creative and seek innovative solutions.

Reliability: IIL has established itself as a reliable and dependable supplier.

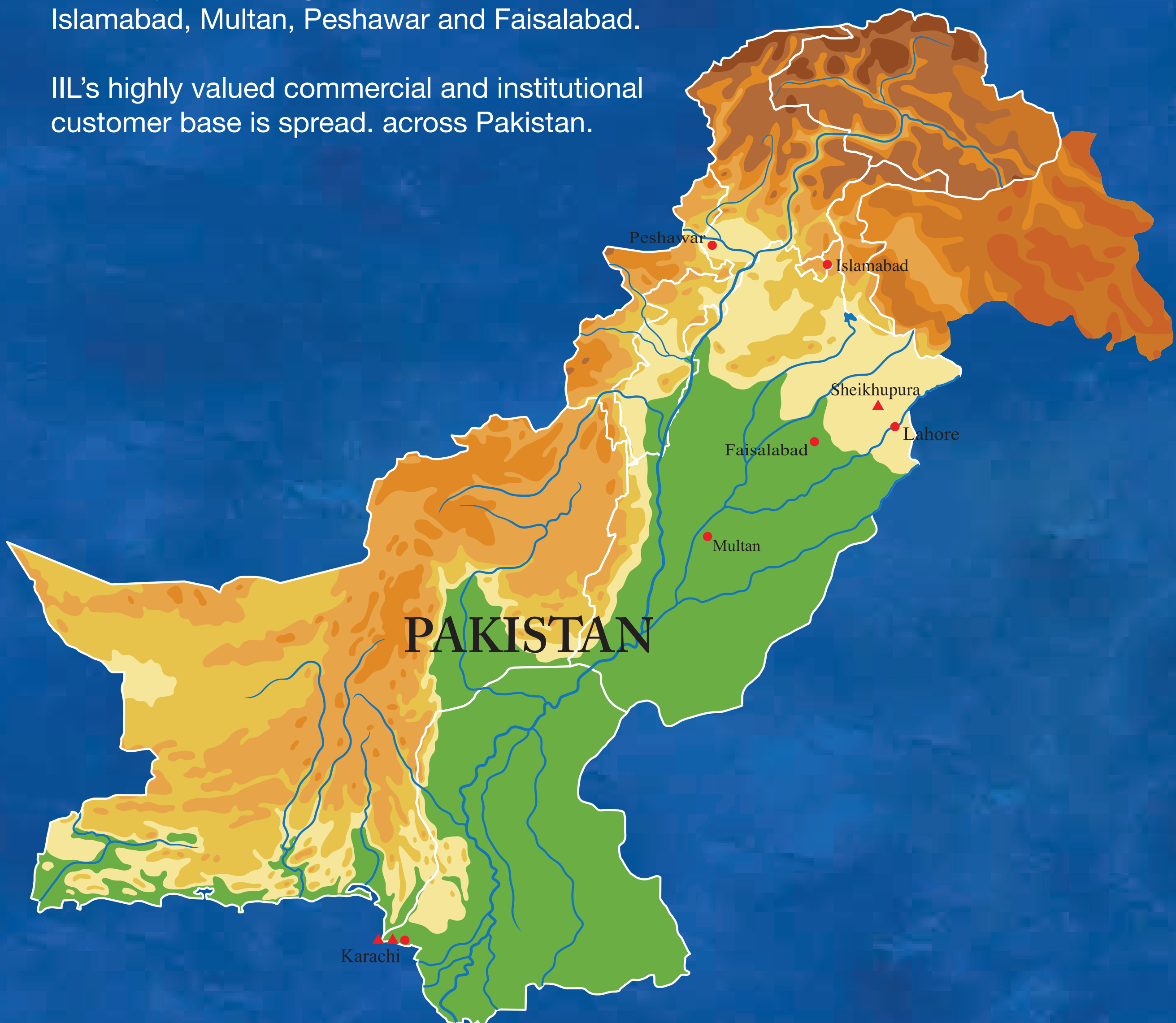
Respect: IIL values the self-esteem of all stakeholders, be it employees, suppliers, customers or shareholders.

Responsibility: IIL considers quality health, safety and the environment an integral part of its activities and way of life.

GEOGRAPHICAL PRESENCE

IIL is the market leader in Pakistan with two production facilities in Karachi and one in Sheikhupura and regional offices in Lahore, Islamabad, Multan, Peshawar and Faisalabad.

IIL's highly valued commercial and institutional customer base is spread. across Pakistan.



As a truly international Company with an ever-expanding global footprint, IIL has an on-the ground presence in Australia, Sri Lanka, Afghanistan and Canada and an export network that spans 60 countries across 6 continents with over 850,000 of sale till date.

● Offices ▲ Factories ★ Sales Regions

MILESTONES

1948

Established as Sir Sultan Chinoy & Company

1949

Incorporated as International Industries Limited (IIL)

Sponsored Pak Chemicals Limited

1953

Sponsored Pakistan Cables Limited in a joint venture with BICC UK

1984

IPO and listing on Pakistan Stock Exchange (Formerly known as Karachi Stock Exchange)

1992

Turnover crossed Rs. 1 Billion

2007

Incorporated International Steels Limited in cooperation with Sumitomo Corp. and IFC

2013

Turnover crossed Rs. 20 Billion

2014

Incorporated IIL Australia Pty Limited

2015

Completed 50 years of pipe manufacturing

Inaugurated 15-acre warehouse facility in Sheikhupura

2016

Inaugurated large diameter tube mill for hollow structural sections and API line pipe up to 12”

Commissioned 1600mm HDPE extruder allowing IIL to produce the largest HDPE pipe in Pakistan

2017

Inaugurated PPRC pipes & fittings factory in Sheikhupura

Record Profit-after-tax (PAT) of Rs. 1,842 million

IIL Australia records highest ever net turnover at Rs. 1.1 billion

2018

Celebrated 70 years since incorporation in 1948

Turnover crossed Rs. 25 billion

Highest ever sales volume of 270,000 Tons

First Company in Pakistan to achieve ISO 45001:2018 Certificate by LRQA.

First and only PSQCA certified company for PPRC Pipes and Fittings

2019

VIS reaffirmed AA-/A-One entity rating

19th Consecutive FPCCI Best Export Performance Award

PSX Top 25 Companies Award 2017

Produced first ever HDPE water pipe with diameter of 1600mm in Pakistan

2nd Award for the Best Corporate Report 2018 by ICAP and ICMAP

Certificate of Merit for the Best Sustainability Report 2018 by ICAP and ICMAP

Living the Global Compact Business Sustainability Award 2018

AWARDS AND ACCOLADES

Time and again International Industries Limited has proven to be one of the best organizations in the country.Over the years, we have gathered numerous Awards and Accolades from renowned institutions:

Years	Awards and Accolades
2000	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2001	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2002	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2003	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2004	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2005	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2006	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP
2007	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2008	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange Best Presented Accounts by South Asian Federation of Accountants Businessman of the year Gold Medal awarded to Mr. Towfiq H. Chinoy (CEO) Annual Environment Excellence Award by National Forum for Environmental Health (NFEH)
2009	Best Export Performance Trophy for Export of Engineering Products - Mechanical CSR National Excellence Award by Help International Welfare Trust (HIWT) Annual Environment Excellence Award by National Forum for Environmental Health (NFEH)
2010	Best Export Performance Trophy for Export of Engineering Products - Mechanical Annual Environment Excellence Award by National Forum for Environmental Health (NFEH)

Years	Awards and Accolades
2011	Best Export Performance Trophy for Export of Engineering Products - Mechanical Annual Environment Excellence Award by National Forum for Environmental Health (NFEH) Talent Triangle Award by Sidat Hyder Morshed Associates Good HR Practices Award by Sidat Hyder Morshed Associates Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP
2012	Best Export Performance Trophy for Export of Engineering Products - Mechanical Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP
2013	Best Export Performance Trophy for Export of Engineering Products - Mechanical Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP MAP “Corporate Excellence Award” for the Industrial Metals and Mining Sector IAPEX Karachi 2013 Award for 2nd best stall
2014	Best Export Performance Trophy for Export of Engineering Products - Mechanical
2015	Best Export Performance Trophy for Export of Engineering Products - Mechanical Annual Environment Excellence Award by National Forum for Environmental Health (NFEH) Best Corporate and Sustainability Report by jointly by ICAP and ICMAP Employers’ Federation of Pakistan OHSE Award Top 25 Companies of Pakistan Award by Karachi Stock Exchange The Prime Minister’s Export and Innovation Award
2016	Best Export Performance Trophy for Export of Engineering Products - Mechanical Employers’ Federation of Pakistan OHSE Award
2017	Best Export Performance Trophy for Export of Engineering Products - Mechanical Employers’ Federation of Pakistan OHSE Award Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP IAPEX Karachi 2017 Award for 2nd best stall
2018	Best Export Performance Trophy for Export of Engineering Products - Mechanical
2019	Top 25 Companies of Pakistan Award by Pakistan Stock Exchange Best Export Performance Trophy for Export of Engineering Products - Mechanical 2nd Award for the Best Corporate Report 2018 by ICAP and ICMAP Certificate of Merit for the Best Sustainability Report 2018 by ICAP and ICMAP Living the Global Compact Business Sustainability Award 2018

CERTIFICATIONS

Standard	Description	Location	Certified by	since	License #
ISO 9001	Quality Management System	Head Office, Branch Office, Factory 1, 2 & 3.	Lloyds Register Quality Assurance (UK)	1997	ISO 9001 – 0049981
ISO 14001	Environment Management System	Head Office Branch Office (Lahore) Factory 1 Factory 2 Factory 3	Lloyds Register Quality Assurance (UK)	2000	ISO 14001 Certification
ISO 45001 (Old Standard OHSAS 18001)	Occupational Health & Safety Management Systems	Head Office Branch Office (Lahore) Factory 1 Factory 2 Factory 3	Lloyds Register Quality Assurance (UK)	2007	ISO 45001 Certification
API Specification Q1 ® & 5L	Manufacturer of Line Pipe Plain End, HFW, PSL 1	Factory 1	American Petroleum Institute (USA)	2000	5L-0391 Extension Notice 3327
API Specification Q1 ® & 5L	Manufacturer of Line Pipe Plain End, HFW, PSL-1 & PSL-2	Factory 2	American Petroleum Institute (USA)	2016	5L-1104 Extension Notice 7735
BS EN 10255, 10266	CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes	Factory 1 Factory 2	CNC Services (Germany)	October 2011	CNC/EEC/4112/11
BS EN 10296-1, BS EN 10305-5 & BS 1717	CE Mark for ERW Tubes from Cold Rolled Carbon Steel	Factory 1 Factory 2	CNC Services (Germany)	October 2011	CNC/EEC/4113/11
BS EN 39, 10219, 10240 ASTM A-500, A252, A53 AS/NZS 1163, 4792	CE Mark for Cold Formed Welded Structural Hollow Sections (HSS)	Factory 1 Factory 2	CNC Services (Germany)	October 2018	CNC/EEC/4525/18

Standard	Description	Location	Certified by	since	License #
UL-852 ASTM 795	UL Certification (ERW & Galvanized Pipes for Fire Sprinkler System)	Factory - 1	Underwriter Laboratories UL (United States)	April 2017	20170425-EX27362
UL-852 (UAE)	UL UAE Certification (Metallic Sprinkler Pipe For Fire Protection Service)	Factory - 1	Underwriter Laboratories UL	April 2017	EX27372-20170425
PS:4533-34/1999 (R)	License for the use of Pakistan Standard Mark for PPRC Pipe	Factory # 3	Pakistan Quality Control Authority (PSQCA)	May 18 May 18	CML/N/1287/2018 CML/N/1288/2018
DIN 16962 / 1980	License for the use of Pakistan Standard Mark for PPRC Fittings	Factory # 3	Pakistan Quality Control Authority (PSQCA)	Feb-15	CSDC/L-170/2015 (R)
PS:3580-2014(R)	Polyethylene Pipe for water Supply “MEGAFLO” Brand	Factory # 2	Pakistan Quality Control Authority (PSQCA)	Mar-17	CSDC/L-205/2017
ASTM A53/2012	MS Pipe (Mild Steel Pipe) - FACTORY-1	Factory # 1	Pakistan Quality Control Authority (PSQCA)	Jul-17	CSDC/L-206/2017
ASTM A53/2012	MS Pipe (Mild Steel Pipe) - FACTORY-2	Factory # 2	Pakistan Quality Control Authority (PSQCA)	Jul-17	CSDC/L-206/2017

CALENDAR OF MAJOR EVENTS

01 QUARTER

- Managers Dinner
- OHSE Training
- Fire Fighting Drill
- Tree Plantation Drive
- Corporate Seminar – Multan
- PPRC Events in North Region
- Customers Convention - Quetta
- SNGPL – Bike Helmets Distribution
- Theatre Play – Kyun Nikala, Karachi
- CR, CRS & SS Customer Events
- Tube China 2018 - Shanghai, China
- NESPAK Event – Lahore & Islamabad
- Inauguration of School under the Bridge
- Architects & Students Visit to IAP House
- 70 years Celebration (Helmet Distribution)
- Independence Day Ceremony – 14th August
- Single Country Expo 2018 – Bangkok, Thailand
- 329th Board of Directors Meeting, August 16, 2018
- 330th Board of Directors Meeting, Sep 28, 2018

02 QUARTER

- Blood Donation Drive
- NDT ET, Level-1 & 2 Training
- HSS Dealers Event – Lahore
- Build Pakistan 2018 – Lahore
- Safe Driving Training Factory 1
- ASC Cricket Tournament 2018
- Pak Water & Energy Expo 2018
- Galvanizing Plant Upgrade (GP-4)
- TCF school student's factory tour
- OHSE Training & Fire Fighting Drill
- Personal Tax Management Training
- Rescue Services Training Factory 2
- IIL Australia – Casey Cardinia Awards
- HDA Project for 1600mm HDPE Pipe
- Grand Customers Event – Hyderabad
- Architect & Students visit to IAP House
- Communication & Negotiation Skill Training
- PPRC Events – Lahore, Abottabad & Kasur
- IIL & ABAD – Building Pakistan Together (MoU)
- CR, CRS & SS Event – Karachi, Lahore & Faisalabad
- 331st Board of Directors Meeting, October 18, 2018
- Payment of final cash dividend of 65% FY 2017-18

03 QUARTER

- IIL Strategy Retreat 2019
- IIL Cosmo Visibility Drive
- 3 Bahadur Corporate Shows
- Annual Sales Conference 2019
- Visit to Model Affordable Houses
- IIL Auto Vendors – Dinner (Lahore)
- IIL GI EEEL – Launch Event (Lahore)
- IIL Dealers Event – CR/CRS (Sahiwal)
- Bike Helmet Distribution to customers
- Architects & Students Visit to IAP House
- Outdoor Advertising, Colombo- Sri Lanka
- IIL PPRC Dealers/Plumbers Event (Multan)
- IIL PPRC Plumbers Training Events (Karachi)
- OHSE Training & Fire Safety Drill- Head Office
- Road Safety Training (NHA & Motorway Police)
- Global Compact Business Sustainability Award 2018
- 332nd Board of Directors Meeting, January 30, 2019

04 QUARTER

- IAPEX 2019- Karachi
- Dealers Iftar Event 2019
- OHSE Best Practices Speech
- Long Service Awards 2018-19
- Polymer division Inauguration
- CSR – IIL & ISL Plantation Drive
- Managers Annual Dinner 2019
- Market Visibility Drive Domestic
- Pakistan Auto Show 2019- Karachi
- Architects & Students Visit to IAP House
- IIL Auditorium Inauguration - IIL Factory 3
- IIL Galvanizing Plant Inauguration – IIL Factory 1
- IIL Polymers Division Inauguration – IIL Factory 3
- External audit for ISO 45001 & 14001 by Lloyds UK
- Environmental Management Plan, Factory 1- (SEPA)
- IIL GI/PPRC Dealers/Plumbers Event – North Region
- 333rd Board of Directors Meeting, April 09, 2019
- 334th Board of Directors Meeting, April 18, 2019
- Payment of interim cash dividend 25%

SWOT ANALYSIS

A look at IIL's Strengths, Weaknesses, Opportunities and Threats

SWOT ANALYSIS

S — STRENGHT

- Economies of scale in manufacturing cost
- Strong Corporate Governance structure
- Reputation of leading quality product in market
- Strong engineering core competence
- Proven expertise in galvanizing and pipe making
- Manufacturing capacity
- Product range and customization
- Ability to meet most customer's requirements from stock
- Captive power generation
- Distribution channel and channel relationships
- Financial strength

W — WEAKNESS

- High labor & freight cost
- Lead time of raw material for export customers
- Space constraints for expansion in Karachi
- Lack of awareness of IIL brand in advanced markets

O — OPPORTUNITIES

- Growth in key market segments
- Mega-projects and infrastructural growth in Pakistan
- CPEC and ancillary projects
- Accountability drive against unethical practices by competition
- Demand for new product variations within existing product range
- Devaluation of PKR will support global sales
- Export opportunities in various near-home markets

T — THREATS

- Negative country image
- Pakistan inclusion in FATF grey list
- International price competition
- Unethical practices of Pakistani pipe manufacturers
- Subsidies to Chinese and Indian exporters
- China dumping into Pakistan
- Uncertain regional geopolitical situation
- Domestic security and economy
- Anti-dumping duty implementation in export markets

STEEPLES ANALYSIS

Social, Technological, Environmental, Economic, Political, Ethical & Seasonality
factors that impact IIL's business environment

SOCIAL

- High population growth rate
- Rising per capita income
- Growing middle class
- Increasing demand for affordable housing
- Rapid increase in urbanization

TECHNOLOGICAL

- Gradual shift from steel to polymer
- Growth in communication infrastructure
- Modernization of trade

ENVIRONMENTAL

- Compliance with NEQS is on a self-monitoring and reporting basis
- General apathy and lack of will to implement environmental standards
- Steel is totally recyclable
- Severe lack of landfill sites
- Global consensus on climate change management mechanisms (Paris agreement)
- Scarcity of water

ECONOMIC

- Stagnant GDP and LSM
- Sky rocketing borrowing rates, increasing the cost of doing business
- Drive in increasing the tax net in Pakistan
- Resistance from trade against new tax net structure
- Declining domestic consumption due to economic reforms
- Increasing tariff barriers in export markets
- Role of IMF in economic reforms
- Increasing labor & freight cost
- Declining foreign direct investments
- CPEC led infrastructure development
- Volatile commodity prices

POLITICAL

- Accountability drive leading to unpredictable political situation
- Government will to implement tax reforms across the board in Pakistan
- Implications of security & political uncertainty with India
- Improvement in law and order situation in Pakistan
- Growing Chinese influence

LEGAL

- Legal implications of new economic reforms on trade
- Anti-dumping rules in international market & intensified international trade measures
- Slow court procedures in Pakistan

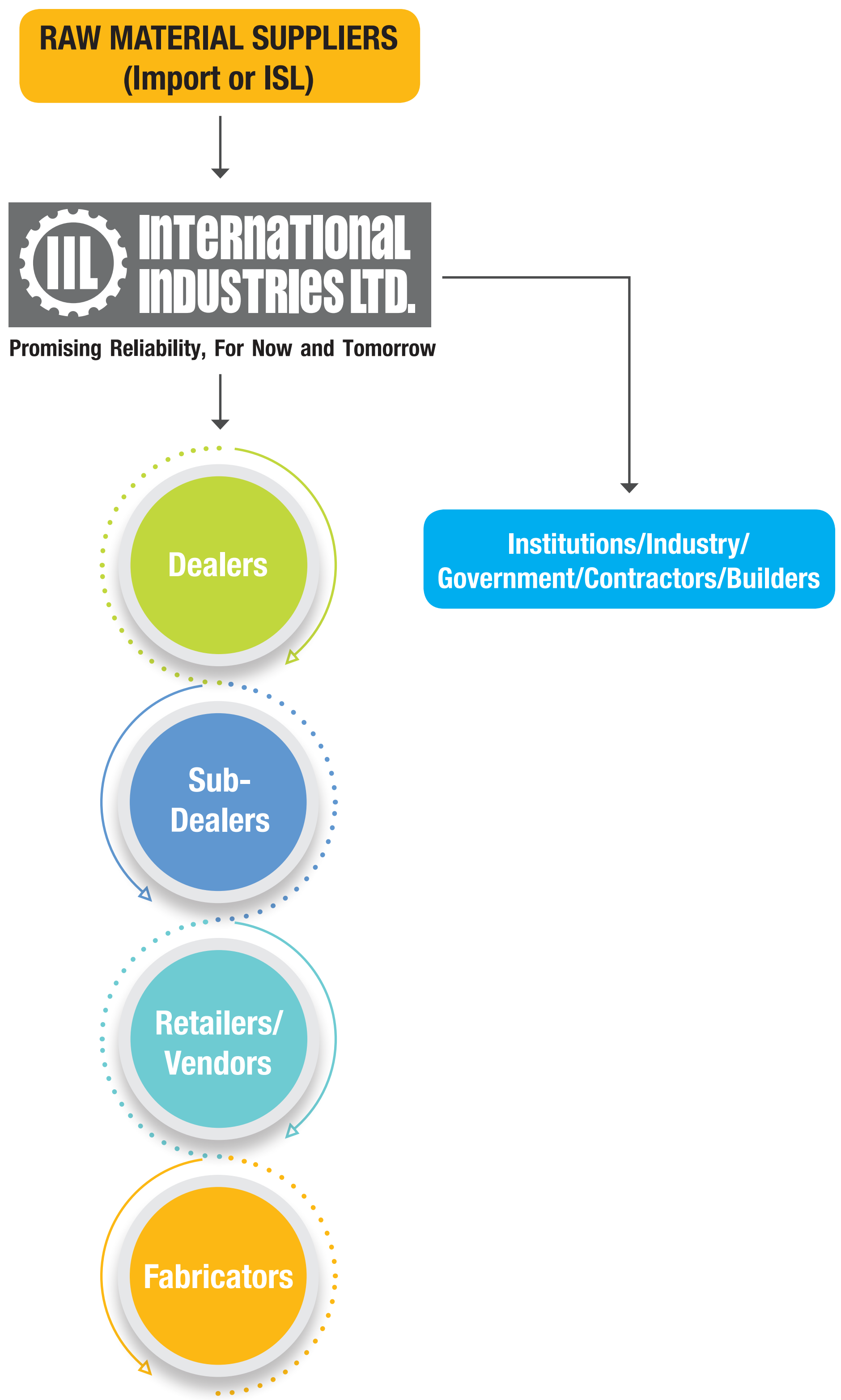
ETHICAL

- Tax evasion & questionable business activities in Pakistan
- Inaccurate declarations of imports & under invoicing
- Below standard pipe quality, thickness and weight
- Bribe and 'connection' culture in Pakistan

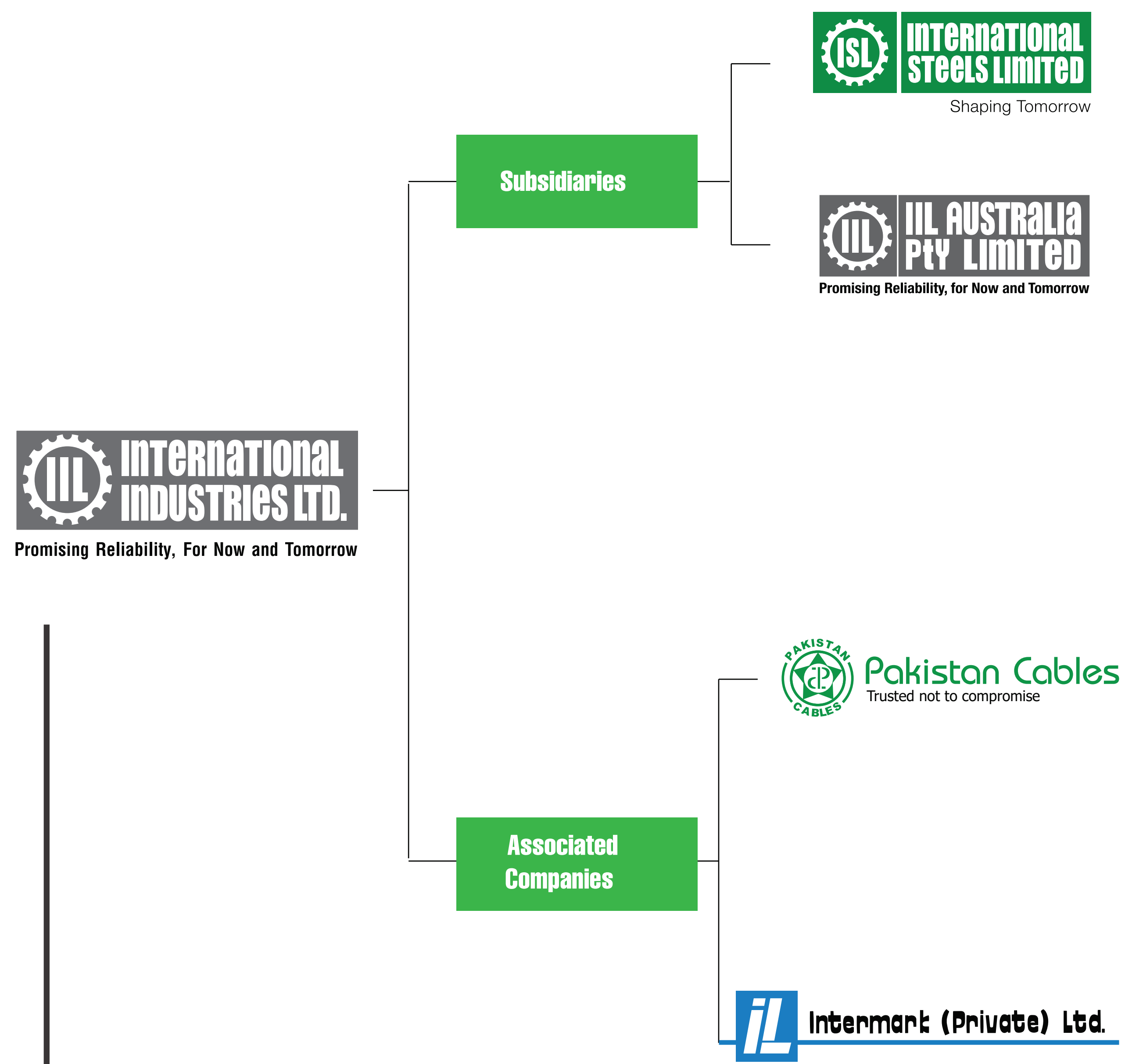
SEASONALITY

- Nationwide construction & business activity slowdown during Ramzan, Eid & Muharram
- Construction slowdown during winter months in Punjab, parts of Baluchistan and Northern regions of Pakistan
- Export activities impacted during Christmas, New Years and other major holidays
- Higher infrastructure spending through development funds during the election years
- Chinese New Year effects any dealings with China
- Note: IIL production is not significantly impacted by any of these seasonal issues

IIL'S POSITION IN THE VALUE CHAIN



GROUP STRUCTURE



STRATEGIC OBJECTIVES, STRATEGIES AND KEY PERFORMANCE INDICATORS

Our primary objective is to ensure that our overall corporate and strategic objectives are met by playing an exemplary leadership role in the local steel industry in line with global best practices.

The Company continuously strives to modernize and grow our business to ensure continued profitability and maximum return to shareholders.

The Company has been successful in achieving its objectives by employing a consistent strategy that has emphasized ethics, innovation, quality, competitiveness, backward integration, product diversity, sustainable business practices, and continuous growth in higher value products.our sustainability report as well as the financial and non-financial segments of this annual report.

Strategic Objectives	Strategies & Key Performance Indicators*
Maintaining a focus on existing core businesses in order to retain market leadership where we have it and attain market leadership wherever we don't	- Retention/growth of market share where applicable - Product availability - Price competitiveness - Brand equity & strength - Increased market penetration where required - High quality, low cost raw material by leveraging volumes and utilizing diversified supplier base
Develop avenues for future growth businesses in line with our philosophy of innovation, continuous improvement and growth objectives	- Development of new products - Expansion of existing product portfolio - Investment in new technologies where needed - Assuring availability of appropriate resources (HR, CAPEX, management time etc.)
Maintain our steadfast focus on quality to ensure value to our consumers	- Retain/attain International and national certifications - Quality Control & quality assurance - Manufacture according to international standards - Relevant training seminars - Customer satisfaction survey results
Appropriate human capital management through focus on safety, training, succession planning and skills enhancement	- Decrease in safety incidents - Increase in employee retention & satisfaction - Availability of appropriate resources for training and development - Ensuring Departmental succession plans are in place
Remaining aligned with the best practices of Corporate Governance, sustainability objectives and our ethical approach to business	- Promotion & adoption of ethical practices across the organization - Abiding by the Code of Corporate Governance - Ensuring that SOP's, work instructions & job descriptions are aligned with appropriate policies - Zero tolerance towards crime and unlawful behavior - Adoption of effluent management, waste management and environmental best practices
Delivering value and return to and remaining a source of pride for our shareholders	- Earnings per share - Ensuring a strong dividend payout ratio - Share price - Return on equity - Ensuring a positive market perception of IIL

Significant changes in objectives and strategies from previous periods
There are no material changes in the Company's objectives, strategies or critical performance indicators from the previous year.

Resource Allocation Plans
IIL will ensure that appropriate resources are available to assist with the implementation of its strategic objectives. Appropriate investments have already been made in land and production facilities to ensure that demand for our core products can be met without any delay or interruption in sales.

A dedicated 'new ventures' department is tasked with unearthing potential new businesses and creating feasibilities accordingly. All strategic actions are backed with managerial and financial resources as required and as best determined by the Board and Management.

Significant Plans and Decisions
There was no significant corporate restructuring during the year and no significant plans for the coming year. IIL did not experience any disruption or discontinuance of operations during 2018-19 and does not foresee any in the coming year.

Relationship between Company's result and managements objectives
The Company's results and its objectives, as outlined above, are very strongly aligned. Our core businesses have shown considerable growth with highest ever sales in our steel & polymers segments. The successful launch of our PPRC pipes & fittings range reflects our focus on future growth businesses. Various certifications including UL certification for our ERW pipe, PSQCA for PPRC and the fact that IIL has become the first company in Pakistan to achieve ISO 45001:2018 certification is testament to our commitment to quality.

Our commitment to Corporate Governance, our employees and our shareholders is reflected, in detail, in our sustainability report as well as the financial and non-financial segments of this annual report.

STAKEHOLDER ENGAGEMENT

Relationship with Stakeholders

The management objectives to enhance the stakeholder's wealth is reflected in the financial and non-financial results of the Company. These results are carefully evaluated against the respective objectives to confirm the achievements.

Amicable relationships are sustained with all the stakeholders through effective and timely communication beside having a customer-centric approach.

Stakeholders	Why they are important	Nature of engagement	Frequency
Shareholders	1. They are the owners of the Company 2. They expect a return on their investment 3. Decisions are made in line with increasing shareholder value	1. AGM 2. EOGM 3. Interim Reports 4. Annual reports 5. Website 6. Social media	1. Annually 2. If/when needed 3. Quarterly 4. Annually 5. Continuously available 6. Continuously available
Customers	1. They buy our products which, in turn, drives our revenue 2. They expect quality and drive demand for our products through word-of-mouth 3. They are our business partners	1. Direct relationships 2. Customer gatherings 3. Satisfaction surveys 4. Website 5. Social media	1. Continuous/ongoing 2. Regularly 3. Annually 4. Continuously available 5. Continuously available
Employees	They deliver IIL's success, Company could not function without its employees	1. Interaction with management 2. Appraisals 3. Job satisfaction survey 4. Union interactions 5. Employee events 6. Newsletter 7. Website 8. Social media 9. Gym	1. Daily 2. Annual/semi-annual 3. Annual 4. Regularly 5. Regularly 6. Continuous 7. Quarterly 8. Continuous 9. Continuously available
Suppliers	Reliable and reasonable provision of raw materials determines our ability to supply finished goods	1. Direct relationships 2. Meetings 3. Trade shows 4. Website 5. Social media	1. Daily 2. Regularly 3. Regularly 4. Continuously available 5. Continuously available

Stakeholders	Why they are important	Nature of engagement	Frequency
Government Bodies	Determine trade policies that could positively or negatively impact IIL	1. Issue specific meetings/ discussions/ correspondence 2. Submission of statutory returns and reports 3. Website 4. Social media	1. As required 2. As required 3. Continuously available 4. Continuously available
Local Community	1. Provide manpower for our operations 2. Their living environment depends on the environmental friendliness of our operations 3. Our CSR initiatives are primarily aimed towards them	1. IIL TCF school in Majid Colony 2. IIL-SINA health clinic in Majid Colony 3. Mosque in Majid Colony 4. Bus stop in Majid Colony 5. Union and employees 6. Website 7. Social media 8. Street School	1. Continuous 2. Continuous 3. Continuous 4. Continuous 5. Continuous 6. Continuously available 7. Continuously available 8. Continuously available
Banks	Provision of finance and trade facilities	1. Direct Relationships 2. Meetings 3. Financial reporting 4. Website / Social media	1. Regular 2. As needed 3. Periodic 4. Continuously available
Media	Ability to influence brand awareness and perception	1. Advertising Campaign 2. Press releases 3. Interviews	1. Periodic 2. Periodic 3. Periodic

Investor Relations Section on the corporate website:

IIL has a dedicated and updated investors relations section on its corporate website (http://www.iil.com.pk/investors) which contains comprehensive information that would be interesting and informative for any investor or potential investor. This section includes detailed information pertaining to: Company Information, Corporate Governance, Financial Information and Reports, Stock and Dividends, Announcements, Link to SECP website, SECP Complaint Forms and the IIL CEO Video which provides a summary of the previous year's performance.

RISK OPPORTUNITY

Risk/Opportunity Category	Major Business Risk/Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
Financial Risk	Devaluation of PKR against foreign currencies may negatively impact Company's financial Performance	High	External	- Ensuring a balanced ratio between export & domestic sales as needed - Appropriate hedging instruments such as forward cover & currency options if/when needed
	Payment defaults by customers	Low	External	- Credit worthiness is assessed for each customer and credit limits are assigned according to our credit policy
Financaial Opportunity	Devaluation of PKR could make IIL exports more competitive in international markets & provide opportunities for inventory gain	High	External	- Maintaining an opportunistic position and supply flexibility to take advantage of devaluing PKR to increase exports to certain export markets
Operational Risk	Volatility in the international price of steel	High	External	- Well versed and dedicated procurement department matched with 5 decades of steel buying experience along with a diversified supplier base and large volumes keep IIL relatively insulated from volatility in steel prices
	Energy & water shortage in Pakistan	High	External	IIL has its own captive power generation and water supply. The management keeps an eye on alternate energy sources
	Employee turnoever amongst senior management positions	Medium-Low	Internal	- Strong succession planning & HR policies, employee engagement initiatives, workplace satisfaction surveys, training/development, rotational policies and compensation audits are in place.
	Work place injuries & safety incidents	Medium	Internal	- Strong OHSE culture enforced through regular 'safety walks' by senior management, safety trainings & drills and enforcement of safety equipment and protocols. Appropriate health insurance policies are also in place.
	Supplier Default	Medium-High	External	- Long term relationships with reputable international suppliers with ethical and professional standard operating procedures that reflect our own values. - We maintain sufficient raw material and finished goods inventory to cover our requirements in case such a situation arises - All raw material is insured for loss during transit

Risk/Opportunity Category	Major Business Risk/Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
Operational Opportunity	Sell excess electricty to the national grid	Medium	Internal	- Agreed contracts in place with relevant utility companies to sell excess electricity at pre-agreed rates as per availability
	Generate incremental revenue from increased scrap due to enhanced production	Medium	Internal	- Establish scrap prices in-line with commercial product prices, diversify customer base
	Improve delivery times due to improved warehousing near major markets	High	Internal	- Increase in finished goods stock to ensure timely delivery to customer base.
Commercial Risk	Economic downturn may impact demand for IIL products	Medium	External	- IIL's diversified product portfolio and strong export footprint allow the Company to counter economic cyclicality
	Trade protectionism amongst export markets via imposition of tariffs and anti-dumping duties could impact Company sales	Medium-High	External	- Ensuring that prices and quantum of exports do not pose potential for dumping inquiries. Additionally, maintaining diversity of export markets to limit dependance on one single destination
	Unethical practices by market players leading to lower prices of similar products	Medium-High	External	- IIL has differentiated itself from any competition by providing consistent quality for over 50 years. This has allowed the Company to develop a strong brand name which customers seek out and are willing to pay a premium for (if applicable). Additionally, IIL is able to leverage economies of scale and procurement expertise to maintain price competitiveness regardless of competitor activities.
Strategic Risk	Shift in market dynamics away from steel pipe	Low	External	- Mostly only applicable to water & gas applications. IIL has already established itself in the plastic pipe segment for these applications. IIL also maintains a constant focus of developing diversified markets for its products.
	Shift in production technologies may make IIL's processes obsolete and its product and prices non-competitive in local and/or international markets	Low	External	- IIL strongly believes in the philosophy of 'Continuous Improvement' and firmly applies this to its processes and plants. Accordingly, modernization and upgradation of production facilities and investment in new technologies allows IIL to position to respond adequately to any changes in production technologies.

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 both are committed to ensure that the company is a responsible corporate citizen and the business shall be carried out in a sustainable manner.

vi. The operations shall be carried out with minimum adverse effect on the environment and producing quality products in a healthy and safe working environment.

vii. We, as a responsible corporate citizen shall promote our role towards betterment of the society in health and education sectors as a part of our Corporate Social Responsibility.

B. CONFLICTS OF INTEREST

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

ii. An employee should avoid any situation in which he or she, or a family member, might profit personally either (directly or indirectly), from the company's facilities, its products, or company's relationships with its vendors or customers.

iii. An employee should not permit himself/ herself (or members of his/her family) to be obligated (other than in the course of normal banking relationships) to any organization or individual with whom the company has a business relationship. However, business lunches, dinners or social invitations, nominal giveaways and attendance at conferences and seminars would not be considered a violation of this Code.

iv. In case an employee is offered or receives something of value which he/ she believes may be impermissible under this Code, he/she should disclose the matter.

v. All employees shall avoid any kind of bribery, extortion and all other forms of corruption.

vi. Conflict of interest shall be avoided and promptly disclosed where they exist and guidance should be sought from superiors.

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

i. All books, records, accounts and statements should conform to generally accepted and applicable accounting principles and to all applicable laws and regulations and should be maintained accurately.

ii. Employees are expected to sign only documents or records which they believe to be accurate and truthful.

D. ENVIRONMENT

i. The company is committed to carry its business in an environmentally sound and sustainable manner and promote preservation and sustainability of the environment.

ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact the company's operations.

E. REGULATORY COMPLIANCE

i. The company is committed to make prompt public disclosure of "material information" regarding the company as prescribed in the Pakistan Stock Exchange Regulations, if required.

ii. Where an employee is privy to the information, which is generally referred to as "material inside information", the same must be held in strict confidence by the employee involved until it is publicly released.

iii. The employees shall abide by the appropriate Competition Laws and shall not enter into understandings, arrangements or agreements with competitors, which have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers.

F. PERSONAL CONDUCT

i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on company business.

ii. The employees shall be careful while dealing with personal or business associates and not disclose, divulge or provide any information regarding the company to anyone except where the same is used as a part of his/ her official obligations and as required for official purpose and shall abide by the Closed Period announced by the company from time to time and also sign a Non-Disclosure Agreement if the need arises.

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

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

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

G. MISCELLANEOUS

i. All employees are required to comply with this code of conduct and are personally responsible for doing so. Employees must comply with any rules set out in this code of conduct. Breach of any principles within the code may result in disciplinary action and a serious breach – such as if any employee is found to be in wanton abuse of the code and their action cause reputational risk or damage or financial loss to the Company may amount to gross misconduct, which may result in summary dismissal. Further, the company reserves the right to seek redress and damages from such individuals.

ii. Employees at all levels will be required to certify annually that they understand the code and that they are in full compliance with this code. The Board monitors the findings of this certification on annual basis.

iii. The Company has in place a confidential "Whistleblowing" policy as whistleblowing mechanism and process to encourage the reporting of any non-compliance with this code of conduct.

CHAIRMANS REVIEW

Dear Shareholders,

On behalf of The Board of Directors, I am pleased to present the annual financial results of our organization. I would like to further highlight the proactive efforts of the Board in providing the management with policy direction and support in these testing times.

I would like to begin by acknowledging the hard work and dedication with which your management has steered the Company during this difficult period. At a time when most sectors with deep economic linkages to our industry are at a virtual standstill, your Company's performance remained relatively sound. We continued to distribute a fair return to our valued shareholders by way of interim and final dividends and bonus shares and have, by and large maintained our market share in the domestic marketplace.

IIL and ISL sold over 780,000 metric tons (MT) of steel products, including exports of over 73,000 MT, and posted gross sales in excess of Rs. 89 billion for the year under review. Group contributions to the National Exchequer during the year amounted to Rs. 18.5 billion.

The outgoing year witnessed rapidly deteriorating economic indicators and sentiments causing challenging business conditions. Large Scale Manufacturing (LSM) growth declined by 2.9% and the iron and steel sector in particular declined by 11% year over year. Under the prevailing conditions, where growth prospects in the short-to-medium term are expected to remain subdued, the prime concerns for growth-oriented companies such as ours will be the effective allocation of resources and increasing market share, in order to counteract the high cost of capital. As a foundation industry for any nation, the iron and steel industry however remains an essential part of the economy and long-term prospects for the industry are bright.

I look forward to the new government's initiatives to stabilize the economy and build a sound footing for industrial development. Well-meaning initiatives to document the economy and increase the tax to GDP ratio are commendable and shall ultimately benefit the organized sector in the long term.

By the Grace of Allah, I am pleased to report that your company posted a Profit after Tax (PAT) of Rs. 1,575 million. Sales volumes remained lower compared to last year as demand from the automotive, building and construction and fabrication sectors failed to maintain their momentum from last year.

Despite the challenges we continued to engage our customers and partners in the architecture, building and construction and automotive industries to further promote our brand name. To this end, we have signed an MOU with the Association of Builders and Developers (ABAD) and shall henceforth provide its members with an exclusive price list of IIL products. I am also proud to highlight the proactive initiatives taken by IIL this year towards helping Pakistan bridge the national housing deficit with the launch of a low-cost housing scheme. A complete architectural plan and transparent cost structure were made publicly available, and built-up model houses in Karachi and Lahore were constructed to engage the public and concerned ministries. Under this scheme individual houses can be constructed in as little as 7 days, and at a cost that can be borne by the common man.

Alongside business, IIL continues to invest in communities and social uplift programs throughout the country. One such notable initiative during the year was the donation of IIL's products to The Charter for Compassion, which constructs schools to provide free of cost education to children from underprivileged areas. In addition, IIL continues to donate 2.5% of its profit after tax excluding income from dividends for various social and humanitarian causes.

Our subsidiary, International Steels Limited (ISL), reported PAT of Rs. 2,664 million. Its gross turnover was up from Rs. 56 billion last year to Rs. 65 billion. The company has successfully completed all its planned expansions as of June 2019.

Board Performance

The previous board completed its term on September 30th, 2016 and a new Board was elected for a term of three (3) years and its term expires on September 30th, 2019. The BoD consists of nine (9) Directors.

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

The Board recognizes that well defined Corporate Governance processes are vital to 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 the 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 ensure that the Board hears from an appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations, and that the management continues to take decisions which create value for you in the short, medium and long term.

The Company has an independent Internal Audit department, which believes in a risk-based audit methodology and leads the Internal Audit function together with an external firm. Internal Audit reports are presented to the Board Audit Committee (BAC) on a quarterly basis and areas for improvement are highlighted.

This was the seventh year that the Board as a whole carried out its self-evaluation, and second time individual Directors were also self-evaluated. The evaluations 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. Along with the Boards' self-evaluation, the Board Audit Committee and Human Resources Remuneration Committee also carried out their independent evaluations.

The casual vacancy arising out of the resignation of a director, Mr. Shoaib Mir was duly filled by appointing an independent director, Mr. Adnan Afridi.

The BAC is chaired by Mr. Ehsan A. Malik and the Board Human Resources Remuneration Committee (HRRC) is chaired by Mr. Tariq Ikram. Apart from the BAC and the HRRC, the Board met six (6) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year to consider the budget for the following year whereas one meeting is focused on strategy.

The Company in keeping with tradition IIL was the proud recipient of the FPCCI Best Export Performance Award 2018 in the engineering products (mechanical) segment for the 19th consecutive year.

We continued our efforts to showcase our products at local and international forums in order to further strengthen our brand. Notable exhibitions in which we participated during the year included:

1. Tube China 2018, Shanghai. This is among the world's largest pipe & tube exhibitions. IIL was the only company representing Pakistan at the event.
2. Single Country Exhibition, Thailand. The event was organized in collaboration with TDAP, under the banner of "Emerging Pakistan".
3. Build Pakistan, 2018. Held in Lahore, this event is focused on providing companies in the building and construction industry an opportunity to showcase it products to a large number of builders and developers.

4. Pakistan Water and Energy Expo, 2018.

5. Pakistan Auto Show, 2019.

6. IAPEX 2019.

In addition to the above, your Company continues its efforts to promote the IIL brands visibility through multiple channels.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our shareholders, customers, suppliers, bankers and other stakeholders during the year. Finally, I would like to emphasize that the challenges for our Company and the economy as a whole shall persist in the year ahead, however the Board and management is confident and fully prepared to face all eventualities as we have in the past.

Mustapha A. Chinoy
Chairman

August 21st, 2019

کی پلاننگ کے طریقہء کار اور کمپنی کے وژن کو بڑھانے کے سلسلے میں بھی پوری طرح شامل رہا۔

بورڈ تسلیم کرتا ہے کہ نہایت منظّم کارپوریٹ گورننس پر عمل درآمد مجموعی احتساب کے عمل میں اضافہ کیلئے کتنا اہم ہے اور کارپوریٹ گورننس کے اعلیٰ معیارات کو یقینی بنانے سے اسٹیک ہولڈرز کی قدر و منزلت برقرار رکھنے میں مدد ملتی ہے۔ تمام ڈائریکٹرز بشمول خود مختار ڈائریکٹرز نے بورڈ کی فیصلہ سازی کے عمل میں پوری طرح اور بڑھ چڑھ کر حصہ لیا۔

آپ کی کمپنی کے چیئرمین کی حیثیت سے، میں بورڈ کی قیادت کرنے اور کھلے دل سے تعمیری بحث و مباحثہ کے کلچر کو پروان چڑھانے کی ذمہ داری ادا کرتا رہوں گا جس میں سب کی رائے سنی جائے اور اس بات کو یقینی بنایا جائے گا کہ بورڈ سینئر انتظامیہ کی مناسب تعداد کے ساتھ گفت و شنید کی جائے۔ میں اس بات کیلئے پوری طرح پر عزم ہوں کہ آپ کی کمپنی میں یقینی طور پر تمام متعلقہ قواعد و ضوابط کی پیروی کی جاتی ہے اور انتظامیہ ایسے فیصلے کرتی رہے گی جو مختصر، درمیانی اور طویل مدت میں آپ کی قدر میں اضافہ کا باعث ہوں۔

کمپنی کا اپنا خودمختار اندرونی آڈٹ ڈپارٹمنٹ موجود ہے جو خدشات پر مبنی آڈٹ کے طریقہء کار پر یقین رکھتا ہے اور اندرونی آڈٹ کے امور کو بیرونی آڈٹ فرم کے ساتھ مل کر انجام دیتا ہے۔ اندرونی آڈٹ کی رپورٹس بورڈ آڈٹ کمیٹی (BAC) کو سہ ماہی بنیادوں پر پیش کی جاتی ہیں جن میں بہتری کے امکانات والے حصوں کی نشاندہی کی جاتی ہے۔

یہ ساتواں سال تھا جب کہ بورڈ نے اجتماعی طور پر اپنی جانچ پڑتال کی اور دوسرا موقع تھا کہ انفرادی طور پر بھی ڈائریکٹرز نے اپنی جانچ کا کام انجام دیا۔ اس طرح جانچ کے نتیجے میں مزید بہتری کے ایریاز کی نشاندہی کی گئی جو عالمی سطح کے معیار کے ہم پلہ ہوں۔ اس میں خصوصی توجہ ایک حکمت عملی کے تحت گروتھ، کاروبار کے مواقع، رسک منیجمنٹ، بورڈ کی تشکیل اور انتظامیہ کو عمومی جائزہ فراہم کرنے پر دی گئی۔ بورڈ کے خود اپنی جانچ کرنے کے عمل کے ساتھ ساتھ بورڈ آڈٹ کمیٹی اور ہیومن ریسورس ز ریمونریشن کمیٹی نے بھی آزادانہ طور پر ان کی جانچ کی۔

جناب شعیب میر کے استعفے سے خالی ہونے والی عارضی اسامی پر ایک خودمختار ڈائریکٹر جناب عدنان آفریدی کا تقرر کیا گیا۔

BAC کے سربراہ تھے جناب احسان اے ملک اور ہیومن ریسورسز ریمونریشن کمیٹی (HRRC) کے چیئرمین تھے جناب طارق اکرام۔

BAC اور HRRC کے علاوہ اس سال بورڈ کی چھ (6) میٹنگز ہوئیں۔ عام طور پر بورڈ کی میٹنگ ہر تین ماہ بعد ہوتی ہے جس میں آپریشنز کے نتائج پر غور کیا جاتا ہے اور سال میں ایک بار آنے والے سال کیلئے بجٹ پر غور کیلئے منعقد ہوتی ہے جب کہ ایک میٹنگ حکمت عملی پر توجہ کیلئے ہوتی ہے۔

کمپنی کی روایات کو برقرار رکھتے ہوئے IIL نے پھر FPCCI Best Export Performance Award 2018 حاصل کیا۔ یہ ایوارڈ انجینئرنگ پروڈکٹس (مکینیکل) کے شعبہ میں لگاتار 19 ویں سال میں حاصل ہوا ہے۔

ہم نے اپنے برانڈ کو مزید تقویت دینے کی غرض سے ملکی اور غیر ملکی سطح پر اپنی پروڈکٹس کی نمائش کرنے کا سلسلہ جاری رکھا۔ اس سال جن اہم نمائشوں میں ہم نے حصہ لیا ان میں شامل ہیں:

۱۔ ٹیوب چائنا-2018، شنگھائی۔ اس کا شمار دنیا کی سب سے بڑی پائپ اینڈ ٹیوب نمائشوں میں ہوتا ہے۔ IIL اس تقریب میں پاکستان کی نمائندگی کرنے والی واحد کمپنی تھی۔

۲۔ سنگل کنٹری ایگزیبیشن، تھائی لینڈ۔ اس تقریب کا اہتمام TDAP کے اشتراک سے "Emerging Pakistan" کے بینر کے تحت کیا گیا تھا۔

۳۔ بِلڈ پاکستان-2018 : لاہور میں منعقد ہونے والی اس تقریب میں بلڈنگ اور کنسٹرکشن کی صنعت سے متعلق کمپنیز کو شامل کیا گیا تھا جو کہ بلڈرز اور ڈیولپرز کی بڑی تعداد کے سامنے ہماری پروڈکٹس کی نمائش کیلئے سنہری موقع تھا۔

۴۔ پاکستان واٹر اینڈ انرجی ایکسپو 2018

۵۔ پاکستان آٹو شو 2019

۶۔ IAPEX 2019

ان کے علاوہ آپ کی کمپنی IIL برانڈز کے فروغ کیلئے مسلسل مختلف چینل استعمال کرتی ہے۔

آخر میں، میں بورڈ کی جانب سے اس سال کے دوران میں اپنے تمام شیئر ہولڈرز، صارفین، سپلائرز، بینکرز اور دیگر اسٹیک ہولڈرز کے کنٹری بیوشن اور تعاون کا شکریہ ادا کرتا ہوں۔ نیز میں اس بات پر زور دینا چاہتا ہوں کہ آنے والے سال کے دوران میں ہماری کمپنی اور مجموعی طور پر معیشت کیلئے چیلنج برقرار رہیں گے تاہم بورڈ اور انتظامیہ کو بھروسہ ہے اور ہم گزشتہ عرصہ کی طرح اس بار بھی تمام مشکلات کو طے کرنے کیلئے پوری طرح تیار ہیں۔

مصطفیٰ اے چنائے
چیئرمین
21 اگست 2019

چیئرمین کا جائزہ

عزیز حصص داران

بورڈ آف ڈائریکٹرز کی جانب سے میں بمسرت اپنے ادارے کے سالانہ مالیاتی نتائج پیش کرر ہاہوں۔ میں بورڈ کی جانب سے اس امتحان کے وقت میں انتظامیہ کو پالیسی ڈائریکشن فراہم کرنے اور بھرپور تعاون کیلئے ان تھک کاوشوں کی جھلک بھی پیش کروں گا۔

میں انتظامیہ کی سخت محنت اور لگن کے اعتراف سے آغاز کروں گا جس نے کمپنی کو مشکل حالات میں کامیابی کی راہ پر گامزن رکھا۔ ایسے وقت میں جب کہ ہماری صنعت سے گہری معاشی وابستگی رکھنے والے اکثر شعبے حقیقت میں ایک مقام پر رک گئے تھے، ان کے مقابلے میں آپ کی کمپنی کی کارکردگی بہت مستحکم رہی۔ ہم نے اپنے معزز حصص داران کو عبوری اور حتمی منافع منقسمہ اور بونس شیئرز کی صورت میں مناسب آمدنی کی فراہمی کا سلسلہ جاری رکھا اور عمومی طور پر مقامی مارکیٹ میں اپنا مارکیٹ شیئر برقرار رکھا۔

IIL اور ISL نے 780,000 میٹرک ٹن (MT) سے زیادہ کی اسٹیل پروڈکٹس فروخت کیں جس میں 73,000 MT کی برآمدات بھی شامل ہیں اور زیرِ جائزہ سال کیلئے 89 بلین روپے سے زیادہ کی مجموعی فروخت پوسٹ کیں۔ گروپ نے اس سال کے دوران میں قومی خزانے میں 18.5 بلین روپے کی رقم جمع کرائی۔

گزرے سال میں معاشی اشاریوں کی صورتحال تیزی سے خراب ہوئی جس کی بناء پر کاروباری حالات کو انتہائی چیلنجز کا سامنا کرنا پڑا۔ بڑے پیمانے کی مینوفیکچرنگ (LSM) میں 2.9% کمی آئی اور آئرن اور خاص طور پر اسٹیل کے شعبہ میں سال بہ سال 11% کمی واقع ہوئی۔ موجودہ حالات میں، جب کہ قلیل سے اوسط مدت کی گروتھ کی توقع کم سے کم ہے، ہمارے جیسی گروتھ پر مبنی کمپنیز کیلئے سب سے بڑا مسئلہ وسائل کی موثر تقسیم اور مارکیٹ شیئر میں اضافہ کرنا ہے تا کہ کیپٹل کی بڑھتی لاگت کا مقابلہ کیا جاسکے۔ کسی بھی قوم کی بنیادی صنعت کے طور پر، آئرن اور اسٹیل کی صنعت معیشت کا اہم ترین حصہ ہے اور صنعت کے مستقبل کو روشن بنانے کا ذریعہ ہے۔

میں نئی حکومت کے معیشت کو مستحکم کرنے اور صنعتی ترقی کیلئے ایک مضبوط بنیاد فراہم کرنے کے اقدامات کی جانب دیکھ رہا ہوں۔ معیشت کو دستاویزی حیثیت دینے اور ٹیکس اور جی ڈی پی کے تناسب کو بڑھانے کے ٹھوس اقدامات قابل تحسین ہیں اور ان سے مستقبل میں مربوط شعبہ کو بہت فائدہ پہنچے گا۔

میں آپ کو بتاتے ہوئے خوشی محسوس کررہا ہوں کہ اللہ کے فضل سے آپ کی کمپنی نے 1,575 ملین روپے کا بعد از ٹیکس منافع (PAT) حاصل کیا ہے۔ البتہ فروخت کی والیم گزشتہ سال کے مقابلے میں کم رہی کیونکہ آٹو موٹیو، بلڈنگ اور کنسٹرکشن اور فیبریکیشن کے شعبہ جات گزشتہ سال کی ترقی کی رفتار کو اس سال برقرار نہ رکھ سکے۔

چیلنجز کے باوجود ہم نے اپنے برانڈ نیم کو مزید فروغ دینے کی غرض سے آرکیٹکچر، بلڈنگ اور کنسٹرکشن اور آٹوموٹیو کے شعبہ جات میں اپنے صارفین اور پارٹنرز کے ساتھ سرگرمیاں جاری رکھیں۔ اس سلسلے میں ہم نے ایسوسی ایشن آف بلڈرز اینڈ ڈیولپرز (ABAD) کے ساتھ ایک MOU پر دستخط کئے اور اب ہم ان کے ممبرز کو IIL پروڈکٹس خصوصی قیمت پر فراہم کریں گے۔ مجھے IIL کی جانب سے پیش قدمی کے اقدامات کی جھلک پیش کرنے پر بھی فخر محسوس ہو رہا ہے جیسے کہ اس سال کم قیمت ہاؤسنگ اسکیم کے آغاز سے قومی ہاؤسنگ کے خسارے کو پورا کرنے کے لئے پاکستان کی مدد کی ہے۔ اس سلسلے میں مکمل آرکیٹیکچر ل پلان اور لاگت کا شفاف اسٹرکچرل پلان عوام کے سامنے پیش کیا گیا اور عوام اور متعلقہ وزارتوں کے ملاحظہ کیلئے کراچی، اور لاہور میں ماڈل ہاؤسز کے نمونے تعمیر کئے گئے۔ اس اسکیم کے تحت ایک مکان صرف 7 دن کی مدت میں تیار کیا جاسکتا ہے اور ایک عام آدمی کیلئے اس کی قیمت ادا کرنا مشکل نہ ہوگا۔

کاروبار کے ساتھ ساتھ IIL کی جانب سے کمیونٹیز اور معاشرے کی بہتری کے پروگرام میں سرمایہ کاری کا سلسلہ بھی جاری ہے۔ اس سال میں ایک قابلِ ذکر اقدام چارٹر فار کمپیشن (The Charter for Compassion) کو IIL پروڈکٹس کے عطیہ کی پیشکش تھا جو پسماندہ علاقوں میں بچوں کو مفت تعلیم کیلئے اسکول تعمیر کرتا ہے۔ اس کے علاوہ IIL اپنے بعد از ٹیکس منافع میں سے 2.5% رقم، علاوہ ڈیویڈنڈ سے حاصل ہونے والی آمدنی کے، مختلف سماجی اور انسانیت کی خدمت کے مقاصد کیلئے عطیہ کرتا ہے۔

ہمارے ذیلی ادارے انٹرنیشنل اسٹیل لمیٹڈ (ISL) نے 2,664 ملین روپے کا PAT حاصل کیا۔ اس کی مجموعی آمدنی گزشتہ سال کی رقم 56 بلین روپے سے بڑھ کر اس سال 65 بلین روپے ہوئی۔ کمپنی نے جون 2019 تک اپنے تمام منصوبوں کی توسیع مکمل کرلی۔

بورڈ کی کارکردگی

گزشتہ بورڈ کی مدت 2016 کو ختم ہوگئی تھی اور نیا بورڈ 3 سال کی مدت کیلئے منتخب کیا گیا تھا جس کی مدت 30 ستمبر 2019 کو پوری ہورہی ہے۔ بورڈ آف ڈائریکٹرز 9 ڈائریکٹرز پر مشتمل ہے۔

بورڈ نے اپنے فرائض اور ذمہ داریاں احسن طریقے سے نبھائیں اور حکمت عملی کے معاملات میں کمپنی کی موثر رہنمائی کی۔ بورڈ نے انتظامیہ کی کارکردگی کو مانیٹر کرنے اور بڑے خدشات کے حصوں کی نشاندہی کرنے میں بھی اہم کردار ادا کیا۔ بورڈ حکمت عملی

DIRECTORS' REPORT

The Directors of the Company are pleased to present their report along with the audited Financial Statements of the Company for the year ended June 30, 2019.

BOARD COMPOSITION & REMUNERATION

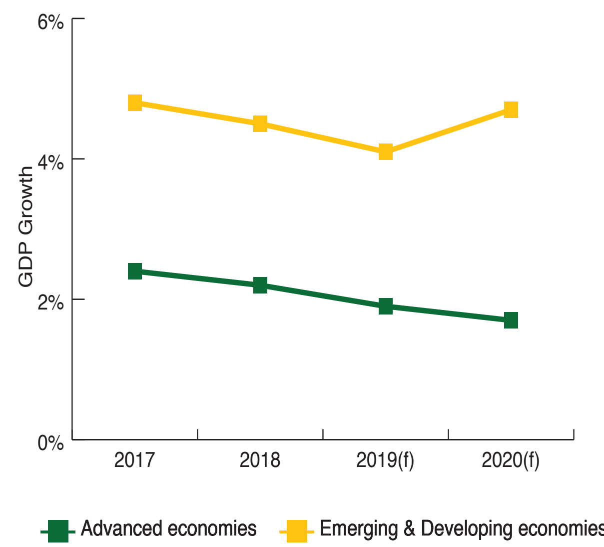
Composition of the Board and the names of Members of Board sub-committees are disclosed on Page No. 16 and 88 (Corporate Governance section). The Company has a formal policy and transparent procedures for remuneration of its Directors in accordance with the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017.

GLOBAL MACROECONOMIC OUTLOOK

The world economy grew by 3.6% in 2018 as per IMF World Economic Outlook (WEO) estimates. This represents a slowdown compared to the 3.8% growth recorded over the preceding year. However, growth projections for the remaining months of 2019 present an uphill task for both advanced and developing economies as world GDP growth is projected to slow down to 3.2% before recovering in the subsequent years. Growth in developing economies is projected to rebound in 2020.

GDP Growth (%) - Advanced vs. Emerging & Developing

2017 – 2020 (f)



Source: IMF World Economic Outlook, July 2019

Escalating trade tensions between the US and China, risks emanating from a no-deal Brexit, dismal growth in Europe and rising geopolitical tensions and ongoing conflicts have remained the key challenges that have shaped economic activity over the outgoing year. As a result, growth in global trade in goods and services was down significantly from 5.5% in 2017 to 3.7% in 2018; projections for 2019 also remain pessimistic. In light of this, central banks in advanced economies have signaled a softer monetary policy stance in order to stimulate aggregate demand. Whereas problems in Europe are due to deeper demographic trends, developing and other export-oriented nations, other than India and China, either face country specific internal and/or geopolitical issues or barriers to trade. We expect the year ahead to remain challenging for all economies.

DOMESTIC ECONOMY

FY 2018-19 saw domestic GDP grow at a rate of 3.3% compared to 5.8% during the preceding year. Although the deep structural issues afflicting the economy had started re-surfacing towards the end of 2018, the fallout was felt widely across the country during the outgoing financial year. **The manufacturing industry was particularly affected, with Large Scale Manufacturing (LSM) declining by 2.9% during the Jul-Mar FY 2018-19 period vs. 6.3% in the corresponding period in FY 2017-18**. Iron and steel and associated industries such as cement, building and construction and automotive form a large part of the LSM sector; these industries now face the challenge of shouldering significantly higher financing costs, reduced end user purchasing power and lower PSDP expenditures to fuel their sales. The Government has however managed to make the difficult decisions required to get the economy back on a sustainable growth track. Under these circumstances we expect economic activity to remain at the current level for the next two years.

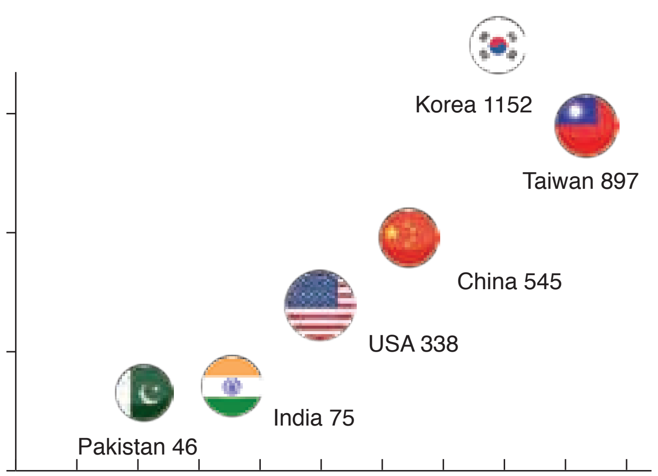
The formidable challenge that the new government now faces is raising aggregate demand in a high interest rate environment with limited fiscal space. Furthermore, undertaking reforms and passing new legislation without a solid majority will remain a challenge for the remainder of the governments term. External security challenges in the shape of Afghanistan, the US-Iran standoff and Kashmir, have added a further layer of uncertainty.

Despite the tough conditions, we expect the government to not deter from pursuing sustainable policies in order to build a lasting foundation for future economic and political stability. Documentation of the economy and enhancing the tax base is proving to be a painful undertaking in the short-term, however, the country as a whole and the organized sector in particular stand to benefit from such measures in the long run. **Here we reiterate the importance of the full implementation of a cascading tariff structure across the steel value chain and will continue to urge the government to ensure the presence of a level playing field in order to support the growth and development of the manufacturing industry**.

We remain hopeful that despite the immense economic, political and security challenges the country is facing, initiatives such as the government's highly publicized housing scheme and other water and energy distribution projects shall provide opportunities for growth ahead.

The World Steel Association's assessment of steel consumption for 2018 indicates a world average of approximately 228 kg/capita. As **Pakistan remains well below the world average at 46 kg/capita,** this indicates the immense potential for growth in the domestic steel manufacturing and processing industry.

Per Capita Steel Consumption

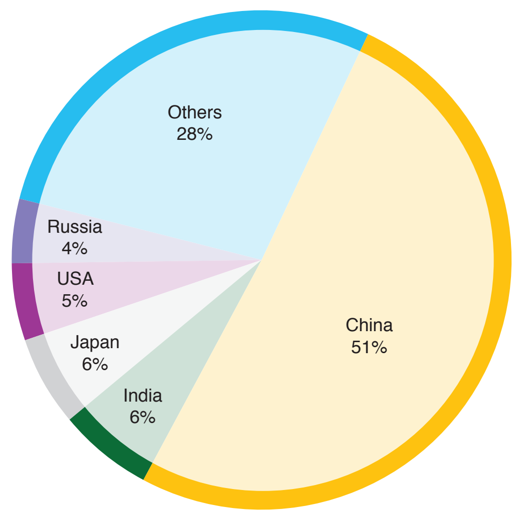


Kg per Capita, 2018
Source: World Steel Association, 2018

GLOBAL STEEL SCENARIO

World crude steel production was recorded at 1.81 billion metric tons (MT) in 2018, up a significant 4.5% compared to the previous year. China alone accounted for 923 million MT (up 6.6%), which is a significant increase from the preceding years and represents roughly 51% of global crude steel. Other major players include India (107 million MT), Japan (104 million MT), United States (87 million MT) and Russia (72 million MT).

Share of Global Crude Steel Production (%)



2018

Source: World Steel Association, 2018

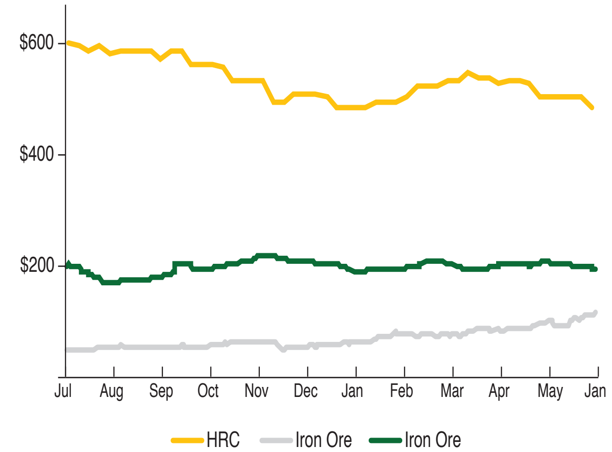
Following the imposition of Section 232 tariffs on steel and aluminum products by the United States last year, and in order to address the diversion of steel from other countries to the EU market, the European Commission announced provisional safeguard measures on steel products entering the EU in mid-2018. In February 2019, definitive safeguarding measures on imports of 26 categories of steel products were imposed. With these major developments over the last two years, **the two biggest net importers of steel products in the world, i.e. the US and the EU, have effectively been shut out for major steel exporters.**

Chinese steelmakers enjoyed record production growth of 6.6% in 2018 due to strong domestic demand and stimulus measures provided by the government. This record growth may also signal that the Chinese steel industry is gradually overcoming the environmental constraints imposed by the government. However, subsequently, steelmakers' margins started moderating towards the end of FY 2018-19 as the price of seaborne iron ore doubled from $60/MT to almost $120/MT. With margins now under pressure, we may witness cutbacks and lower prices moving ahead.

Hot Rolled Coil prices started FY 2018-19 at roughly $620/MT level, however the threat of protectionism, trade tensions, lack of export growth and slowing GDP growth in China and the rest of the world pushed prices down to $500/MT towards the end of the year.

Apart from market demand and supply factors, the primary raw materials affecting the cost of steel include, iron ore, coking coal and steel scrap.

Iron Ore, Coking Coal and Hot Rolled Steel Coil Price



July 2018 – June 2019, USD per Ton

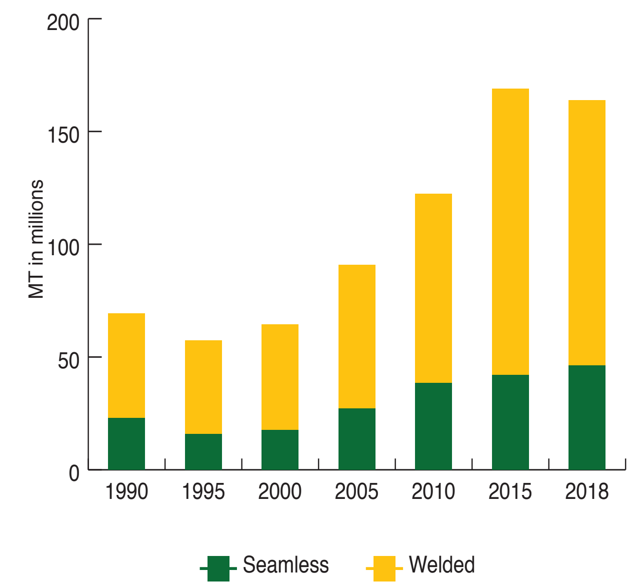
Source: Metal Bulletin

With new capacities having come online, steel production in Pakistan was rising steadily up until 2018. However, the political and financial crisis has resulted in a major slowdown in growth during the year. Although the adjustment phase is expected to last up to 2 years, Pakistan's demographic profile indicates that energy, infrastructure, automotive, white goods and raw material demand will support steel demand in the medium to long term.

Steel Tube and Pipe Industry

The global steel tube and pipe industry manufactures a broad range of welded and seamless pipes and tubes. Steel pipes are used primarily in oil, gas, water and fluid transmission and distribution, and various fencing and fabrication-related applications. Structural pipes and hollow sections are used for high strength applications in the construction industry, whereas cold rolled steel tubing is used in automotive, home appliance manufacturing and various furniture and fabrication related applications.

World Welded vs. Seamless pipe consumption



Metric Tons (MT) in millions, 2018

Source: OECD

World production of steel tubes and pipes was around 164 million MT in 2018, which represents roughly 9% of total world crude steel output. Welded tubes and pipes represent 72% of total tube and pipe consumption. Global trade in steel tube and pipes was approximately 41 million MT in 2018. **Pakistan's steel tube and pipe market size is estimated at approximately 780,000 MT out of a total steel market size of 9 million MT.** The domestic steel tube and pipe market is highly fragmented and consists of a large number of small to medium sized manufacturers, spread all over the country.

Stainless Steel

Global production of stainless steel was approximately 51 million MT in 2018 compared to

48 million MT in 2017. Output continues to grow aggressively at a CAGR of close to 6% over the last 5 years. **As with carbon steel, China dominates the stainless steel market, producing approximately 53% of world output.**

Stainless steel pipes and tubes are typically suited for end uses that require high corrosion and temperature resistance, as well as aesthetic appeal. Major end uses of stainless steel pipes and tubes include:

- Chemical and petrochemical processing
- Liquid natural gas piping
- White goods and household utensils
- Automotive exhaust systems
- Construction - offshore and humid environments
- Food and pharmaceutical processing
- Desalination and wastewater projects

300 Series stainless steel and its constituent grades comprise 55% of global stainless steel production and are widely used in various applications due to high Nickel content, which reduces corrosion rate. 300 Series pipes and tubes are the flagship products in your Company's stainless steel product line.

Pakistan's average stainless steel consumption is approximately 0.5 kg/capita compared to the world average of 5.7 kg/capita, indicating high potential for growth in this particular segment.

OBJECTIVES, STRATEGIES AND CRITICAL PERFORMANCE INDICATORS

IIL's core motive is to attain overall corporate and strategic objectives and to adopt preeminent global practices while playing a crucial role in the steel industry. The Company strives to grow and to improve its processes to ensure maximum return for its shareholders.

Detailed analysis of IIL's objectives, strategies and critical performance indicators can be found on Page No. 40.

COMPANY OPERATIONS

Market Share

Your company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes and Black and Polymer Pipes and has the largest product range in its relevant segments. The Company enjoys durable loyalty from its customers, dealers and business partners. Our Polymers segment caters to water and gas transmission and distribution, and telecommunication applications, and the Company is continuously evolving to meet the demands of its customers.

Gross Sales

Your Company's gross sales volume declined 19% from the last year while our gross turnover was Rs. 30.7 billion (2018: Rs. 30.7 billion).

Domestic Steel Sales

Your Company's gross domestic sales for year were Rs. 26.5 billion (2018: Rs. 26.2 billion). Domestic sales volume was down over the previous year on account of the prevailing tough economic climate. **The major sectors adversely impacting our steel sales were real estate and construction and automotive.**

Our flagship line of GI Pipes continued to perform well due to limited exposure to cyclical industries. However, demand for commercial grade CR Tubing and Black Pipes remained soft owing to falling demand from the automotive and construction and real estate sectors respectively. Although our participation in gas utility companies' API tenders was significant during the year, volume-wise, business generated from this segment was lower than last year.

Notwithstanding the above, we actively continue to enhance commercial and institutional customer engagement via nationwide events, participation in trade exhibitions, sponsorships and direct engagement mechanisms to positive effect.

Export Steel Sales

Your Company's gross export sales turnover for year was Rs. 4.2 billion (2018: Rs. 4.5 billion). Export sales volumes were however visibly lower as protectionism in key international markets limited the scope for exports. We expect to regain competitiveness with the steep decline in the value of the Rupee over the outgoing year; however, the introduction of new and higher value-added products will be our primary thrust in re-gaining lost market share going forward, for which we are adequately prepared.

Further, **we are actively evaluating international partners for the purpose of establishing joint ventures in order to fully exploit export potential; we were successful in concluded an MoU signing with one such international partner in the last quarter of the outgoing year.**

Despite tough international business conditions, we remain one of the largest exporters of engineering products in Pakistan, and in keeping with tradition IIL received the FPCCI Best Export Performance Award 2018 for the 19th consecutive year in the engineering products (mechanical) segment during the year.

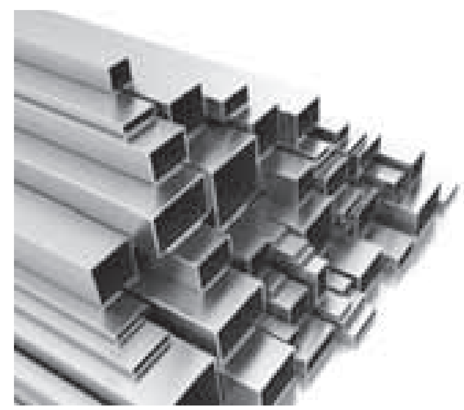
IIL Australia Pty Limited

IIL Australia continues to grow and establish itself as a reliable brand in Australia, with steady volumes and healthy margins. Net turnover of IIL Australia Pty Limited was AUD 15.5 million, compared to AUD 17.4 million in the previous year. The decline in turnover reflects the loss of a significant customer account. However, the Company continues to expand its network and build a sustainable customer base; a new office and larger warehousing premises in Melbourne has been established with increased staff strength.

We are proud to announce that IIL Australia Pty Limited was named the Best Local Business in the Manufacturing Segment of Casey Cardinia Business Awards 2018 (CCBA) during the year, a significant achievement from a relatively new organization in Australia, and a first for a Pakistan origin Company.

Stainless Steel Sales

Stainless Steel Tube sales of the Company remained stable. Our state-of-the-art stainless steel tube mills and polishing machines were received and commissioned at the factory this year. With the new additions we expect to significantly enhance our market share in new SS Tube shapes and sizes.



Polymer Sales

The Company's polymer sales volume was down approximately 10% over the previous year. Net revenue for the year was Rs. 2,391 million (2018: Rs. 2,209 million) with gross profit of Rs. 220 million (2018: Rs. 216 million). Although lower than last year, tender-based business constituted a significant portion of overall polymer sales. Being one of a handful of API certified polymer mills in the world today, we continue our efforts to persuade SSGC and SNGPL to implement the same supplier evaluation and safety protocols on polymer pipe as they do with API Steel Pipes by way of procuring only API certified polymer pipe in line with best practices. This year we manufactured and delivered a 1600mm diameter HDPE water pipe which is the largest HDPE pipe made in Pakistan.

Our newly constructed Polymer manufacturing facility in Sheikhupura was formally inaugurated in June 2019. This factory supplements our Karachi Polymer factory, which too has been relocated to bigger premises. The new state-of-the-art Polymer factory, one of the largest in the country, is strategically located between the densely populated urban centers of Lahore, Faisalabad and Gujranwala, allowing for shorter lead times for our customers in the northern parts of the country. The factory is fully equipped to manufacture our entire polymer pipe and fitting product range. The results of our comprehensive marketing efforts for our PPRC pipes & fittings, including prominent nationwide launch events, TVC and social media campaigns, have increased sales almost 3-fold over last year. We continue working towards developing the same customer-centric approach in this segment that is associated with our brand name in the steel segment.

The proliferation of inferior quality polymer products in Pakistan makes sales and marketing of premium quality products to customers with little or no product knowledge a formidable challenge. The management is however committed to continue its efforts to create awareness about quality standards and the long-term health implications of using sub-standard polymer pipe systems. We continue to supply key institutional clients with premium quality water and duct pipes; however, the commercial market remains a challenge where cheap, substandard product is available in abundance.

PRODUCTION

No significant production related issues were experienced during the year. We upgraded two galvanizing plants during the year in order to reduce fume emissions and make operations cleaner and more efficient. The upgrades will also allow us to galvanize a broader range of our products.

FINANCIAL REVIEW

Company Results

The Company posted net revenue of Rs. 25,750 million, which was at same level as last year, earning gross profit of Rs. 2,602 million, Profit Before Tax of Rs. 2,093 million and Profit After Tax of Rs. 1,575 million. Earnings Per Share for the year were Rs. 13.13. The operating profit was lower than last year on account of substantial decline in sales volumes.

Cost of Goods Sold for the year at Rs. 23,149 million was 2.3% higher than last year.

Selling and Distribution Expenses of Rs. 917 million were 19% lower than last year while Administrative Expenses of Rs. 296 million were 0.9% lower than last year.

Other Operating Charges of Rs. 98 million were 43% lower than last year. Other Income of Rs. 1,733 million showed an increase of Rs. 96% mainly due to Rs. 1,103 million dividend income received from International Steels Limited (ISL) during the year.

Financial Charges during the year increased by Rs. 483 million which is 109% higher than last year, primarily due to the rapidly rising cost of borrowing over the year.

Segment Review

Net revenue from the Steel segment stood at Rs. 23,360 million, yielding gross profit of Rs. 2,382 million. Net revenue from Polymer Segment was Rs. 2,391 million, yielding gross profit of Rs. 220 million.

Cash Flow Management and Borrowing Strategy

The Company's cash flow management system projects cash inflows and outflows on a regular basis and monitors the cash position on a daily basis. We were successful this year in generating a positive cash flow from our operations.

During the year 2018-19, the weighted average cost of borrowing, including exchange losses, was 2.7% higher than last year.

Capital Structure

Debt to Equity ratio on June 30th, 2019 was 61:39 compared to 60:40 as on June 30th, 2018.

DIVIDEND

The Board of Directors has recommended a final cash dividend of Rs 3.00 (30%) per share and 10% bonus shares. With the interim dividend of Rs. 2.50 (25%) per share already paid during the year, **the total cash dividend for the year 2019 amounts to Rs. 5.50 (55%)** (2018: Rs 8.5) per ordinary share of Rs 10 each. The total profit distributed by way of cash dividend amounts to 42% (2018: 64%) of profit after tax in addition to 10% bonus share (2018: Nil).

AUDITORS

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants retire and offer themselves for re-appointment. They have confirmed achieving satisfactory rating from Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of International Federation of Accountants (IFAC) as adopted by ICAP.

The Board of Directors has recommended their re-appointment as auditors of the Company for the year ending June 30, 2020, at a fee to be mutually agreed.

The recommendations of the Audit Committee for appointment of an auditor may be referred to on Page No. 93 (Report of the Audit Committee on adherence to the Code of Corporate Governance).

SOCIAL IMPACT

IIL prides itself in being a responsible corporate citizen and positive contributor to the communities in which it operates and society at large. A detailed look into IIL's social, philanthropic and environmental protection initiatives can be found in the 'Group Sustainability Report' provided in the enclosed Disk CD and is also available on the Company's website (www.iil.com.pk).

HUMAN RESOURCE MANAGEMENT

IIL believes that employees are its biggest assets. Empowering staff with meaningful roles, challenging assignments and world class learning platforms have paved the way for a more purpose-driven organization. The Company has taken several initiatives during the year for well-being of the employees, a few of which are as follows:

Industrial Relations
The bilateral negotiation with the labour union is due to commence on October 1, 2019. We are hopeful that the union will also be cognizant of the economic situation and play their part with reasonable demands.

Long Service Awards
Our Long Service Award ceremony was held for the staff members completing service years' milestones on June 30th, 2019. Overall 42 management and 78 non-management staff were given Long Service Awards by the CEO.

Apprenticeship Training Program
Our Apprenticeship Training Program was expanded and apprentices are currently obtaining training at all three company factories.

Recreational Activities
At IIL we pride ourselves in promoting a culture that encourages work-life balance. To support this, employees and their families are provided with various avenues for recreation and entertainment. Some notable events held during the year include:

- Managers' dinners in Karachi and Lahore
- Long Service Award distribution ceremonies
- Employee theatre nights in Karachi and Islamabad
- Group cricket tournament
- Motorcycle Helmet Distribution

Gratuity Scheme and Provident Funds
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 un-audited values of the Provident and the Gratuity Funds at the year-end were Rs. 398 million and Rs. 438 million respectively.

Employment of Special Persons
Complying with the legal requirement to hire physically handicapped persons, IIL's workforce includes 20 such special people.

Training
During FY 2018-19, 42 in-house sessions were conducted for 920 employees on various technical topics including Special Process Training on Injection Moulding, HF Welding and Seam Annealing, Extrusion, Tube Mills Setting and Roll Gauging, TIG Welding, Using Mitsubishi/ Siemens PLCs for Fault Finding, Operations / Maintenance of DC Motors and DC Driver, Quality Management Systems, Basic Quality Tools, and their application in IIL, Safe Crane Operations, Extrusion Process, Pickling Process, Risk Assessment and Preventive Measures, API Standards, API Standard 5L B 45th edition, Eddy Check System. In addition, 25 employees attended external (local and foreign) programs at various well-reputed institutes.

Succession Planning
The Company has formulated a succession plan, which includes performance evaluation and appropriate training requirements for the development of future leaders. This means recruiting employees, developing their knowledge and skill sets and preparing them for advancement or promotion into more challenging roles.

Occupational Health, Safety and Environment Systems (OHSE)
The health and safety of employees is crucial at IIL. We are responsible for providing a healthy and injury-free environment to our employees and contractors, and we strive to achieve this through our OHSE Management System (Occupational Health Safety and Environment System) that is implemented by the HSE Department. In order to improve the safety standards and to prevent any unsafe incident at work, the HSE Department distributed safety helmets, harness, gloves, shoes and other safety gadgets to its workforce and provided them various trainings as part of their recurring function. A well-equipped gym is situated at the IIL factory premises in order to encourage employees to focus on health and wellbeing.

Contribution to the National Exchequer
Your Company is registered with the Large Taxpayers Unit (LTU) and contributed over Rs. 5.2 billion towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year.

INTERNAL CONTROL FRAMEWORK
The Board has in place an effective Internal Control framework which may be referred on Page No. 82 (Internal Control Framework).

RISK, OPPORTUNITY AND MITIGATION REPORT
IIL endeavors to continuously explore new and complementary business opportunities to add value to its existing business, while keeping a close eye on present and emergent risks. We continue to develop our capacity to anticipate risks and create strategies to mitigate or minimize these risks. A detailed Risk and Opportunity Report is presented on Page No. 44 for further reference.

Axle load restrictions proposed by the NHA that are in the process of being implemented, pose a significant risk for a large proportion of the manufacturing sector. The demand-supply gap that is expected to arise as a result of the implementation of this policy is expected to drive transportation costs up two to three-fold. To clarify, however, this policy would not impact any single company or industry but rather to the whole economy.

The Canadian Border Services Agency (CBSA) and Canadian International Trade Tribunal (CITT) has commenced a preliminary injury and dumping inquiry against the import of Circular Welded Steel Pipe into the Canadian market from Pakistan. A decision has just been announced on our appeal for re-determination of normal values for exports to Canada and we are hopeful of being able to resume our exports to Canada.

IIL has signed an agreement with Browns Investment PIC in Sri Lanka and are currently in the process of getting regularity requirements fulfilled in both countries as we endeavor to set up a manufacturing facility in Sri Lanka.

RELATIONSHIP WITH STAKEHOLDERS
IIL greatly values all of its stakeholders and endeavors to sustain an amicable relationship with them via effective and timely communication and interaction. Please refer to Page No. 42 for a detailed Stakeholder Engagement analysis.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

Quarterly unaudited financial statements of the Company along with Director's Review, were approved, published and circulated to the shareholders on a timely basis. Half-yearly financial statements were subjected to a limited scope review by the statutory auditors. This annual financial statement has been audited by the external auditors and approved by the Board and will be presented to the shareholders at Annual General Meeting for approval. Periodic financial statements of the Company were circulated to Directors duly endorsed by the CEO and the CFO. Half-yearly and annual financial statements were initialed by the external auditors before presenting it to the Audit Committee and the Board of Directors for approval.

The Company has won 2nd award for the Best Corporate Report 2018 by the ICAP and ICMAP in the engineering and autos sector. The Company has also been awarded Certificate of Merit for the Best Sustainability Report 2018 by the ICAP and ICMAP.

Every year, the Pakistan Stock Exchange acknowledges the performance of the top companies shortlisted on the basis of comprehensive criteria, which includes (i) Capital Efficiency, (ii) Profitability, (in) Free-Float of Shares, (iv) Transparency, (v) Corporate Governance and Investors Relation and (vi) Compliance with Listing of Companies & Securities Regulations. The awards given by the Exchange to the top companies recognizes their excellent financial and managerial performance, thereby providing them inter-alia a powerful marketing tool.

The Company has made once again made it to this list of the top 25 companies for the year 2017 where we have come in at the 8th position.

CHIEF FINANCIAL OFFICER (CFO), COMPANY SECRETARY AND HEAD OF INTERNAL AUDIT

The Chief Financial Officer (CFO) and the Head of Internal Audit possess the requisite qualification and experience as prescribed in the Code of Corporate Governance while the Company Secretary possesses the requisite qualification and experience as prescribed in the Companies Act, 2017. The appointment, remuneration and terms and conditions of employment of CFO, the Company Secretary and the Head of Internal Audit were determined by the Board of Directors. The removal of CFO and Company Secretary, whenever applicable, is made with the approval of Board of Directors.

COMPLIANCE

At IIL, we are firmly committed to ensuring the highest level of good governance through the adoption of best business practices and standards. The Board reviews the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of the Code of Corporate Governance. All related party transactions are placed before the Audit Committee and upon recommendation of the Audit Committee, the same are placed before the Board for review and approval. The Board is strongly committed to maintaining a high standard of good corporate governance. For further details, refer to the Code of Corporate Governance section of this Report.

INFORMATION SYSTEMS AND RE-ENGINEERING

We are committed to the process of continuously upgrading and enhancing our IT infrastructure and moving towards greater process automation and a paperless environment. Additionally, we remain focused on working closely with end users in studying their day-to-day activities and finding opportunities to automate and streamline various tasks. In this regard, considerable effort was expended in analyzing business processes and reporting gaps in the Enterprise Resource Planning system through a series of discussions with business users.

VIS RATING

The rating exercise was conducted during the year and VIS has reaffirmed the long-term rating of AA- and short-term rating of A-1. We are also amongst a select few companies evaluated by VIS for grading on the basis of investment strength, governance and environmental and social responsibility.

INVESTMENTS

The Company holds 56.33% ownership interest in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. **ISL ended the financial year with sales volume in excess of 559,000 MT, Gross Sales of roughly Rs. 65 billion and PAT of Rs. 2.6 billion.** ISL successfully enhanced its cold-rolling capacity to over 1 million MT per annum in June 2018, subsequent to which, a continuous pickling line and additional annealing capacity were commissioned during the year under review. To add to this, ISL held a groundbreaking ceremony for one of two planned steel service centers in Port Qasim during the year, which will add value to its existing business.

Your Company also holds a 17.12% ownership interest in Pakistan Cables Limited (PCL), a company which it set up in 1953. PCL is a listed Company and is in the business of manufacturing copper rods, wires and cables, and is the country's first manufacturer of copper cables and wiring. PCL too is in the process of setting up a new factory in Nooriabad.

ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the entire IIL team for working tirelessly towards our targets despite the difficult financial climate that the country is facing. I would also like to record my gratitude to Mr. Mohsin Safdar, Director Operations, who recently retired after serving the Group for 38 years. We have all learnt much from his experience and shall remain ever grateful to him for his contribution towards building IIL to its current position.

Finally, I thank our all other stakeholders including our esteemed customers, suppliers and bankers for their commitment to the Company and look forward to sharing more successes with them in the coming years.

For and on behalf of the Board of Directors

Riyaz T. Chinoy
Chief Executive Officer

Karachi
Dated: August 21st, 2019

17.12% ملکیتی انٹرسٹ کی حامل ہے۔ پی سی ایل ایک لسٹڈ کمپنی ہے اور کاپر راڈز، وائرز اور کیبلز تیار کرنے کا کاروبار کرتی ہے۔ یہ ملک کی پہلی کاپر کیبل اور وائرز تیار کرنے والی کمپنی ہے۔ پی سی ایل نوری آباد میں ایک اور نئی فیکٹری لگانے کے مرحلے میں ہے۔

اعتراف

میں IIL کی پوری ٹیم کی انتھک محنت اور مخلصانہ کاوشوں پر شکرگزار ہوں جو انہوں نے ملک کو درپیش مالی مشکلات کے باوجود اپنے اہداف حاصل کرنے کیلئے انجام دیں۔ میں جناب محسن صفدر، ڈائریکٹر آپریشنز کا بھی شکریہ ادا کرتا ہوں جو 38 سال تک گروپ کی خدمات انجام دینے کے بعد حال ہی میں ریٹائر ہوئے ہیں۔ ہم سب نے ان کے تجربے سے بہت کچھ سیکھا ہے اور IIL کو موجودہ مقام تک پہنچانے میں ان کی خدمات کو ہمیشہ یاد رکھا جائے گا۔ آخر میں میں تمام اسٹیک ہولڈرز بشمول اپنے معزز صارفین، سپلائرز اور بینکرز کا ان کے کمپنی پر اعتماد اور تعاون کیلئے ممنون ہوں اور آنے والے سالوں میں مزید کامیابیوں کیلئے ان کے تعاون کا خواہشمند ہوں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

ریاض چنائے
چیف ایگزیکٹیو آفیسر

کراچی 21 اگست 2019

مالیاتی اسٹیٹمنٹس، جوسی ای او اور سی ایف او کی جانب سے توثیق شدہ ہیں، ڈائریکٹرز کو بھجوا دیئے گئے ہیں۔ششماہی اور سالانہ مالیاتی اسٹیٹمنٹس کو آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز کے سامنے پیش کرنے سے پہلے بیرونی آڈیٹرز نے ملاحظہ کیا ہے۔

کمپنی نے ICAP اور ICMAP کی جانب سے Best Corporate Report 2018 کا دوسرا ایوارڈ جیتا ہے۔کمپنی کو ICAP اور ICMAP کی جانب سے Best Sustainability Report پر سرٹیفکیٹ آف میرٹ کا ایوارڈ بھی دیا گیا ہے۔

پاکستان اسٹاک ایکسچینج ہر سال ٹاپ کمپنیز کی کارکردگی کا اعتراف کرتا ہے جن کو ایک جامع معیار کی بنیاد پر شارٹ لسٹ کیا جاتا ہے جس میں شامل ہے (i) کیپٹل ایفیشنسی (ii) منفعت (iii) شیئر کا آزادانہ بہاؤ، (iv) شفافیت (v) کارپورریٹ گورننس اینڈ انوسٹرز ریلیشن اور (vi) لسٹنگ آف کمپنیز اینڈ سیکورٹیز ریگولیشنز پر عمل درآمد۔ایکسچینج کی جانب سے ٹاپ کمپنیز کو دیئے گئے ایوارڈ کا مطلب ان کی بہترین مالیاتی اور منیجریل کارکردگی کو تسلیم کرنا اور اس کی مناسبت سے ایک طاقتور مارکیٹنگ کا ذریعہ فراہم کرنا ہے۔

کمپنی کو ایک مرتبہ پھر 2017 کی ٹاپ 25 کمپنیز میں شمار کیا گیا ہے جس میں ہم نے 8 ویں پوزیشن حاصل کی ہے۔

چیف فنانشل آفیسر (سی ایف او)، کمپنی سیکرٹری اور ہیڈ آف انٹرنل آڈٹ

چیف فنانشل آفیسر (سی ایف او) اور ہیڈ آف انٹرنل آڈٹ مطلوبہ قابلیت اور تجربہ کے حامل ہیں جیسا کہ کوڈ آف کارپوریٹ گورننس میں تجویز کیا گیا ہے جبکہ کمپنی سیکرٹری کمپنیز ایکٹ 2017 میں تجویز کردہ مطلوبہ قابلیت اور تجربہ کے حامل ہیں۔سی ایف او، کمپنی سیکرٹری اور ہیڈ آف انٹرنل آڈٹ کے تقرر، مشاہرے اور شرائط وضوابط کا تعین بورڈ آف ڈائریکٹرز کی جانب سے کیا گیا ہے۔سی ایف او اور کمپنی سیکرٹری کو ہٹانے، جب لاگو ہو، کیلئے بورڈ آف ڈائریکٹرز کی منظوری حاصل کی جاتی ہے۔

عمل درآمد

IIL میں، ہم بہترین کاروباری معمولات اختیار کرکے گڈ گورننس کے اعلیٰ ترین معیار کو یقینی بنانے کیلئے پرعزم ہیں۔بورڈ باقاعدگی کے ساتھ کمپنی کی حکمت عملی کے رخ اور کاروبار کی منصوبہ بندی کا جائزہ لیتا ہے۔آڈٹ کمیٹی کوڈ آف کارپوریٹ گورننس پر موثر عمل درآمد کیلئے بااختیار ہے۔تمام متعلقہ پارٹیز کے لین دین کو جائزے اور منظوری کیلئے بورڈ کے سامنے پیش کیا جاتا ہے۔بورڈ گڈ کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کیلئے پوری طرح پرعزم ہے۔مزید تفصیلات کیلئے اس رپورٹ کا کوڈ آف کارپوریٹ گورننس سیکشن ملاحظہ کریں۔

معلومات کے نظام اور ری انجینئرنگ

ہم اپنے آئی ٹی انفرااسٹرکچر کو مسلسل اپ گریڈ کرنے اور بڑھانے اور پروسیس کی زیادہ آٹومیشن اور بنا کاغذ ماحول کے فروغ کیلئے پرعزم ہیں۔اس کے علاوہ ہم حقیقی صارف کے ساتھ قریبی طور پر کام کرنے، ان کی روزمرہ کی سرگرمیوں کا مطالعہ کرنے اور مختلف کاموں کو خودکار بنانے اور ہمواری کے ساتھ کرنے پر توجہ مرکوز رکھتے ہیں۔اس سلسلے میں کاروباری طریقہء کار کے تجزیئے کیلئے مناسب کوششیں کرنے اور کاروبار کے صارفین کے ساتھ گفت وشنید کے ذریعہ انٹرپرائز ریسورس پلاننگ کو خلا کے بارے میں مطلع رکھتے ہیں۔

VIS ریٹنگ

سال کے دوران میں ریٹنگ کی مشق کی گئی اور VIS نے طویل مدت کیلئے -AA اور قلیل مدت کے لئے A-1 ریٹنگ کی دوبارہ تصدیق کی۔ ہم VIS کی چند منتخب کمپنیز میں شامل ہیں جو سرمایہ کاری کی قوت، گورننس اور ماحولیات اور سماجی ذمہ داری کی بنیاد پر گریڈنگ کیلئے VIS کی جانب سے جانچی جاتی ہیں۔

سرمایہ کاری

کمپنی اپنے ذیلی ادارے، انٹرنیشنل اسٹیلز لمیٹڈ (ISL) میں 56.33% ملکیتی انٹرسٹ کی حامل ہے جو فلیٹ اسٹیل پروڈکٹس کی پروسیسنگ کے کاروبار میں سرگرم عمل ہے۔مالی سال کے آخر میں آئی ایس ایل کی سیلز 559,000 MT سے زیادہ تھی، مجموعی سیلز کا تخمینہ 65 بلین روپے اور PAT تقریباً 2.6 بلین تھا۔ آئی ایس ایل نے جون 2018 میں اپنی کولڈ رولنگ کی گنجائش کو کامیابی کے ساتھ ایک ملین ایم ٹی سالانہ تک بڑھا لیا ہے۔اس کے بعد زیر جائزہ سال کے دوران میں ایک مسلسل پکلنگ لائن اور اضافی annealing کا اضافہ کیا گیا۔مزید یہ کہ آئی ایس ایل نے اس سال پورٹ قاسم پر اپنے دو پلان کئے گئے اسٹیل سروس سینٹرز میں سے ایک کی گراؤنڈ بریکنگ کی تقریب کا اہتمام کیا جو اس کے موجودہ کاروبار کی اقدار میں اضافہ کرے گی۔

آپ کی کمپنی 1953 میں قائم ہونے والی کمپنی پاکستان کیبلز لمیٹڈ (پی سی ایل) میں بھی

B 45th Edition، ایڈی چیک سسٹم کے بارے میں خصوصی ٹریننگ دی گئی۔اس کے علاوہ 25 ملازمین نے (ملکی اور غیر ملکی) معروف اداروں کے پروگراموں میں شرکت کی۔

کامیابی کی منصوبہ بندی

کمپنی نے کامیابی کا منصوبہ تشکیل دیا ہے جس میں کارکردگی کی جانچ، مستقبل کے قائدین کیلئے مناسب تربیت شامل ہے۔اس کا مطلب ہے افراد کو بھرتی کرنا، ان کے علم اور صلاحیت کو ڈیولپ کرنا اور ان کو پیش رفت کیلئے تیار کرنا یا زیادہ چیلنج والے کردار ادا کرنے کی تربیت دینا شامل ہیں۔

پیشہ ورانہ صحت، تحفظ اور ماحولیاتی نظام (OHSE)

IIL میں ملازمین کی صحت اور تحفظ نہایت اہمیت رکھتے ہیں۔ہم اپنے ملازمین اور کنٹریکٹرز کیلئے صحت مند اور بلاضرر ماحول فراہم کرنے کے ذمہ دار ہیں اور اپنے OHSE منیجمنٹ سسٹم (Occupational Health Safety & Environment System) کے ذریعہ اس ہدف کو حاصل کرنے میں کوشاں ہیں جو ایچ ایس ای ڈپارٹمنٹ نافذ کرتا ہے۔تحفظ کے معیار کو مزید بہتر بنانے اور کام کی جگہ پر کسی غیر محفوظ واقعہ سے بچاؤ کیلئے ایچ ایس ای ڈپارٹمنٹ نے اپنے افراد میں سیفٹی ہیلمٹ، ہارنس، دستانے، جوتے اور دوسرے حفاظتی گیجٹس تقسیم کئے ہیں اور ان کے کام سے متعلق مختلف تربیت کا اہتمام بھی کیا ہے۔IIL فیکٹری کی حدود میں ایک مکمل آراستہ جم بھی موجود ہے جو ملازمین کو اپنی صحت اور بھلائی کی حوصلہ افزائی کرتا ہے۔

قومی خزانے میں حصہ

آپ کی کمپنی لارج ٹیکس پیئرز یونٹ (ایل ٹی یو) کے ساتھ رجسٹرڈ ہے اور سال میں انکم ٹیکس، سیلز ٹیکس، دیگر ٹیکسز، ڈیوٹیز اور محصولات کی شکل میں قومی خزانے میں 5.2 بلین روپے جمع کرائے ہیں۔

اندرونی کنٹرول کا فریم ورک

بورڈ نے ایک موثر اندرونی کنٹرول کا فریم ورک تیار کیا ہے جو صفحہ نمبر ۔۔82۔ پر دیکھا جاسکتا ہے۔(اندرونی کنٹرول کا فریم ورک)

خدشات، مواقع اور ان کے تدارک کی رپورٹ

IIL اپنے موجودہ کاروبار کی اقدار میں اضافہ کیلئے مسلسل نئے اور تکمیلی کاروباری مواقع دریافت کرتا ہے جب کہ موجودہ اور متوقع خدشات پر بھی نظر رکھتا ہے۔ہم خدشات کو بھانپنے کی صلاحیتیں ابھارنے اور ان کو ختم کرنے یا کم سے کم کرنے کی حکمت عملی تخلیق کرنے میں مصروف عمل رہتے ہیں۔مزید حوالے کیلئے خدشات اور مواقع کی تفصیلات صفحہ نمبر ۔۔44۔ پر پیش کی گئی ہیں۔

این ایچ اے کی جانب سے مجوزہ ایکسل لوڈ کی پابندیاں عمل درآمد کے مرحلے میں ہیں جو مینوفیکچرنگ کے شعبہ کے ایک بڑے حصے میں نمایاں طور پر خدشات کے زیادہ امکانات رکھتی ہیں۔اس پالیسی پر عمل درآمد کے نتیجے میں طلب اور رسد کے فرق میں متوقع اضافے سے ٹرانسپورٹیشن کے اخراجات میں دو سے تین گنا اضافے کی توقع ہے۔تاہم، یہ پالیسی کسی ایک کمپنی یا صنعت پر ہی نہیں بلکہ پوری معیشت پر اثر انداز ہوگی۔

کینیڈین باڈر سروسز ایجنسی (C B S A) اور کینیڈین انٹرنیشنل ٹریڈ ٹریبونل (CITT) نے پاکستان کی جانب سے کینیڈین مارکیٹ میں سرکلر ویلڈڈ اسٹیل پائپ لائن کی درآمد کے خلاف ابتدائی ضرر رسانی سے متعلق انکوائری کی تھی۔اس سلسلے میں کینیڈا کو برآمدات کیلئے ہماری ایک اپیل پر فیصلے کا حال ہی میں اعلان ہوا ہے اور ہمیں امید ہے کہ جلد ہی کینیڈا کو برآمدات کا آغاز ہو جائے گا۔

IIL نے سری لنکا میں براؤنز انوسٹمنٹ PLC کے ساتھ ایک معاہدے پر دستخط کئے ہیں اور اس وقت ہم دونوں ممالک کی جانب سے قانونی تقاضے پورے کرنے کے مرحلے میں ہیں اور سری لنکا میں مینوفیکچرنگ فیسلٹی کے قیام کی تیاری کر رہے ہیں۔

اسٹیک ہولڈرز کے ساتھ تعلقات

IIL اپنے تمام اسٹیک ہولڈرز کی بڑی قدر کرتا ہے اور بروقت اور موثر رابطوں کے ذریعہ ان کے ساتھ ایک پائیدار تعلق برقرار رکھنے میں کوشاں ہے۔تفصیلی اسٹیک ہولڈر انگیجمنٹ کے تجزیئے کیلئے ملاحظہ کیجئے صفحہ نمبر۔42۔۔۔۔

سہ ماہی اور سالانہ مالیاتی اسٹیٹمنٹس

کمپنی کے غیر آڈٹ شدہ سہ ماہی اسٹیٹمنٹس مع ڈائریکٹرز کی رپورٹ، منظور، شائع اور بروقت شیئر ہولڈرز کو بھیج دیئے گئے ہیں۔ششماہی مالیاتی اسٹیٹمنٹس قانونی آڈیٹرز کے محدود جائزے کے اسکوپ سے مشروط ہیں۔اس سالانہ مالیاتی اسٹیٹمنٹ کا آڈٹ بیرونی آڈیٹرز کی جانب سے کیا گیا ہے اور اسے بورڈ نے منظور کرلیا ہے جو شیئر ہولڈرز کی منظوری کیلئے سالانہ اجلاس عام میں پیش کیا جائے گا۔کمپنی کے مختلف مدتوں کے

پروڈکشن

سال کے دوران میں پروڈکشن سے متعلق کوئی نمایاں مسائل پیش نہیں آئے۔ہم نے سال کے دوران میں دو گیلونائزڈ پلانٹس کو اپ گریڈ کیا تاکہ دھوئیں کے اخراج کو کم کیا جائے اور زیادہ صاف اور زیادہ مستعد آپریشنز ہو سکیں۔اپ گریڈ کرنے سے ہمیں اپنی پروڈکٹس کی زیادہ وسیع رینج کو گیلونائز کرنے کی بھی سہولت دستیاب ہوگی۔

مالیاتی جائزہ

کمپنی کے نتائج

کمپنی نے 25,750 ملین روپے کی نیٹ سیل پوسٹ کی ہے جو گزشتہ سال کی سیل کی سطح کے برابر ہے۔اس طرح 2,602 ملین روپے کا مجموعی منافع حاصل ہوا جب کہ قبل از ٹیکس منافع 2,093 ملین روپے اور بعد از ٹیکس منافع 1,575 ملین روپے رہا۔اس سال فی شیئر آمدنی 13.13 روپے ہوئی۔آپریٹنگ منافع گزشتہ سال کے مقابلے میں کم رہا کیونکہ سیلز کی والیم میں بڑی کمی آئی۔

سال کے دوران میں فروخت ہونے والے سامان کی قیمت 23,149 ملین روپے ہے جو گزشتہ سال کے مقابلے میں 2.3% زیادہ ہے۔فروخت اور تقسیم کاری کے اخراجات 917 ملین روپے ہوئے جو گزشتہ سال سے 19% کم ہیں جب کہ 296 ملین روپے کے انتظامی اخراجات گزشتہ سال کے مقابلے میں 0.9% کم رہے۔

دیگر آپریٹنگ چارجز کی مالیت 98 ملین روپے رہی جو گزشتہ سال کی مالیت سے 43% کم ہے۔دیگر آمدنی کی مد میں 1,733 ملین روپے حاصل ہوئے جو سال کے دوران میں انٹرنیشنل اسٹیلز لمیٹڈ (ISL) کی جانب سے 1,103 ملین روپے ڈیویڈنڈ کی آمدنی حاصل ہونے کے سبب 96% زیادہ رہے۔

سال کے دوران میں مالیاتی چارجز میں 483 ملین روپے کا اضافہ ہوا جو گزشتہ سال کے مقابلے میں 109% زیادہ ہے۔اس کی بنیادی وجہ سال کی مدت میں قرضہ جات کی لاگت میں تیزی سے ہونے والا اضافہ ہے۔

شعبہ جاتی جائزہ

اسٹیل کے شعبہ کی آمدنی 23,360 ملین روپے رہی جس کے نتیجے میں 2,382 ملین روپے کا منافع حاصل ہوا۔

پولیمر کے شعبہ سے 2,391 ملین روپے کی آمدنی حاصل ہوئی جس کے باعث مجموعی منافع 220 ملین روپے رہا۔

کیش فلو کے انتظامات اور قرضہ جات کی حکمت عملی

کمپنی کے کیش فلو کے انتظامات کا نظام باقاعدگی کے ساتھ داخلی بہاؤ اور خارجی بہاؤ کو ظاہر کرتا ہے اور کیش کی پوزیشن کو روزانہ کی بنیادوں پر مانیٹر کیا جاتا ہے۔ہم اس سال اپنے آپریشنز سے مثبت کیش فلو حاصل کرنے میں کامیاب رہے۔

سال 19-2018 کے دوران میں قرضہ کی اوسط لاگت بھاری رہی جس میں زرمبادلہ کے نقصانات شامل ہیں جو گزشتہ سال کے مقابلے میں 2.7% زیادہ رہے۔

کیپٹل اسٹرکچر

30 جون 2019 کو رقرضہ اور ایکویٹی کی نسبت 61:39 رہی جو 30 جون 2018 کو 60:40 تھی۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے 3.00 (30%) روپے فی شیئر کے حساب سے حتمی نقد منافع منقسمہ اور 10% بونس شیئر کی سفارش کی ہے۔جو عبوری نقد منافع منقسمہ (25%) 2.50 روپے فی شیئر کے حساب سے سال کے دوران میں پہلے ادا کیا جا چکا ہے۔اسطرح سال 2019 میں نقد منافع منقسمہ کی مجموعی رقم 5.50 (55%) روپے ہوئی (2018: 8.5 روپے) 10 روپے کے فی عمومی شیئر کے حساب سے رہی۔نقد منافع منقسمہ کی صورت میں تقسیم کئے گئے کل منافع کی رقم 42% رہی (2018: 64%) جو 10% بونس شیئر کے علاوہ ہے (2018: Nil)

آڈیٹرز

موجودہ آڈیٹرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہوگئے ہیں او رانہوں نے خود کو دوبارہ تقرر کیلئے پیش کیا ہے۔ان کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کی جانب سے تسلی بخش ریٹنگ کی تصدیق حاصل ہے اور انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے کوڈ آف ایتھکس کی رہنما ہدایات کی پیروی کی ہے جو ICAP نے اختیار کی ہے۔

بورڈ آف ڈائریکٹرز نے ان کو سال مختتمہ 30 جون 2020 کیلئے کمپنی کے آڈیٹر کے طور پر باہمی متفقہ فیس پر دوبارہ تقرر کی سفارش کی ہے۔

آڈٹ کمیٹی کی جانب سے آڈیٹر کے تقرر کی سفارشات صفحہ نمبر۔93۔ پر ملاحظہ کریں۔
(آڈٹ کمیٹی کی کوڈ آف کارپوریٹ گورننس کی پابندی کی رپورٹ)

سماجی تاثر

IIL کو اپنے ذمہ دار کارپوریٹ شہری ہونے اور اپنے اردگرد کی اور دیگر کمیونٹیز کیلئے خدمات فراہم کرنے پر فخر ہے۔

IIL کی سماجی،فلاحی اور ماحولیاتی تحفظ کے اقدامات کی تفصیل کمپیکٹ ڈسک میں گروپ سسٹین ایبلٹی رپورٹ میں فراہم کی گئی ہے اور کمپنی کی ویب سائٹ پر بھی دستیاب ہے۔

ہیومن ریسورس منیجمنٹ

IIL اس بات پر یقین رکھتی ہے کہ اس کے ملازمین اس کا سب سے بڑا سرمایہ ہیں۔اسٹاف کو بامعنی کردار کے ساتھ بااختیار بنانا،اسائنمنٹ کے چیلنجز اور ورلڈ کلاس سیکھنے کے پلیٹ فارم کے ذریعہ ادارے کو زیادہ بامقصد بنایا جاتا ہے۔کمپنی نے سال کے دوران میں اپنے ملازمین کی فلاح کیلئے کئی اقدامات اٹھائے ہیں جن میں سے چند درج ذیل ہیں:

صنعتی تعلقات

لیبر یونین کے ساتھ دوطرفہ گفت وشنید کا اہتمام یکم اکتوبر 2019 کو کیا جائے گا۔ہمیں امید ہے کہ یونین معاشی صورتحال سے بخوبی واقف ہے اور مناسب ڈیمانڈز پیش کرے گی۔

طویل عرصہ تک سروس کے ایوارڈز

30 جون 2019 تک طویل عرصہ تک خدمات انجام دینے والے اسٹاف ممبرز کو ایوارڈ دینے کی تقریب منعقد ہوئی۔اس میں مجموعی طور پر 42 انتظامیہ کے اور 78 غیر انتظامیہ کے اسٹاف کو سی ای او کی جانب سے ایوارڈز دیئے گئے۔

اپرنٹس شپ ٹریننگ پروگرام

ہمارے اپرنٹس شپ ٹریننگ پروگرام میں توسیع کی گئی ہے اور اس وقت ہماری کمپنی کی تینوں فیکٹریز میں ٹریننگ دی جا رہی ہے۔

تفریحی سرگرمیاں

IIL میں ہمیں ایک ایسے کلچر کے فروغ پر فخر ہے جس میں ورک لائف کو متوازن رکھنے کی حوصلہ افزائی کی جاتی ہے۔اس سلسلے میں ملازمین اور ان کے اہل خانہ کو تفریح اور انٹرٹینمنٹ کے مختلف مواقع فراہم کئے جاتے ہیں۔سال کے دوران میں منعقدہ بعض تقریبات یہ ہیں:

- کراچی اور لاہور میں منیجرز کیلئے ڈنر
- طویل عرصہ تک خدمات کی تقسیم ایوارڈز کی تقریب
- کراچی اور اسلام آباد میں ایمپلائی تھیٹر نائٹس
- گروپ کرکٹ ٹورنامنٹ

گریجویٹی اسکیم اور پراویڈنٹ فنڈز

کمپنی اپنے ملازمین کو ریٹائرمنٹ کے فوائد فراہم کرتی ہے۔ان میں تمام ملازمین ،علاوہ یونین کے اسٹاف کے لئے بلاشرکت گریجویٹی اسکیم اور ایک شرکت کے ساتھ پراویڈنٹ فنڈ کا فائدہ ہے۔دونوں پلان اتھارٹیز کی جانب سے منظور شدہ فنڈڈ اسکیمز ہیں۔

سال کے آخر میں پراویڈنٹ فنڈ اور گریجویٹی فنڈز کی رقم بالترتیب 398 ملین روپے اور 438 ملین روپے تھی۔

خصوصی افراد کیلئے ملازمت

جسمانی طور پر معذور افراد کو ملازمت کی فراہمی کے قانونی تقاضے کے مطابق IIL کی افرادی قوت میں 20 ایسے خصوصی افراد شامل ہیں۔

ٹریننگ

مالی سال 19-2018 میں 920 ملازمین کے لئے مختلف ٹیکنیکل موضوعات پر 42 ان ہاؤس سیشنز کا اہتمام کیا گیا جس میں انجکشن مولڈنگ، ایچ ایف ویلڈنگ اور Seam Annealing، ایکسٹروژن، ٹیوب ملز سیٹنگ اور رول گیجنگ، ٹی آئی جی ویلڈنگ، خرابی معلوم کرنے کیلئے مٹسوبیشی / سیمنس PLCs کے استعمال، ڈی سی موٹرز اور ڈی سی ڈرائیورز کے آپریشنز / دیکھ بھال، کوالٹی منیجمنٹ سسٹمز، بنیادی کوالٹی ٹولز اور IIL میں ان کے استعمال، محفوظ کرین آپریشن، ایکسٹروژن پروسیس، پکلنگ پروسیس، رسک اسیسمنٹ اور حفاظتی اقدامات، API معیارات، API معیاری 5 L

- کیمیکل اور پیٹرو کیمیکل پروسیسنگ
- لیکوئڈ قدرتی گیس پائپنگ
- وہائٹ گڈز اور گھریلو استعمال کے برتن
- آٹوموٹیو ایگزاسٹ سسٹم
- تعمیرات ۔ سمندر پار اور مرطوب ماحول میں
- فوڈ اور فارماسیوٹیکل پروسیسنگ
- پانی کی صفائی اور نکاسی کے منصوبے

300 سیریز اسٹین لیس اسٹیل اور اس پر مشتمل گریڈز دنیا کی کل اسٹیل پروڈکشن کا 55% ہیں اور یہ وسیع پیمانے پر مختلف جگہوں پر استعمال ہوتا ہے کیونکہ Nickel کی مقدار زیادہ ہونے کے سبب اس میں زنگ لگنے کا امکان بہت کم ہوتا ہے۔ 300 سیریز پائپس اور ٹیوبز آپ کی کمپنی کی اسٹین لیس اسٹیل کی پروڈکٹ لائن کی مایہ ناز پروڈکٹ ہیں۔

پاکستان میں اسٹین لیس اسٹیل کا اوسط استعمال تقریباً 0.5kg/Capita ہے جب کہ دنیا میں یہ شرح 5.7 kg/Capita ہے۔ اس سے یہ ظاہر ہوتا ہے کہ اس خاص شعبہ میں اضافہ کی کتنی زیادہ گنجائش ہے۔

اہداف، حکمت عملی اور قابل غور کارکردگی کے اشارے

IIL کا بنیادی مقصد کارپوریٹ اور حکمت عملی پر مبنی تمام اہداف کا حصول اور عالمی معمولات میں برتری حاصل کرنے کے ساتھ ساتھ اسٹیل کی صنعت میں اہم ترین کردار ادا کرنا ہے۔ کمپنی اپنی ترقی کے عمل کو بڑھانے اور اپنے پروسیسز کو بہتر سے بہتر کرنے میں کوشاں ہے تا کہ اس کے شیئر ہولڈرز کو زیادہ سے زیادہ آمدنی حاصل ہو۔ IIL کے اہداف، حکمت عملی اور قابل غور کارکردگی کا تفصیلی تجزیہ صفحہ نمبر 40 پر ملاحظہ کریں۔

کمپنی کے آپریشنز

مارکیٹ شیئر

آپ کی کمپنی مقامی مارکیٹ میں جی آئی پائپ، سی آر ٹیوبز اور بلیک اینڈ پولیمر پائپ کے لئے صف اول کی ٹیوب اینڈ پائپ مینوفیکچرر اور اس کے متعلقہ شعبہ جات میں پروکٹس کی ایک وسیع رینج کی حامل ہے۔ کمپنی کو اپنے صارفین، ڈیلرز اور کاروباری شرکاء کی پائیدار وفاداری پر ناز ہے۔ ہمارا پولیمر کا شعبہ پانی اور گیس کی ترسیل اور تقسیم اور ٹیلی کمیونی کیشن کے آلات کیلئے مختص ہے اور کمپنی اپنے صارفین کی طلب کو پورا کرنے کیلئے مسلسل کوشاں رہتی ہے۔

مجموعی سیلز

کمپنی کی مجموعی سیلز میں گزشتہ سال کے مقابلے میں 19% کمی واقع ہوئی جب کہ ہماری مجموعی آمدنی 30.7 بلین روپے رہی۔ (2018: 30.7 بلین روپے)

مقامی اسٹیل کی سیلز

اس سال آپ کی کمپنی کی مقامی طور پر اسٹیل کی سیلز 26.5 بلین روپے ہوئی (2018: 26.2 بلین روپے) مقامی سیلز کی والیم میں کمی کی وجہ سخت معاشی ماحول کا برقرار رہنا تھی۔ ہماری اسٹیل کی سیلز کو متاثر کرنے والے بڑے شعبہ جات میں رئیل اسٹیٹ اور تعمیرات اور آٹوموٹیو شامل ہیں۔

ہماری جی آئی پائپس کی صف اول کی لائن کی عمدہ کارکردگی جاری ہے جس کی وجہ cyclical کی صنعتوں کا محدود ایکسپوژر ہے۔ تاہم آٹوموٹیو اور تعمیر اور رئیل اسٹیٹ کے شعبہ جات کی جانب سے طلب میں کمی کے باعث کمرشل گریڈ کی CR Tubes and Black Pipes کی سیلز ہلکی رہی۔ اگرچہ سال کے دوران میں گیس یوٹیلیٹی کمپنیز کے اے پی آئی ٹینڈرز میں ہماری شمولیت نمایاں رہی مگر والیم کے لحاظ سے اس شعبہ میں ہمارا کاروبار گزشتہ سال سے کم رہا۔

درج بالا کے باوجود، ہم نے فعال طور پر ملک بھر میں تقریبات، تجارتی نمائشوں میں شرکت، اسپانسرشپس اور براہ راست مصروفیت کے طریقۂ کار کے ذریعہ مثبت تاثر قائم کر کے اپنے تجارتی اور ادارے کے صارفین کے ساتھ روابط میں مزید اضافہ کیا۔

اسٹیل کی برآمدات کی سیلز

اس سال آپ کی کمپنی کی مجموعی برآمدات کی سیلز کی آمدنی 4.2 بلین روپے رہی (2018: 4.5 بلین روپے)۔ تاہم سیلز کی برآمدات کی والیم نمایاں طور پر کم رہی کیونکہ بنیادی انٹرنیشنل مارکیٹس میں تحفظات کے باعث برآمدات کے اسکوپ کو محدود رکھا۔ ہمیں توقع ہے کہ گزشتہ سال کے مقابلے میں روپے کی قدر میں بڑی کمی کے ساتھ مسابقت کی فضا دوبارہ قائم ہوگی۔ تاہم نئی اور زیادہ ویلیو ایڈڈ پروڈکٹس متعارف کروانے سے ہم اپنے کھوئے ہوئے مارکیٹ شیئر کو دوبارہ حاصل کر لیں گے جس کے لئے ہم مناسب طور پر تیار ہیں۔

اس کے علاوہ ہم برآمدات کی گنجائش کو بھرپور طور پر دریافت کرنے کیلئے فعال طور پر جوائنٹ وینچر قائم کرنے کیلئے اپنے بین الاقوامی پارٹنرز کی جانچ کر رہے ہیں؛ اس سلسلے میں ہم گزرے سال کی آخری سہ ماہی میں اپنے ایسے کاروباری پارٹنر کے ساتھ MoU دستخط کرنے میں کامیاب ہوئے ہیں۔

سخت بین الاقوامی کاروباری حالات کے باوجود ہم پاکستان کے سب سے بڑے انجینئرنگ پروڈکٹس کے برآمد کنندگان میں رہے ہیں اور اپنی روایات برقرار رکھتے ہوئے IIL نے اس سال بھی انجینئرنگ پروڈکٹس (مکینیکل) میں مسلسل 19ویں سال کیلئے FPCCI Best Export Performance Award 2018 حاصل کیا ہے۔

IIL آسٹریلیا Pty لمیٹڈ

IIL آسٹریلیا ترقی کرنے اور مستحکم والیوم اور مضبوط مارجنز کے ساتھ آسٹریلیا میں ایک بھروسہ مند برانڈ کی حیثیت برقرار رکھنے کا سلسلہ جاری ہے۔ IIL آسٹریلیا Pty لمیٹڈ کی خالص آمدنی AUD 15.5 million رہی جو گزشتہ سال AUD 17.4 million تھی۔ آمدنی میں کمی سے ظاہر ہوتا ہے کہ صارفین کی تعداد میں نمایاں کمی ہوئی ہے۔ تاہم کمپنی کا اپنے نیٹ ورک کو توسیع دینے اور ایک مستحکم صارف کی بنیاد فراہم کرنے کا سلسلہ جاری ہے اور میلبورن میں اضافی عملے کی قوت کے ساتھ ایک نیا دفتر اور ویئر ہاؤسنگ ایک بڑی جگہ قائم کی گئی۔

ہمیں یہ بتاتے ہوئے فخر محسوس ہو رہا ہے کہ IIL آسٹریلیا Pty لمیٹڈ کو Casey Cardinia Business Awards 2018 (CCBA) کی جانب سے مینوفیکچرنگ کے شعبہ میں Best Local Business کا ایوارڈ حاصل ہوا ہے جو آسٹریلیا میں نسبتاً ایک نئے ادارے اور پاکستانی کمپنی کیلئے پہلی بڑی کامیابی ہے۔

اسٹین لیس اسٹیل کی فروخت

کمپنی کی اسٹین لیس اسٹیل ٹیوب کی فروخت مستحکم رہی۔ اس سال فیکٹری میں ہماری اسٹیٹ آف دی آرٹ ٹیوب ملز اور پالشنگ مشینز لائی گئیں اور ان پر کام کا آغاز کر دیا گیا۔ اس نئے اضافہ کے ساتھ ہم توقع رکھتے ہیں کہ نئی SS ٹیوب Shapes اور سائزز میں اپنے مارکیٹ شیئر میں نمایاں اضافہ حاصل ہوگا۔

پولیمر سیلز

کمپنی کی پولیمر کی سیلز میں گزشتہ سال کے مقابلے میں تقریباً 10% کمی ہوئی۔ اس سال مجموعی آمدنی 2.4 بلین روپے ہوئی (2018: 2.2 بلین روپے) مع مجموعی منافع 220 ملین روپے رہا (2018: 216 ملین روپے)۔ اگرچہ گزشتہ سال کے مقابلے میں ٹینڈر پر مبنی کاروبار میں بھی کمی آئی مگر مجموعی طور پر پولیمر کی سیلز کا حصہ نمایاں رہا۔ آج دنیا کی چند API سرٹیفائیڈ پولیمر ملز میں سے ایک ہونے کی بناء پر ہم نے SSGC اور SNGPL کو قائل کرنے کی کوششیں جاری رکھیں کہ وہ پولیمر پائپ کیلئے سپلائر کی جانچ اور سیفٹی پروٹوکول پر اسی طرح عمل درآمد کریں جو وہ API اسٹیل پائپس کیلئے کرتے ہیں کہ بہترین طرز عمل کے مطابق صرف API سرٹیفائیڈ پولیمر پائپس خریدیں۔ اس سال ہم نے 1600mm ڈایا میٹر کی HDPE واٹر پائپ تیار اور فراہم کیں جو پاکستان میں تیار کی جانے والی سب سے بڑی HDPE پائپ ہے۔

جون 2019 کو ہماری شیخوپورہ میں تعمیر کردہ نئی پولیمر مینوفیکچرنگ فیسلٹی کا رسمی افتتاح ہوا۔ یہ فیکٹری ہماری کراچی پولیمر فیکٹری کا ثانوی حصہ ہے جو کراچی میں ایک اور بڑی جگہ پر منتقل کی گئی ہے۔ یہ نئی اسٹیٹ آف دی آرٹ پولیمر فیکٹری، ملک کی سب سے بڑی فیکٹریز میں شمار ہوتی ہے، خاص طور پر لاہور، فیصل آباد اور گجرانوالہ کے گنجان آبادی والے علاقوں کے درمیان واقع ہے جہاں ملک کے شمالی حصوں کے صارفین کیلئے بھی کم وقت میں رسائی ممکن ہے۔ فیکٹری ہمارے تمام پولیمر پائپ اور فٹنگ پروڈکٹ رینج تیار کرنے کیلئے مکمل طور سے آراستہ ہے۔ ہماری PPRC پائپس اور فٹنگز کیلئے جامع مارکیٹنگ بشمول ملک بھر میں افتتاحی تقاریب، ٹی وی سی اور سوشل میڈیا کی مہمات سے گزشتہ سال کے مقابلے میں اس مرتبہ ہماری سیلز میں تین گنا اضافہ ہوا ہے۔ ہم اس شعبہ میں ایسی ہی صارفین پر مبنی طرز عمل کی ڈیولپمنٹ پر کام جاری رکھے ہوئے ہیں جو ہمارے اسٹیل کے شعبہ کے برانڈ کے ساتھ منسلک ہے۔

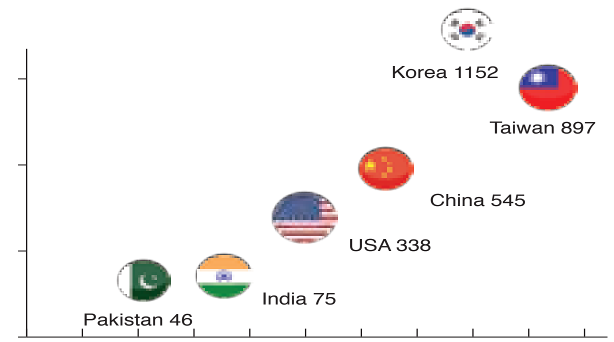
پاکستان میں کم تر معیار کی پولیمر پروڈکٹس کے پھیلاؤ کے سبب اعلیٰ معیار کی پروڈکٹس کی سیلز اور مارکیٹنگ کرنا ایک بڑا چیلنج ہے کیونکہ عام صارفین کو پروڈکٹ کے بارے میں بہت کم یا کوئی بھی معلومات نہیں ہیں۔ تاہم انتظامیہ طویل عرصہ تک معیارات اور کم تر معیار کے پولیمر پائپ سسٹمز استعمال کرنے سے صحت پر مرتب ہونے والے اثرات کے بارے میں آگہی پیدا کرنے میں اپنی کوششیں جاری رکھے ہوئے ہے۔ ہم بنیادی اداروں کے کلائنٹس کو مسلسل اعلیٰ معیار کی پانی اور نالی کی پروڈکٹس فراہم کر رہے ہیں تاہم تجارتی مارکیٹ کا چیلنج اپنی جگہ موجود ہے جہاں سستی، کم معیار کی پروڈکٹس کثرت سے دستیاب ہیں۔

استحکام کی مضبوط بنیاد رکھنے کیلئے اپنی مستحکم پالیسیز کی پیروی ترک نہیں کرے گی۔ معیشت کو دستاویزی حیثیت دینے اور ٹیکس نیٹ کو بڑھانے سے وقتی طور پر تو تکلیف محسوس ہورہی ہے لیکن مجموعی طور پر ملک اور خاص طور پر منظم شعبہ مستقبل میں اس کے فوائد سے بہرہ مند ہونے کیلئے تیار ہے۔ ہم یہاں پورے اسٹیل ویلیوچین میں ٹیرف کے ڈھانچے کو اوپر کی سطح سے نیچے کی طرف لانے پر مکمل عمل درآمد کی اہمیت کا اعادہ کرتے ہیں اور حکومت سے گزارش کرتے ہیں کہ وہ اس بات کو یقینی بنائے کہ سب کے لئے برابر کا موقع ملے تا کہ مینوفیکچرنگ کی صنعت کو ترقی اور ڈویلپمنٹ میں مدد ملے۔

ہم بہر حال پرامید ہیں کہ باوجود ملک کو درپیش معاشی، سیاسی اور سیکورٹی کے شدید چیلنجز کے مختلف اقدامات، جیسے حکومت کی شہرت یافتہ ہاؤسنگ اسکیم اور دیگر پانی اور توانائی کی تقسیم کے منصوبہ جات آئندہ ترقی کے مواقع فراہم کریں گے۔

ورلڈ اسٹیل ایسوسی ایشن کے 2018 کے اسٹیل کے استعمال کے اندازے سے ظاہر ہوتا ہے کہ دنیا بھر میں اس کے استعمال کی اوسط مقدار تقریباً 228 kg/capita ہے جب کہ پاکستان میں دنیا کی اس سطح سے بہت نیچے 46 kg/capita ہے۔ اس سے یہ بھی پتہ چلتا ہے کہ مقامی طور پر اسٹیل مینوفیکچرنگ اور پروسیسنگ کی صنعت میں ترقی کی بڑی گنجائش موجود ہے۔

فی کس اسٹیل کا استعمال



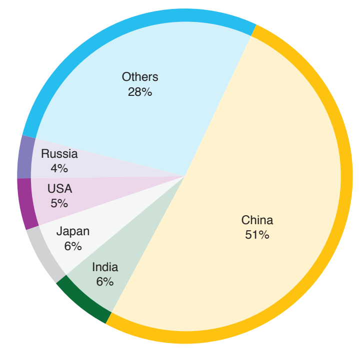
دنیا میں اسٹیل کے استعمال کا اوسط (2018): kg per Capita, 2018

ذریعہ: ورلڈ اسٹیل ایسوسی ایشن

اسٹیل کا عالمی منظر نامہ

2018 میں دنیا میں خام اسٹیل کی پیداوار 1.81 بلین میٹرک ٹن (MT) ریکارڈ کی گئی جو کہ گزشتہ سال کے مقابلے میں نمایاں طور پر 4.5% زیادہ ہے۔ صرف چین کی پیداوار 923 ملین ٹن MT (up to 6.6%) تھی جو کہ گزشتہ سالوں کے مقابلے میں نمایاں طور پر زیادہ تھی اور اندازاً دنیا کی خام اسٹیل کی پیداوار کا 51% تھی۔ دیگر بڑے تیار کنندگان میں انڈیا (107 Million MT)، جاپان (104 Million MT)، یونائیٹڈ اسٹیٹس (87 Million MT) اور روس (72 Million MT) شامل ہیں۔

عالمی خام اسٹیل کی پیداوار کا حصہ (%)، 2018



ذریعہ: ورلڈ اسٹیل ایسوسی ایشن

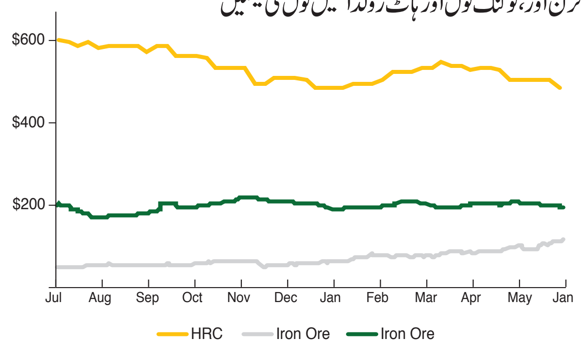
یونائیٹڈ اسٹیٹس کی جانب سے گزشتہ سال اسٹیل اور المونیم پروڈکٹس پر سیکشن 232 ٹیرف کے نفاذ کے بعد اور دیگر ممالک سے اسٹیل پروڈکٹس کی EU مارکیٹ کی طرف رخ بدلنے سے مقابلے کیلئے یورپین کمیشن نے 2018 کے وسط میں اسٹیل پروڈکٹس کے EU مارکیٹ میں داخلے پر عارضی حفاظتی اقدامات کا اعلان کیا۔ فروری 2019 میں اسٹیل کی 26 کیٹگریز کی درآمد پر قطعی حفاظتی اقدامات نافذ کردیے گئے۔ گزشتہ دو سالوں میں ان بڑے واقعات کے بعد دنیا میں اسٹیل پروڈکٹس کے دو سب سے بڑے درآمد کنندگان یعنی امریکہ اور ای یو نے مؤثر طور پر بڑے اسٹیل برآمد کنندگان کیلئے اپنے دروازے بند کردیے ہیں۔

چین کے اسٹیل تیار کرنے والوں نے 2018 میں 6.6% کی شرح سے پروڈکشن میں اضافہ کا شاندار ریکارڈ قائم کیا جس کی وجہ مقامی طور پر بھرپور طلب اور حکومت کی جانب سے فراہم کئے گئے پرکشش اقدامات تھے۔ یہ ریکارڈ اضافہ اس بات کا بھی اشارہ ہے کہ چین کی اسٹیل کی صنعت حکومت کی بعض رکاوٹوں پر رفتہ رفتہ قابو پالے گی۔ تاہم اس کے نتیجے میں 19-2018 میں اسٹیل تیار کرنے والوں کے مارجن میں کافی بہتری آئے گی کیونکہ سمندری راستے سے آئرن اور (Ore) کی قیمت $60/MT سے دگنی ہوکر تقریباً $120/MT ہوگی۔ اس وقت مارجن کے دباؤ کے ساتھ ہم کو مستقبل میں cutbacks اور قیمتوں میں کمی کا امکان نظر آرہا ہے۔

مالی سال 19-2018 میں ہاٹ رولڈ کوائل کی قیمتیں اندازاً $620/MT کی سطح سے شروع ہوئیں، تاہم تحفظ کے خطرات، تجارتی کشیدگیوں، برآمد میں اضافہ نہ ہونے اور چین اور باقی دنیا میں جی ڈی پی میں اضافہ میں سست روی کے باعث سال کے آخر تک قیمتیں کم ہوکر $500/MT تک آگئیں۔

مارکیٹ کی طلب اور رسد کے عوامل کے علاوہ ابتدائی خام میٹریل سے اسٹیل بشمول آئرن اور، کوکنگ کول (Coking Coal) اور اسٹیل اسکریپ کی قیمتوں پر بھی اثر پڑا۔

آئرن اور، کوکنگ کول اور ہاٹ رولڈ اسٹیل کول کی قیمتیں



جولائی 2018 - جون 2019، USD فی ٹن

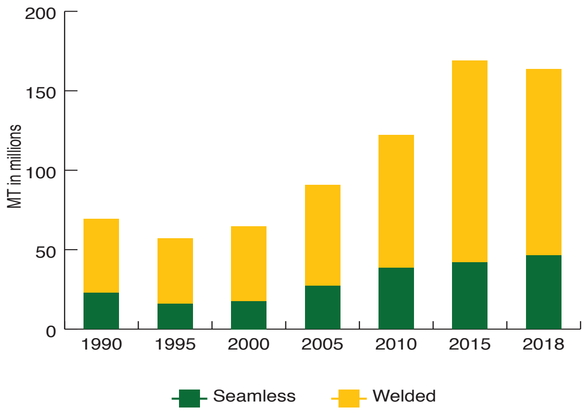
ذریعہ: Metal Bulletin

نئی گنجائشیں پیدا ہونے سے 2018 تک پاکستان میں اسٹیل کی تیاری میں تیزی سے اضافہ ہونے لگا۔ تاہم سیاسی اور مالی بحران کے نتیجے میں سال کے دوران میں اضافے کے عمل میں خاصی کمی آئی۔ اگر چہ ایڈجسٹمنٹ کی مدت کا اندازہ دو سال کیا جارہا ہے، پاکستان کی ڈیموگرافک پروفائل سے ظاہر ہوتا ہے کہ اوسط اور طویل مدت میں توانائی، انفرااسٹرکچر، آٹوموٹیو، وہائٹ گڈز اور خام مال کی طلب اسٹیل کی طلب میں اضافہ کیلئے معاون ثابت ہوگی۔

اسٹیل ٹیوب اور پائپ کی صنعت

عالمی سطح پر ٹیوب اور پائپ کی صنعت ویلڈ ڈ اور ہموار پائپس اور ٹیوبز کی بڑی رینج تیار کرتی ہے۔ اسٹیل پائپس بنیادی طور پر آئل، گیس، پانی اور فلوڈ کی ترسیل اور تقسیم کے علاوہ مختلف فینسنگ اور فیبریکیشن سے متعلق مقاصد کیلئے استعمال ہوتے ہیں۔ اسٹرکچرل پائپس اور hollow sections کے شعبہ جات تعمیرات کی صنعت میں مضبوطی کیلئے استعمال ہوتے ہیں جب کہ کولڈ رولڈ اسٹیل ٹیوبنگ آٹوموٹیو، گھریلو اشیاء کے سامان کی تیاری اور مختلف فرنیچر اور فیبریکیشن سے متعلق شعبہ جات میں استعمال کی جاتی ہیں۔

دنیا میں ویلڈ ڈ بمقابلہ ہموار پائپ



استعمال۔ ملین میٹرک ٹن (MT) میں، 2018

ذریعہ: OECD

2018 میں دنیا میں اسٹیل ٹیوبز اور پائپس کی پیداوار تقریباً 164 million MT ہوئی جو دنیا کی کل خام اسٹیل کی پیداوار کا اندازاً 9% ہے۔ ویلڈ ڈ ٹیوبز اور پائپس کی شرح مجموعی ٹیوبز اور پائپس کے استعمال کا 72% تھی۔ 2018 میں اسٹیل ٹیوبز اور پائپس کی عالمی تجارت تقریباً 41 million MT رہی۔ پاکستان میں اسٹیل ٹیوب اور پائپ کی مارکیٹ کے حجم کا تخمینہ 780,000 MT لگایا گیا ہے جب کہ اسٹیل مارکیٹ کا مجموعی سائز 9 million MT تھا۔ مقامی طور پر اسٹیل ٹیوب اور پائپ کی مارکیٹ مختلف حصوں میں بٹی رہی جو ملک بھر میں پھیلے ہوئے چھوٹے سے لے کر اوسط درجے کے مینوفیکچررز کی بڑی تعداد پر مشتمل تھی۔

اسٹین لیس اسٹیل

2018 میں دنیا میں اسٹین لیس اسٹیل کی پیداوار تقریباً 51 million MT تھی جبکہ اس کے مقابلے میں 2017 میں 48 million MT تھی۔ گزشتہ 5 سالوں کے دوران میں پیداوار میں تیزی سے اضافہ ہوا جو CAGR پر 6% کے قریب تھا۔ کاربن اسٹیل کے ساتھ چین کو اسٹین لیس اسٹیل کی مارکیٹ میں برتری حاصل ہے جو دنیا کل پیداوار کا تقریباً 53% پیدا کرتا ہے۔

اسٹین لیس اسٹیل پائپس اور ٹیوبز حقیقی استعمال کرنے والوں کیلئے مخصوص ہوتے ہیں جن کو زنگ اور ٹمپریچر سے زیادہ مزاحمت کی خصوصیت کے ساتھ خوبصورتی بھی چاہئے ہیں۔ اسٹین لیس اسٹیل پائپس اور ٹیوبز کے بڑے استعمال کنندگان میں شامل ہیں:

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز بمسرت اپنی رپورٹ مع کمپنی کے آڈٹ شدہ مالیاتی اسٹیٹمنٹس برائے سال مختتمہ 30 جون 2019 پیش کرتے ہیں۔

بورڈ کی تشکیل اور مشاہرہ

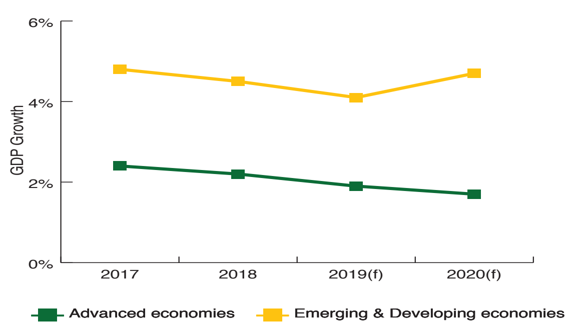
بورڈ کی تشکیل اور بورڈ کی ذیلی کمیٹیوں کے ممبران کے نام صفحہ نمبر۔۔<u>75</u>۔(کارپوریٹ گورننس سیکشن) پر دیئے گئے ہیں۔

کمپنی کی ایک باقاعدہ پالیسی ہے اور کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق اس کے ڈائریکٹرز کے مشاہروں کیلئے شفاف طریقہ اختیار کیا گیا ہے۔

عالمی میکرواکنامکس کا منظر نامہ

آئی ایم ایف ورلڈ اکنامک آؤٹ لک (WEO) کے تخمینے کے مطابق 2018 میں دنیا کی معیشت 3.6% کی شرح سے بڑھی۔ اس سے معیشت کے سست روہونے کا پتہ چلتا ہے کیونکہ اس سے پچھلے سال میں یہ شرح 3.8% ریکارڈ کی گئی تھی۔ تاہم 2019 کے بقیہ مہینوں میں بڑھنے کا عمل ترقی یافتہ اور ترقی پذیر دونوں معیشتوں میں مشکلات کا شکار دکھائی دیتا ہے کیونکہ دنیا کی GDP بڑھنے کی شرح آنے والے سالوں میں بحالی سے قبل کم ہوکر 3.2% رہ گئی۔ ترقی پذیر معیشت میں بڑھنے کی شرح 2020 سے دوبارہ بڑھنے کا خیال ظاہر کیا جا رہا ہے۔

GDP گروتھ (%) ترقی یافتہ بمقابلہ ابھرتی ہوئی اور ترقی پذیر 2017-2020(f)



ذریعہ: آئی ایم ایف ورلڈ اکنامک آؤٹ لک، جولائی 2019

امریکہ اور چین کے درمیان بڑھتی ہوئی تجارتی کشیدگی، No deal Brexit سے پیدا ہونے والے خدشات، یورپ میں کمزور گروتھ اور بڑھتی ہوئی جیو پولیٹیکل کشیدگیوں اور دیگر جاری ٹکراؤ کی بناء پر بنیادی چیلنج برقرار ہیں جنہوں نے گزرے سال میں معاشی سرگرمیوں کا رخ متعین کیا تھا۔ اس کے نتیجے میں سامان اور خدمات کی عالمی تجارت 2017 کی 5.5% کی شرح سے نمایاں طور پر کم ہوکر 2018 میں 3.7% ہوگئی؛ 2019 کے لئے بھی آثار مایوس کن نظر آتے ہیں۔ اس حقیقت کی روشنی میں ایڈوانسڈ معیشتوں میں مرکزی بینکوں نے مجموعی طلب کو متحرک کرنے کیلئے نرم مونیٹری پالیسی کا طرز اپنانے کے اشارے دیئے ہیں۔ جہاں گہرے ڈیموگرافک رجحانات کی بناء پر یورپ کے مسائل پیدا ہوئے ہیں، وہاں ترقی پذیر اور دیگر برآمدات پر مبنی قوموں کو، علاوہ انڈیا اور چین کے، یا تو ملک کے اپنے اندرونی اور/یا جیو پولیٹیکل مسائل کا سامنا ہے اور/یا ان کی تجارت پر پابندیاں لگی ہیں۔ ہمیں توقع ہے کہ اگلے سال میں تمام معیشتوں کیلئے چیلنج برقرار رہیں گے۔

ملکی معیشت

مالی سال 19-2018 میں جی ڈی پی میں اضافہ کی شرح 3.3% رہی جو اس سے پہلے سال میں 5.8% تھی۔ اگرچہ 2018 کے آخر میں معیشت کی بدحالی کے گہرے اسٹرکچرل مسائل نے ایک بار پھر سر ابھارا اور گزرے مالی سال کے دوران میں ملک بھر میں اس کے نتائج وسیع پیمانے پر محسوس کئے گئے۔ <u>مینوفیکچرنگ کی صنعت خاص طور پر متاثر ہوئی اور مالی سال 19-2018 کے جولائی-مارچ کی مدت میں بڑے پیمانے کی مینوفیکچرنگ (LSM) میں 2.9% کمی آئی (2018:6.3%)۔</u> آئرن اور اسٹیل اور متعلقہ صنعتیں جیسے سیمنٹ، بلڈنگ اور کنسٹرکشن اور آٹوموٹیو LSM شعبہ کا بڑا حصہ ہیں۔ ان صنعتوں کے کاندھوں پر نمایاں طور پر زیادہ فنانسنگ کی لاگت، حقیقی خریداروں کی قوتِ خرید میں کمی اور اپنی سیلز میں اضافہ کیلئے کم تر PSDP اخراجات کے بوجھ جیسے چیلنجز کا سامنا ہے۔ تاہم حکومت نے معیشت کو استحکام کے راستے پر ڈالنے کیلئے درکار مشکل فیصلوں کا انتظام کیا ہے۔ ان وجوہات کی بناء پر ہم توقع رکھتے ہیں کہ اگلے دو سالوں تک معاشی سرگرمیاں موجودہ سطح پر برقرار رہیں گی۔ اس وقت نئی حکومت کے سامنے ایک بڑا چیلنج بلند شرحِ سود کے ماحول میں محدود مالی گنجائش کے ساتھ بڑھتی ہوئی طلب ہے۔ مزید اصلاحات لانے کی ذمہ داری اور بقیہ مدت کیلئے بغیر ٹھوس اکثریت کے قانون پاس کرانا بھی ایک چیلنج ہے۔ پھر بیرونی سیکورٹی کے چیلنجز ہیں جیسے افغانستان امریکہ ایران کا اپنے اپنے موقف پر ڈٹے رہنا اور کشمیر کی صورتحال نے بھی غیر یقینی کیفیت کو مزید گہرا کر دیا ہے۔

ان مشکل حالات کے باوجود، ہم کو توقع ہے کہ حکومت مستقبل کے معاشی اور سیاسی

PROFILE OF THE BOARD OF DIRECTORS

Mr. Mustapha A. Chinoy – Chairman (Non–Executive)
Director since: February 23rd, 1998
Chairman since: September 30th, 2016

Mr. Mustapha A. Chinoy holds a B.Sc. in Economics from Wharton School of Finance, University of Pennsylvania, USA and has majored in Industrial Management and Marketing. Thereafter, he served as Marketing Manager, at International Industries Limited. He is currently the Chairman of International Industries Limited and Pakistan Cables Limited, and a director on the Board of Crea8ive Bench (Private) Limited, Global E-Commerce Services (Private) Limited, Global Reservation (Private) Limited and Travel Solutions (Private) Limited. He is the Chief Executive Officer of Intermark (Private) Limited. He has previously served on the Board of Union Bank Limited until it was acquired by Standard Chartered Bank.

Mr. Adnan Afridi
Director since: February 18th, 2019
Independent Director

Mr. Adnan Afridi graduated with high honors from Harvard University with a degree in Economics and from Harvard Law School with a J.D. He has 23 years global and Pakistan based experience in Change Management, business transformation, innovation and profitability enhancement in blue chip companies, public-sector and start-up situations. Industry experience includes Capital Markets, Private Equity, Financial Services, Real-Estate, Health Care, Natural Resources, Technology and Food sectors, operating in CEO roles with Board level representations. Functional experience focuses on Governance, Strategy, Negotiation/Structuring, Corporate Planning, Group Company management, Public Relations and large scale talent building.

Previously he was a director at Silkbank Limited, Gul Ahmed Textile Limited and Trading Corporation Pakistan. He has also served as Managing Director of the Karachi Stock Exchange Limited, CEO of the Tethyan Copper Company (Private) Limited and CEO of the OICCI.

He is currently the Managing Director of NITL. In addition to being on the board of IIL, he is a director at Bank Al Habib Limited, Bulk Transport Company (Private) Limited, Dynea Pakistan Limited and Mari Petroleum Limited. He also serves as the Chairman of the Board of Governors of The Kidney Centre Institute and is a Member of the SECP Policy Board.

Mr. Kamal A. Chinoy
Director since: February 6th, 1984
Non-Executive Director

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 Limited, 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. Azam Faruque
Director since: November 26th, 2009
Non-Executive Director

Mr. Azam Faruque is the Chief Executive Officer of Cherat Cement Company Limited, a Ghulam Faruque Group (GFG) company. He holds a graduation degree in Electrical Engineering and Computer Science from Princeton University, USA, and also possesses an MBA (High Honors) from the University of Chicago Booth School of Business, USA. He has spent 30 years in the cement industry and other GFG businesses. He has also served as a member on the boards of Privatization Commission of the Government of Pakistan, National Bank of Pakistan and Oil and Gas Development Corporation Limited. He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. Currently, he is also a director of Atlas Battery Limited, Faruque (Private) Limited, Greaves Pakistan (Private) Limited, Indus Motors Company Limited, Unicol Limited, Habib University Foundation and State Bank of Pakistan.

Mr. Fuad Azim Hashimi
Director since: June 22nd, 2005
Non-Executive Director

Fuad Azim Hashimi is a fellow of the Institute of Chartered Accountants in England and Wales and currently heads Pakistan Business Council's Centre of Excellence in Responsible Business. Through leadership of the Pakistan Institute of Corporate Governance from 2007 till 2016, he played a key role to further corporate governance practices in Pakistan. He is a member of the Private Sector Advisory Group of International Finance Corporation, World Bank Group and of the United Nations ESACP Sustainable Business Network as well as a regular participant, moderator and speaker at OECD's Asian Roundtable on Corporate Governance and Asia Network on Corporate Governance in State-Owned Enterprises.

His career over the past 53 years has provided him with a strong foundation in public accounting (he was a partner for 10 years in A. F. Ferguson & Co, a member firm of PricewaterhouseCoopers) as well as management of diversified business and commercial ventures, in Pakistan and abroad, ranging from banking, office automation and information technology to mutual funds. He has added experience with a development finance institution providing venture capital to the private sector that involved monitoring industrial projects to ensure correct use of the funds provided by World Bank and Asian Development Bank.

Hashimi's other appointments include directorship on the Board of Directors of Faysal Bank Limited (one of the scheduled banks engaged in Commercial, Retail, Corporate and Islamic banking activities in Pakistan). He has previously held directorships on the boards of Clariant Pakistan Limited (the Pakistan subsidiary of a global chemical company), Indus Valley School of Art and Architecture, National Refinery Limited (the largest refinery in Pakistan producing Lube Base Oils), Pakistan Cables Limited (the premier cable manufacturer and market leader in Pakistan now part of General Cables Group), and of Pakistan Security Printing Corporation of Pakistan (the state-owned enterprise that produces currency notes and security paper) and Burj Bank Limited, since merged with Al Baraka Bank (an Islamic Bank in which Islamic Development Bank held equity interest through its investment company ICD) where he was additionally the Chairman of their Audit Committees.

Mr. Tariq Ikram
Director since: September 8th, 2011
Independent Director

Mr. Tariq Ikram (SI), holds a Bachelors in Sciences and Masters in English Literature in 1967 from the then Government College Lahore. He studied International Relations, US History and British History and then qualified the CSS exam in 1969-70. However, he decided not to join government service and opted for the private sector. In 1970 joined Reckitt & Colman, presently Reckitt Benckiser (Private) Limited, where he rose to the level of CEO in 1983. Later, he was entrusted with larger responsibility as Regional Head and progressed to becoming responsible for a wide territory from Pakistan to North Africa, covering 31 countries.

His vast experience includes directorship on the Boards of Reckitt Benckiser, Reckitt and Colman Nigeria (Private) Limited, Robinsons Foods (Private) Limited, Bangladesh, Atlantis (Private) Limited, Egypt, Karachi Port Trust, K-Electric (formerly known as KESC) and Pakistan Petroleum Limited (PPL). He has also been the Chairman of Reckitt & Colman Egypt (Private) Limited and Chairman & CEO of Expo Lahore (Private) Limited.

Currently, in addition to International Industries, he serves on the Boards of Habib Metropolitan Bank Limited and Tasha Enterprises (Private) Limited. He is also the Chairman of the HR Committees of the Boards of the Habib Metropolitan Bank and International Industries Limited. He is also the Chairman of the Board of Transkarachi Private Limited of the Sindh Government.

PROFILE OF THE BOARD OF DIRECTORS

Mr. Ikram has served in prestigious positions as the elected President of the Overseas Chamber of Commerce and Industry, Management Association of Pakistan and Marketing Association of Pakistan. He founded the Pakistan Advertisers Society (PAS) and Pakistan Research Society and was the founder President of both. Mr. Ikram was invited by the President of Pakistan to join the government in year 2000 as a Federal Minister of State and Chairman of the then Export Promotion Bureau. Later he was appointed as the Chief Executive of Trade Development Authority of Pakistan, member of the Economic Co-ordination Committee of Pakistan and President of the Textile Institute of Pakistan, a prestigious institute offering five degree courses in textiles and apparel.

Mr. Ikram was awarded Sitara-e-Imtiaz by the President of Pakistan and received honorable mention in the book authored by General (R) Pervez Musharraf 'In the Line of fire'. He was awarded Gold medals for his services by the Federation of Chamber of Commerce and Industries and the Rice Exporters Association of Pakistan.

Presently, he is also a visiting faculty and speaker at Pakistan Institute of Corporate Governance, Institute of Business Administration Karachi, Lahore University of Management Sciences, Lahore National Management College, National Institute of Management and the National Defence University.

In pursuit of his philanthropic aims, Mr. Ikram has established the 'Tasha Trust'. The first project of the Trust is 'Saiya Homes', an orphanage in Jhelum. He is the Chairman and Managing Trustee.

Mr. Ehsan A. Malik
Director since: September 30th, 2016
Independent Director

Mr. Ehsan A. Malik is a certified director from the Pakistan Institute of Corporate Governance (PICG). Mr. Ehsan A. Malik is currently serving as the Chief Executive Officer of Pakistan Business Council. Mr. Malik was the Chief Executive Officer of Unilever Pakistan Limited from September 1st, 2006 to October 31st, 2014, and also a Director of Unilever Pakistan Foods Limited. Prior to this he was Chairman and CEO, Unilever Sri Lanka Limited. His earlier international appointments covered Unilever's regional business in Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in UK. These preceded senior commercial and financial roles at Unilever Pakistan. He is also a Member of the Board of Directors of Abbott Laboratories Pakistan Limited, Gul Ahmed Textiles Limited and National Foods Limited. Mr. Malik is a Fellow of the Institute of Chartered Accountants of England and Wales and alumni of the Wharton and Harvard Business Schools.

Mr. Jehangir Shah
Director since: September 30th, 2016
Independent Director

Mr. Jehangir Shah has forty (40) years of experience in commercial banking, private and personal banking and leasing. He has had overseas work experience in UAE, Egypt and Brazil. Prior to joining Pak Oman Investment Company as Deputy Managing Director in 2008, Mr. Shah served as Country Manager-Pakistan of Oman International Bank SAOG and as Managing Director and CEO of Capital Assets Leasing Corporation Limited (Calcorp). His former employments include those of Executive Director at Pak Gulf Leasing Company Limited; Habib Credit and Exchange Bank and Bank of Credit and Commerce International. Mr. Shah also looks after the Investment Banking Division at Pak Oman. Mr. Shah is a Director of Pak Oman Asset Management Company Limited and an Independent Director of International Industries Limited.

Mr. Riyaz T. Chinoy
Director since: August 30th, 2007
Chief Executive Officer since: August 11th, 2011

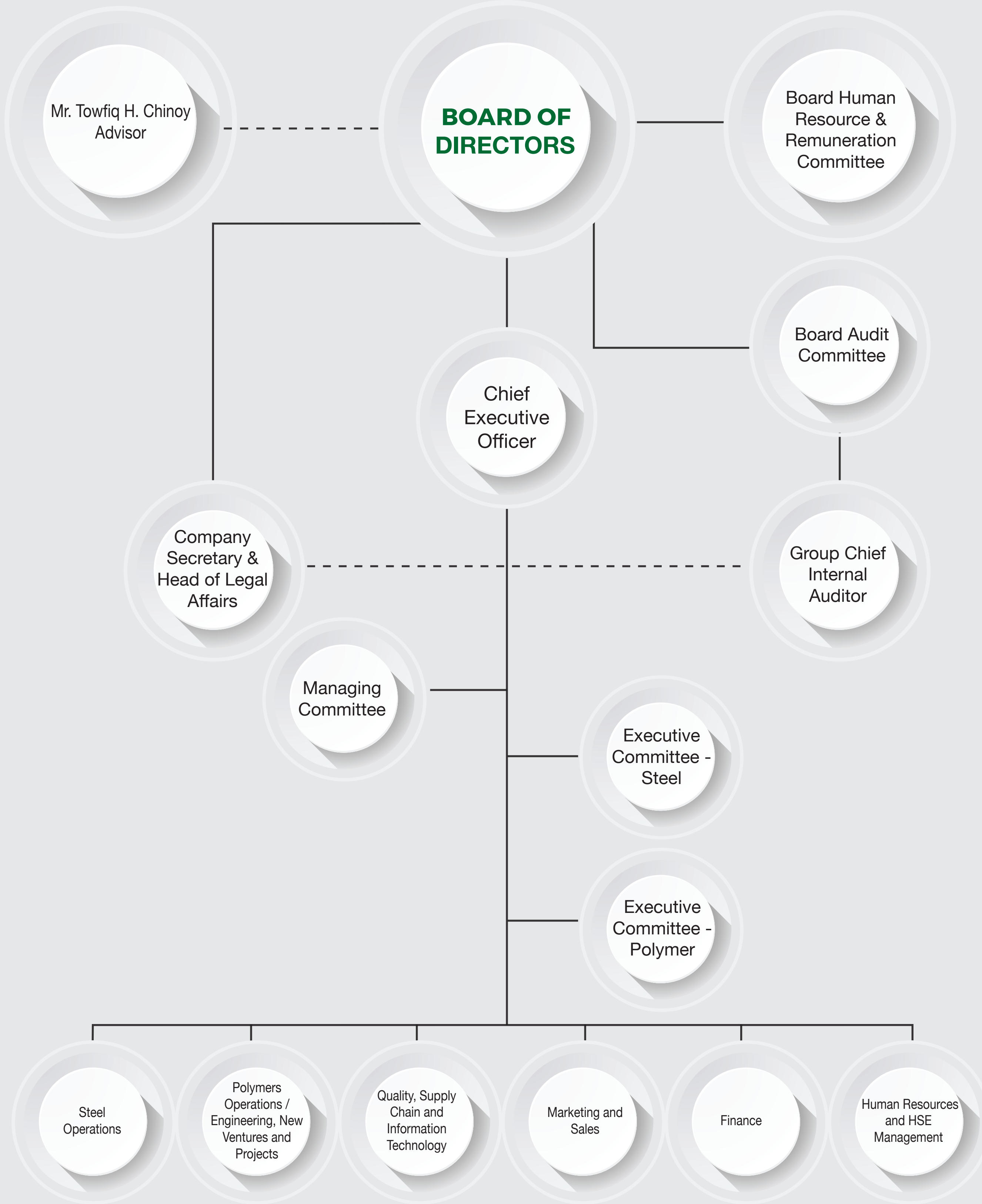
Mr. Riyaz T. Chinoy was appointed as the Chief Executive Officer on August 11th, 2011, after serving the Company since 1992 in various positions. By profession he is a qualified Industrial Engineer and has obtained a B.Sc. in Industrial Engineering, from Case Western Reserve University, USA. He is also 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 - foreign 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.

LIST OF OTHER DIRECTORSHIPS

Directors	Organizations
Mr. Mustapha A. Chinoy	**International Industries Limited**
	International Steel Limited
	Pakistan Cables Limited
	Intermark (Private) Limited
	Crea8ive Bench (Private) Limited
	Global e-Commerce Services (Private) Limited
	Global Reservation (Private) Limited
	Travel Solutions (Private) Limited
Mr. Adnan Afridi	**International Industries Limited**
	National Investment Trust Limited
	Bank Al Habib Limited
	Bulk Transport Company (Private) Limited
	Dynea Pakistan Limited
	Mari Petroleum Company Limited
	The Kidney Centre Institute
	SECP Policy Board
Mr. Kamal A. Chinoy	**International Industries Limited**
	International Steels Limited
	Pakistan Cables Limited
	Jubilee Life Insurance Company Limited
	Atlas Power Limited
	Askari Bank Limited
	ICI Pakistan Limited
	NBP Funds Management Limited
Mr. Azam Faruque	**International Industries Limited**
	Cherat Cement Company Limited
	Atlas Battery Limited
	Faruque (Private) Limited
	Greaves Pakistan Limited
	Indus Motors Company Limited
	Unicol Limited
	Habib University Foundation
	State Bank of Pakistan
Mr. Fuad Azim Hashimi	**International Industries Limited**
	Faysal Bank Limited
Mr. Tariq Ikram	**International Industries Limited**
	Habib Metropolitan Bank Limited
	Tasha Enterprises (Private) Limited
	TransKarachi (Private) Limited
Mr. Ehsan A. Malik	**International Industries Limited**
	Pakistan Business Council
	Abbot Laboratories Pakistan Limited
	Gul Ahmed Textile Limited
	National Foods Limited
Mr. Jehangir Shah	**International Industries Limited**
	Pak Oman Asset Management Company Limited
Mr. Riyaz T. Chinoy	**International Industries Limited**
	IIL Australia Pty Limited
	International Steels Limited
	Bulleh Shah Packaging (Private) Limited
	Pakistan Institute of Corporate Governance (PICG)
	Citizens Trust Against Crime (CTAC)
	LITE Development and Management Company
	Management Association of Pakistan
	Pakistan Business Council (PBC)
	The Citizens Foundation

ORGANIZATION STRUCTURE



GOVERNANCE FRAMEWORK

The main philosophy of business followed by the sponsors of International Industries Limited for the last 71 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board and implemented throughout the company to enhance the economic and social values of all stakeholders of the company.

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

Compliance Statement

Living up to its standards, the Board of Directors has, throughout the year 2018-19, complied with the Code of Corporate Governance, Rule Book of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities and Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following has been complied with:

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 based on a hybrid system led by the Group Chief Internal Auditor supported by in-house staff as well as M/s EY Ford Rhodes, Chartered Accountants.

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. Mustapha A. Chinoy, a Non-Executive Chairman; out of nine (9) Directors, four (4) 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, seven (7) Directors have acquired the formal Directors Training Certificates, while all the other directors possess sufficient skills and experience of Board room as described in the Code of Corporate Governance. The Board also plans to induct a female Director at the upcoming Election of Directors.

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 two Sub Committees, namely Board Audit Committee (BAC) and Human Resources and Remuneration Committee (HR&RC). The composition, role and responsibilities of the Committees are clearly defined in their respective Terms of References.

A Board Meeting Calendar is issued annually to reflect the dates planned for the Board of Directors meeting, Audit Committee and Human Resource and Remuneration Committee Meetings. All the Board members are given relevant documents in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval.

During the year 2018-19, the Board had six (6) meetings during this year, out of which four (4) were held to review the annual/quarterly results and one (1) each for Budget and Strategy. The average attendance of the directors in Board meetings during the year was 98%.

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

Changes in the Board

During the financial year 2018-19, a casual vacancy arose due to the resignation of Mr. Shoaib Mir which was duly filled by electing Mr. Adnan Afridi.

Board Meetings Outside Pakistan

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

Role 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 and 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 six (6) meetings, agendas of which were duly circulated at least a week before the meetings.

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within sixty seven (67) 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 and has been complied with.
2. The individual Directors self- evaluation exercise has been complied with.
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 committees,
   c) Assess the Board's overall scope of responsibilities,
   d) Evaluate the flow of information, and
   e) Validate the support and information provided by management.
4. The Board would review the results and suggest measures to improve the areas identified for improvement.

The Board is continuing its self-evaluation for many years as a part of good governance 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 etc.

Risk and Opportunity 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. The Audit Committee is responsible for the Risk Management and one meeting will be dedicated to the management of risk.

For more details on risk and opportunity management, please refer to the Directors Report on Page No. 53.

Internal Control Framework

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

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

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. 46.

As per the Code of Corporate Governance, the Company annually circulates and obtains a confirmation from all employees and Directors that they have read and understood the Code of Conduct. Further, the Directors and key employees are reminded of insider trading and avoiding in the dealing of shares during the closed period.

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

The complete details of all transaction with related parties are submitted to the Audit Committee who recommends them to the Board for approval in each quarter. 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 and 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. In line with our philosophy of CSR we regularly maintain and support a TCF school – IIL Campus in Landhi adjacent to our factory along with offering need based scholarships to NED University students for a better tomorrow of our younger generation.

We also support NGO's like TCF, Sina Foundation – IIL Clinic, Indus Hospital and Amir Sultan Chinoy Foundation to help deserving patients for their treatment.

Sustainability Measures

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

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

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

Engaging Stakeholders and 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 Annual 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.
6. 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 Industries Limited has a firm "Document and 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 and its sub-committees, annual general meetings, statutory certificates, title documents of the company's 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 positions, a well-defined Succession Policy is in practice.

Information Technology Policy

A well-defined Group Information Technology Policy is place to help achieve efficient and effective use of I.T resources for the Company so as to establish priorities, strategy delivery, increase productivity and deliver right services to users. The I.T Steering Committee comprising of CEO, CFO and HoD IT are responsible for taking major I.T decisions. Group I.T Head is responsible for ensuring communication of I.T security policies to all users of Company. 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 Whistle-blowing Policy has been in place for a number of years as IIL'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 for Security Clearance of Foreign Directors

IIL has no foreign Directors on its Board. However, as we remain committed to the well-being of our Board, the Company has in place various protocols and procedures to ensure the safety and security of all Directors, including any foreign Directors should there be any in the future.

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 70th Annual General Meeting of the Company held on September 28th, 2018, no significant issues were raised.

Dividend to Shareholders

During the year, the Company paid an interim cash dividend of Rs. 2.50 (25%) per share to all eligible shareholders and the Board of Directors is recommending a final cash dividend of Rs. 3.00 (30%) per share, making a total of Rs. 5.50 (55%) and 10% Bonus shares is proportion to 1 Ordinary share for every 10 Ordinary share in respect of the financial year ended June 30th, 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 June 30th, 2019 is placed on Page No. 269.

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 view 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 Committees.

The Company also has a whistle blowing policy to enable employees to raise serious concerns at the relevant forum regarding the business or Company without fear and repercussions.

The CEO also meets the entire Managing Committee and Executive 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.

MANAGING CONFLICT OF INTEREST

As per the Code of Corporate Governance, the Company annually circulates and obtains signed copy of the Code of Conduct from all employees and Directors. Further, the Directors and key employees are reminded of insider trading and to avoid dealing in shares during closed period.

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

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

BOARD COMMITTEES

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee to support its decision making in their respective domains:

A. Audit Committee

Mr. Ehsan Malik Independent Director	Chairman
Mr. Kamal A. Chinoy Non - Executive Director	Member
Mr. Fuad A. Hashimi Non - Executive Director	Member
Mr. Jehangir Shah Independent Director	Member
Ms. Asema Tapal Group Chief Internal Auditor	Secretary

The Audit Committee comprises of four (4) Non-executive Directors, out of which two (2) are independent. The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of England and Wales and alumni of the Wharton and Harvard Business Schools. 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. The Board Audit Committee has completed its independent evaluation.

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:

1. Recommending to the Board the appointment of internal and external auditors.
2. 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.
3. Determination of appropriate measures to safeguard the company's assets.
4. Review of preliminary announcements of results prior to publication.
5. 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.
6. 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).
7. Review of the Management Letter issued by external auditors and the management's response thereto.
8. Ensuring coordination between the internal and external auditors of the company.
9. Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced and placed within the organization.
10. Consideration of major findings of internal investigations and the management's response thereto.
11. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
12. Review of company's statement on internal control systems prior to endorsement by the Board.
13. 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.
14. 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.
15. 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.
16. Consideration of any other issue or matter as may be assigned by the Board.

B. Human Resources & Remuneration Committee

Mr. Tariq Ikram Independent Director	Chairman
Mr. Kamal A. Chinoy Non- Executive Director	Member
Mr. Azam Faruque Non- Executive Director	Member
Mr. Riyaz T. Chinoy Chief Executive Officer	Member
Mr. Khalid Junejo Director Human Resources	Secretary

HR&RC comprises of four (4) members and the Chairman is an independent director whereas the other three members are the Chief Executive Officer and two non-executive directors. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. Director Human Resources is the Secretary of the HR&RC. The minutes of the meetings of the HR&RC meetings are provided to all members and directors. 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 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, 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 and Procedure.
10. Board Evaluation Policy and Procedure for the Board as a Whole and for the Individual Directors.

MEETINGS OF THE BOARD OF DIRECTORS

Audit Committee and Human Resource & Remuneration Committee are held according to an annual schedule circulated before each fiscal year to ensure maximum director participation.

	Board	Audit	HR&RC
Meetings held during FY 2018-19	**6**	**4**	**5**
Mr. Mustapha A. Chinoy	5/6	-	-
Mr. Adnan Afridi*	2/2	-	-
Mr. Kamal A. Chinoy	6/6	4/4	5/5
Mr. Azam Faruque	4/6	-	4/5
Mr. Fuad Azim Hashimi	6/6	4/4	-
Mr. Tariq Ikram	6/6	-	5/5
Mr. Ehsan A. Malik	6/6	4/4	-
Mr. Jehangir Shah	6/6	3/4	-
Mr. Riyaz T. Chinoy	6/6	-	5/5
Mr. Shoaib Mir*	4/4	-	-

* Mr. Adnan Afridi was appointed to fill the casual vacancy created on the resignation of Mr. Shoaib Mir.

MANAGING COMMITTEE

The mission of the Managing Committee (MC) is to support the Chief Executive Officer to determine and implement the business policies within the strategy approved by the Board of Directors. MC meetings are conducted on a monthly basis or more frequently as circumstances dictate. The Committee reviews all operational and financial aspects, advises improvements to operational policies / procedures and monitors implementation of the same. The MC meets to review operational performance and to consider various policies and procedures.

Composition of the Managing Committee:

Mr. Riyaz T. Chinoy	Chairman	Chief Executive Officer
Mr. Muhammad Hanif Idrees	Member	Chief Financial officer
Mr. Mohsin Safdar	Member	Executive Director
Mr. Khalid Junejo	Member	Director Human Resources
Mr. Khawar Bari	Member	Director Marketing & Sales
Mr. Perwaiz Ibrahim	Member	Director Technical
Mr. Sohail Bhojani	Member	CEO IIL Australia
Ms. Asema Tapal	Secretary	Group Chief Internal Auditor

Role of the Managing Committee

The Committee is responsible for the following:

a) Reviewing the organizational structure.

b) Establishing the Executive Committees and their TORs.

c) Reviewing the annual budget of the Company.

d) Reviewing the business principles, strategy, strategic priorities, risk analysis, business plan as well as key performance indicators, financial performance, annual targets and variances.

e) Reviewing the Company's Management Information System (MIS).

EXECUTIVE COMMITTEES

The mission of the Executive Committee (EC) is to support the Managing Committee (MC) in implementing the business policies within the strategy approved by the Board of Directors. The Company has in place two dedicated Executive Committee's for each of its divisions, one focusing on the Company's steel business whereas the second EC focuses on Polymer Business. EC meetings are conducted on a monthly basis or more frequently if needed.

Composition of the Executive Committee – Steel:

Mr. Muhammad Riaz Moazzam	Chairman	GM Operations (Steel)
Mr. Mirza Samar Abbas	Member	GM Domestic Sales (South)
Mr. Sheraz Ahmed Khan	Member	GM Domestic Sales (North)
Mr. Salman Najeeb	Member	Financial Controller
Mr. Syed Ghazanfar Ali Shah	Member	Div. Manager Supply Chain & QA
Mr. Zain Kamal Chinoy	Member	Div. Manager Global Sales
Mr. Samiuddin Khan	Secretary	Div. Manager IR & Admin (South)

Composition of the Executive Committee – Polymer:

Mr. Muhammad Imran Siddiqui	Chairman	GM Polymer, Engineering, Projects & New Ventures
Mr. Mirza Samar Abbas	Member	GM Domestic Sales (South)
Mr. Sheraz Ahmed Khan	Member	GM Domestic Sales (North)
Mr. Nasir Arif Raja	Member	Div. Manager Polymer Operations
Mr. Fahad Mushtaq	Secretary	Deputy Manager IR & Admin (North)

Role of the Executive Committee

The Committee is responsible for the following:

a) Reviewing the organizational structure and recommending the changes to the Managing Committee.

b) Reviewing the business principles, strategy, strategic priorities, risk analysis, business plan.

c) Reviewing the key performance indicators, financial and non-finance performance, targets and variances against budget, if any.

d) Recommending the changes in the Company's Management Information System (MIS) to the Managing Committee.

e) Reviewing the training needs for optimization of the resources.

f) Briefing the Managing Committee and CEO on the matters discussed at the EC meeting.

g) Reviewing the raw material, WIP and finished goods inventory levels and taking timely action on reducing/controlling the same.

h) Reviewing the status of the order book for the next month production planning.

i) Reviewing the product development and new projects and ventures.

REPORT OF THE AUDIT COMMITTEE

on Adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended June 30th, 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 June 30th, 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 internal control framework was effectively implemented through outsourcing the internal audit function to M/s EY Ford Rhodes, Chartered Accountants, for the last many years. Presently the Company's internal Audit function is being looked after by the Chief Internal Auditor in compliance of the Code of Corporate Governance, who is assisted by the internal auditor's M/s EY Ford Rhodes. 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 shareholder's 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 June 30th, 2019 and shall retire on the conclusion of the 71st Annual General Meeting.
- The final Management Letter is required to be submitted within forty-five (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 June 30th, 2020 on terms & remuneration negotiated by the Chief Executive Officer.

Mr. Ehsan A. Malik
Chairman - BAC

Dated: August 8th, 2019
Karachi

KPMG

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of International Industries Limited

Review Report on the 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 Industries Limited ("the Company") for the year ended 30 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.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: September 3rd, 2019

Karachi

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

International Industries Limited
For the year ending June 30th, 2019

International Industries Limited (hereinafter referred to as 'the Company') has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") in the following manner:

1. The total number of Directors is 9 as shown in the following table:

	Category	Number of Directors
a.	Male Director*	9
b.	Female Director**	-

* including the Chief Executive Officer, who is an Executive Director.

**the Board shall have at least one female director on its reconstitution.

2. The composition of the Board of Directors is as follows:

Categories	Names of Directors
Independent Directors	1- Mr. Adnan Afridi 2- Mr. Tariq Ikram 3- Mr. Ehsan A. Malik 4- Mr. Jehangir Shah
Non-Executive Directors	5- Mr. Mustapha A. Chinoy 6- Mr. Kamal A. Chinoy 7- Mr. Azam Faruque 8- Mr. Fuad Azim Hashimi
Executive Director	9- Mr. Riyaz T. Chinoy

The Independent Directors meet the criteria of independence as defined under the Companies Act, 2017.

3. The Directors have confirmed that none of them is serving as a Director of more than five (5) listed companies (excluding the listed subsidiaries of listed holding companies where applicable), including the Company.
4. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has approved a Vision/Mission statement, overall corporate strategy and significant policies of the Company. The Company maintains a complete record/ log of all policies along with the dates on which these were approved or amended.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Companies Act 2017 and the Regulations.
7. The meetings of the Board were presided over by the Chairman of the Board and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and the Regulations.
9. A majority of the Directors have attended SECP approved Directors' Training Programs and are certified as Directors in accordance with the Code.
10. The Board has approved appointment of the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. The Chief Financial Officer and the Chief Executive Officer have duly endorsed the financial statements before the approval of the Board.
12. The Board has formulated the following committees comprising of the members listed against each committee as of June 30th, 2019:

	Name of Committee	Composition
a)	Board Audit Committee (BAC)	1. Mr. Ehsan Malik, Chairman - Independent Director 2. Mr. Kamal A. Chinoy, Member - Non-Executive Director 3. Mr. Fuad A. Hashimi, Member - Non-Executive Director 4. Mr. Jehangir Shah, Member - Independent Director
b)	Human Resource & Remuneration Committee (HR&RC)	1. Mr. Tariq Ikram, Chairman - Independent Director 2. Mr. Kamal A. Chinoy, Member - Non-Executive Director 3. Mr. Azam Faruque, Member - Non-Executive Director 4. Mr. Riyaz T. Chinoy, Member - Independent Director

13. The Terms of Reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The number of meetings of the committees held during the year were as per the following table:

	Name of Committee	Number of Meetings
a)	Board Audit Committee (BAC)	4
b)	Human Resource and Remuneration Committee (BHR&RC)	5

15. The Board has set up an effective Internal Audit function supervised by a qualified Chartered Accountant, who is being assisted by M/s EY Ford Rhodes and in house executives to carry out the Internal Control functions. The Internal Auditors are conversant with the policies and procedures of the Company and are considered suitably qualified and experienced for the purpose.
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 are 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 Companies Act, 2017, the 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 material requirements of the Regulations have been complied with.

Mr. Ehsan A. Malik
Chairman - BAC

Mr. Riyaz T. Chinoy
Chief Executive Officer

Dated: August 21, 2019

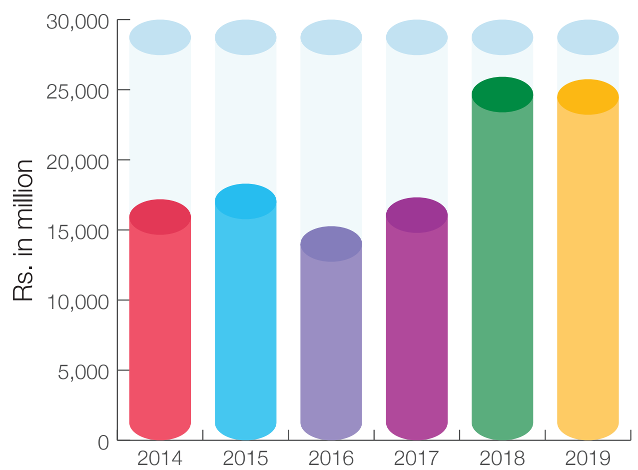
FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

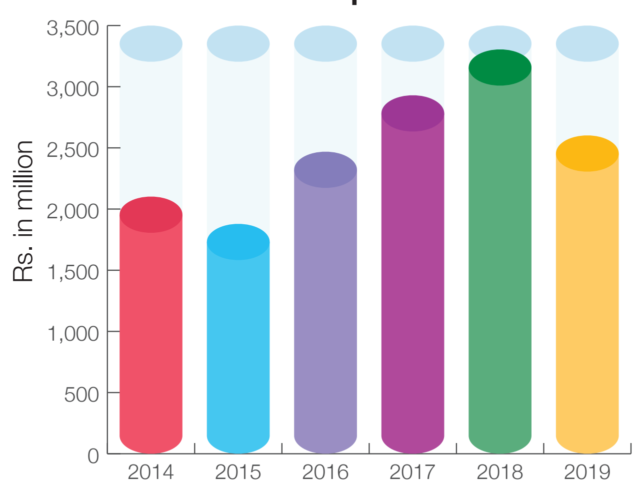
	2019	2018	%
	------------ Rupees in '000 ------------		
Net Sales Revenue	**25,750,467**	25,923,464	-0.7%
Gross Profit	**2,601,676**	3,304,928	-21.3%
Property, Plant & Equipment	**7,360,485**	5,769,659	27.6%
Shareholders equity	**9,948,944**	8,894,383	11.9%
Book Value per share (Rupees)	**82.98**	74.19	11.9%

BUSINESS GROWTH

Net sales revenue

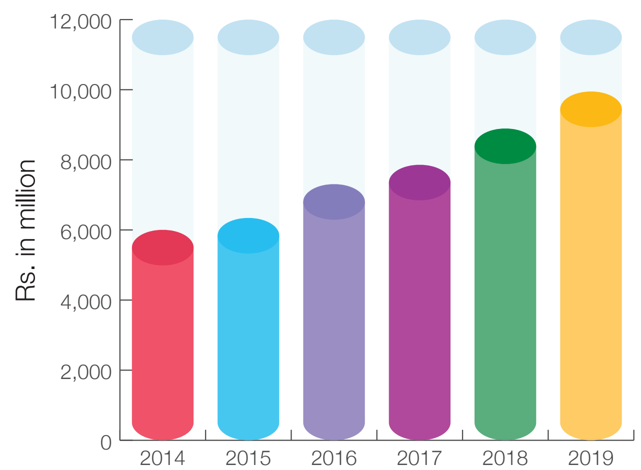


Gross profit

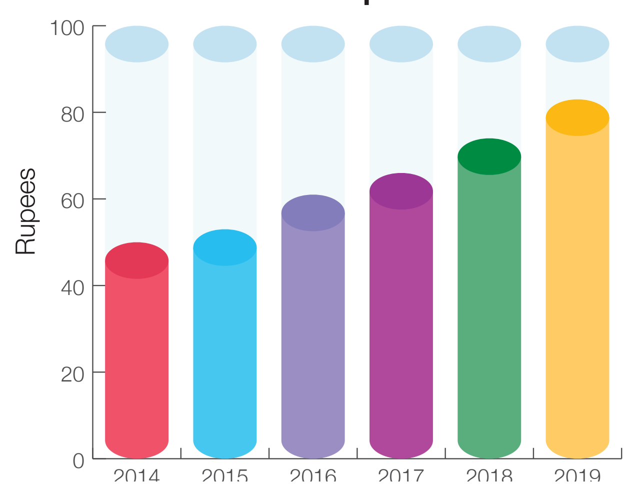


SHAREHOLDER VALUE ACCRETION

Shareholders equity



Book value per share



ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Position

	2019	2018	2017	2016	2015	2014
	----------	----------	Rs. in million	----------	----------	----------
Property, plant and equipment	**7,360**	5,770	5,088	4,852	3,622	3,502
Investments	**3,277**	3,277	2,743	2,743	2,743	2,593
Other non current assets	**7**	72	67	59	21	18
Current assets	**14,683**	13,346	10,619	6,322	6,752	10,133
Total assets	**25,327**	22,465	18,516	13,977	13,138	16,247
Shareholders' equity	**9,949**	8,894	7,859	7,307	6,343	6,004
Non current liabilities	**2,156**	2,338	1,494	1,332	458	568
Current portion of long term financing	**291**	181	110	158	150	150
Short term borrowings	**9,425**	8,310	5,899	3,243	4,664	6,277
Other Current liabilities	**3,506**	2,743	3,155	1,937	1,522	3,247
Total equity & liabilities	**25,327**	22,465	18,516	13,977	13,138	16,247
Vertical Analysis			Percentage			
Property, plant and equipment	**29.1**	25.7	27.5	34.7	27.6	21.6
Investments	**12.9**	14.6	14.8	19.6	20.9	16.0
Other non current assets	**0.0**	0.3	0.4	0.4	0.2	0.1
Current assets	**58.0**	59.4	57.3	45.2	51.4	62.4
Total assets	**100.0**	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	**39.3**	39.6	42.4	52.3	48.3	37.0
Non current liabilities	**8.5**	10.4	8.1	9.5	3.5	3.5
Current portion of long term financing	**1.1**	0.8	0.6	1.1	1.1	0.9
Short term borrowings	**37.2**	37.0	31.9	23.2	35.5	38.6
Other Current liabilities	**13.8**	12.2	17.0	13.9	11.6	20.0
Total equity & liabilities	**100.0**	100.0	100.0	100.0	100.0	100.0
Horizontal Analysis			Percentage			
Property, plant and equipment	**27.6**	13.4	4.9	34.0	3.4	1.1
Investments	**0.0**	19.5	-	-	5.8	0.4
Other non current assets	**(90.4)**	6.9	12.9	183.6	13.9	4.2
Current assets	**10.0**	25.7	68.0	(6.4)	(33.4)	19.2
Total assets	**12.7**	21.3	32.5	6.4	(19.1)	11.5
Shareholders' equity	**11.9**	13.2	7.6	15.2	5.6	0.4
Non current liabilities	**(7.8)**	56.5	12.1	190.9	(19.4)	(20.8)
Current portion of long term financing	**60.8**	64.9	(30.7)	5.5	-	-
Short term borrowings	**13.4**	40.9	81.9	(30.5)	(25.7)	(12.3)
Other Current liabilities	**27.8**	(13.1)	62.9	27.2	(53.1)	358.9
Total equity & liabilities	**12.7**	21.3	32.5	6.4	(19.1)	11.5

ANALYSIS OF FINANCIAL STATEMENTS

Statement of Profit or Loss

	2019	2018	2017	2016	2015	2014
	Rs. in million					
Net Sales	**25,750**	25,923	17,327	15,269	18,303	17,190
Cost of Sales	**(23,149)**	(22,619)	(14,396)	(12,800)	(16,425)	(15,088)
Gross Profit	**2,602**	3,305	2,930	2,469	1,879	2,102
Administrative, Selling and Distribution expenses	**(1,218)**	(1,425)	(1,170)	(1,070)	(778)	(764)
Other operating expenses	**(98)**	(172)	(180)	(116)	(82)	(73)
Other operating income	**1,733**	883	1,037	155	402	166
Operating profit before financing cost	**3,017**	2,591	2,618	1,438	1,420	1,431
Finance cost	**(924)**	(442)	(224)	(334)	(488)	(779)
Profit before Taxation	**2,093**	2,149	2,393	1,104	933	652
Taxation	**(518)**	(567)	(551)	(318)	(202)	(149)
Profit after Taxation	**1,575**	1,582	1,842	786	731	503
Vertical Analysis	Percentage					
Net Sales	**100.0**	100.0	100.0	100.0	100.0	100.0
Cost of Sales	**(89.9)**	(87.3)	(83.1)	(83.8)	(89.7)	(87.8)
Gross Profit	**10.1**	12.7	16.9	16.2	10.3	12.2
Administrative, Selling and Distribution expenses	**(4.7)**	(5.5)	(6.8)	(7.0)	(4.3)	(4.4)
Other operating expenses	**(0.4)**	(0.7)	(1.0)	(0.8)	(0.4)	(0.4)
Other operating income	**6.7**	3.4	6.0	1.0	2.2	1.0
Operating profit before financing cost	**11.7**	10.0	15.1	9.4	7.8	8.3
Finance cost	**(3.6)**	(1.7)	(1.3)	(2.2)	(2.7)	(4.5)
Profit before Taxation	**8.1**	8.3	13.8	7.2	5.1	3.8
Taxation	**(2.0)**	(2.2)	(3.2)	(2.1)	(1.1)	(0.9)
Profit after Taxation	**6.1**	6.1	10.6	5.1	4.0	2.9
Horizontal Analysis	Percentage					
Net Sales	**(0.7)**	49.6	13.5	(16.6)	6.5	(3.0)
Cost of Sales	**2.3**	57.1	12.5	(22.1)	8.9	(3.7)
Gross Profit	**(21.3)**	12.8	18.7	31.4	(10.6)	1.8
Administrative, Selling and Distribution expenses	**(14.5)**	21.8	9.3	37.4	1.9	2.6
Other operating expenses	**(43.0)**	(4.0)	55.0	42.1	12.0	2.1
Other operating income	**96.2**	(14.8)	567.7	(61.4)	141.7	11.4
Operating profit before financing cost	**16.5**	(1.0)	82.0	1.3	(0.7)	2.4
Finance cost	**109.3**	97.1	(33.0)	(31.4)	(37.4)	11.5
Profit before Taxation	**(2.6)**	(10.2)	116.8	18.3	43.1	(6.8)
Taxation	**(8.6)**	3.0	73.3	57.2	35.9	5.8
Profit after Taxation	**(0.4)**	(14.1)	134.4	7.6	45.3	(9.9)

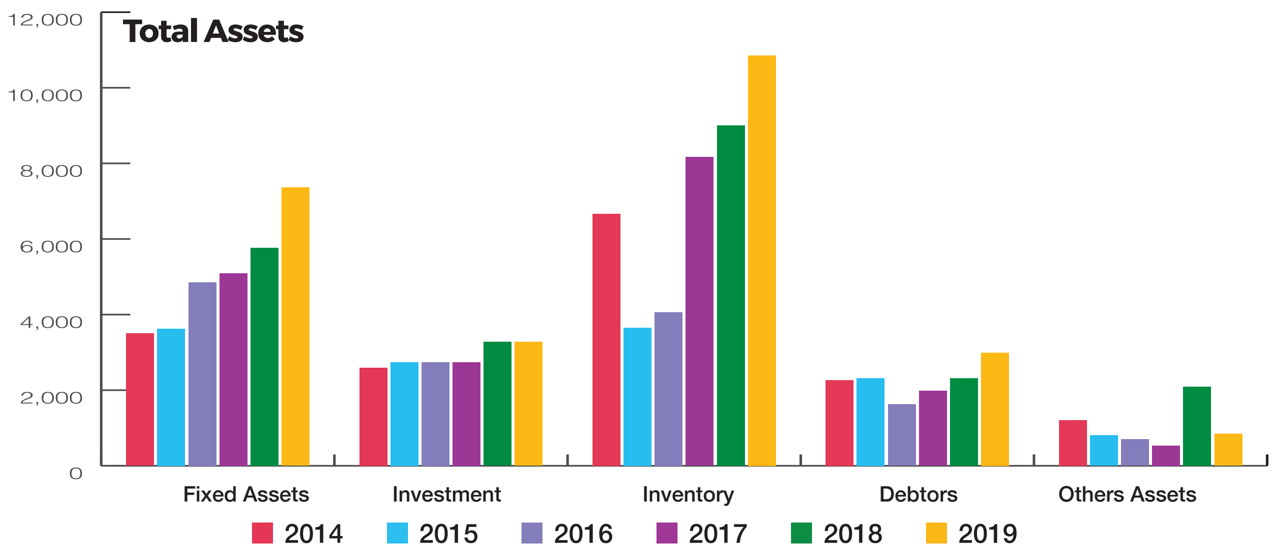
ANALYSIS OF FINANCIAL STATEMENTS

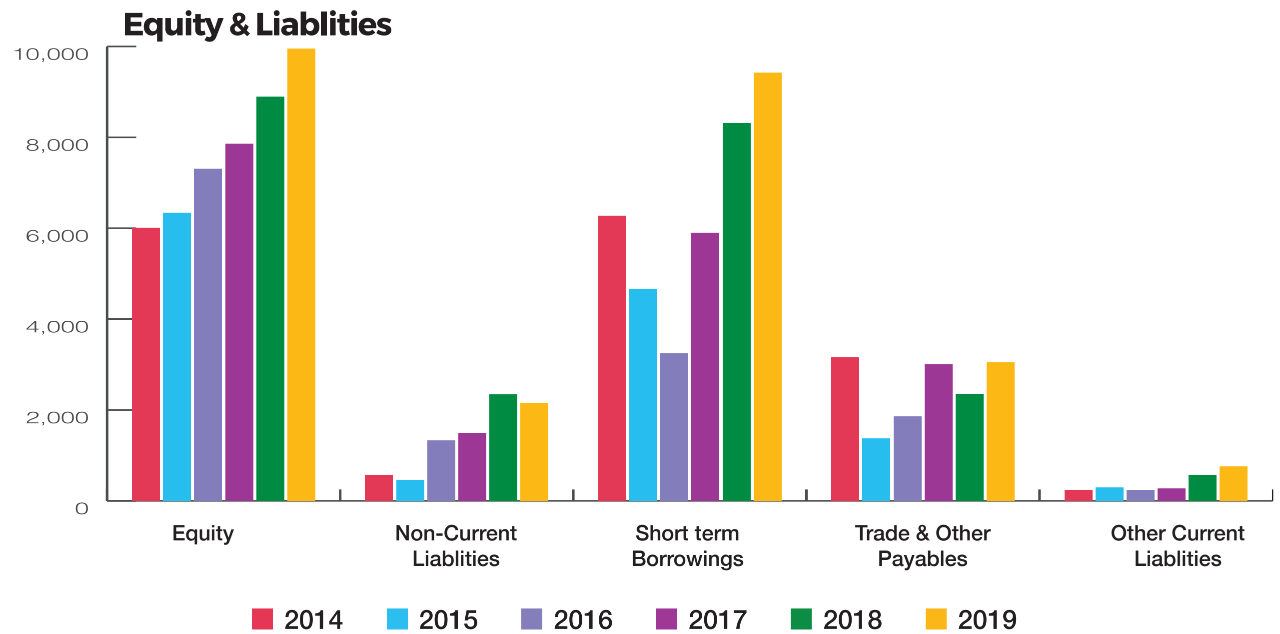
Statement of Cash Flows

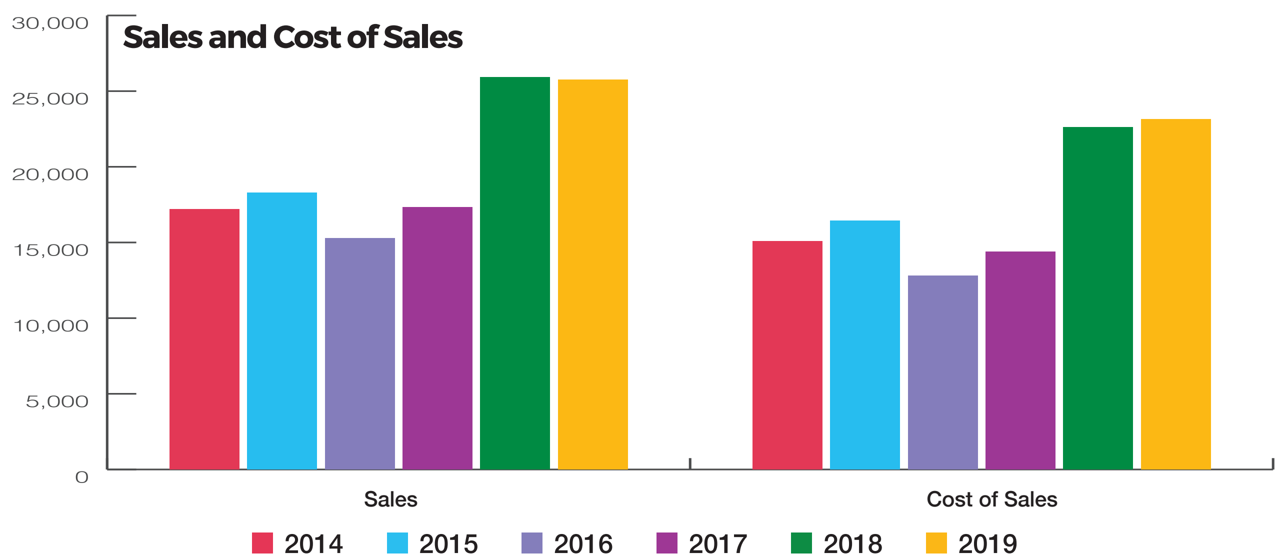
	2019	2018	2017	2016	2015	2014
	Rs. in million					
Net cash generated from/(used in) operating activities	**288**	(1,404)	(2,101)	1,843	2,255	1,546
Net cash inflows/(outflows) from investing activities	**(182)**	(895)	357	(817)	(215)	(182)
Net cash (outflows)/inflows from financing activities	**807**	(535)	2,012	(1,649)	(1,941)	(1,308)
Net increase/(decrease) in cash and cash equivalents	**913**	(2,834)	268	(623)	99	56
Vertical Analysis	Percentage					
Net cash generated from/(used in) operating activities	**(31.6)**	(49.5)	(785)	296	2,271	2,783
Net cash inflows/(outflows) from investing activities	**20.0**	(31.6)	134	(131)	(216)	(328)
Net cash (outflows)/inflows from financing activities	**(88.4)**	(18.9)	751	(265)	(1,955)	(2,356)
Net increase/(decrease) in cash and cash equivalents	**(100)**	(100)	100	(100)	100	100
Horizontal Analysis	Percentage					
Net cash generated from/(used in) operating activities	**(120.5)**	(33.2)	(214.0)	(18.3)	45.9	28.1
Net cash inflows/(outflows) from investing activities	**(79.6)**	(350.3)	(143.7)	280.9	17.9	7.9
Net cash (outflows)/inflows from financing activities	**(250.8)**	(126.6)	(222.0)	(15.1)	48.4	21.0
Net increase/(decrease) in cash and cash equivalents	**(132.2)**	(1,158.3)	(143.0)	(727.1)	78.8	(228.7)

Graphical presentation of

Statement of Financial Position and Statement of Profit or Loss

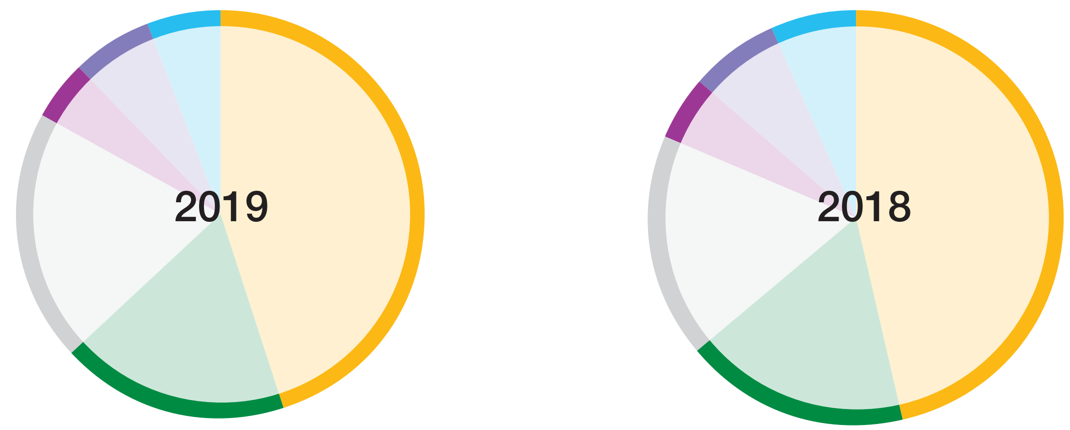






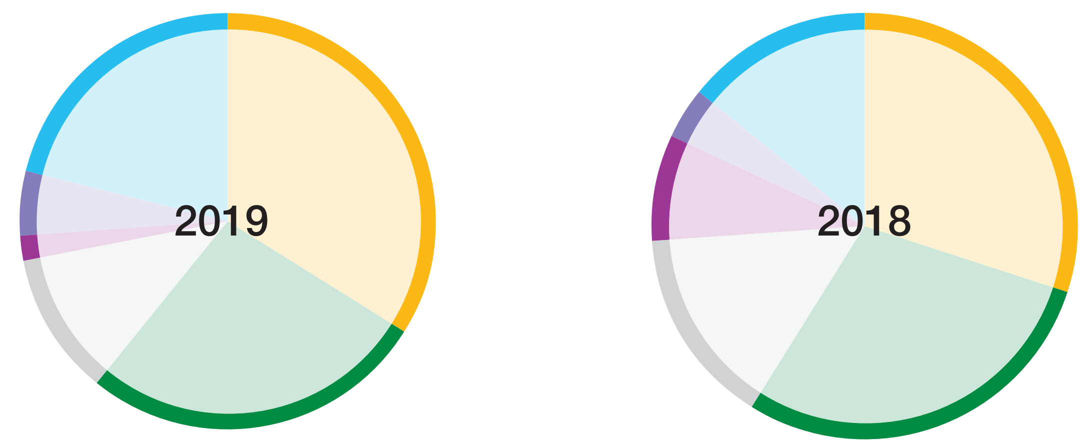
Key Financial Indicators (Graphs)

Conversion Cost



	2019	2018
	Rs in million	
Salaries, wages and benefits	970	934
Electricity, gas and water	389	353
Depreciation and amortisation	428	352
Operational supplies and consumables	101	96
Repairs and maintenance	141	141
Others	120	132
	2,150	2,007

Product Wise Performance



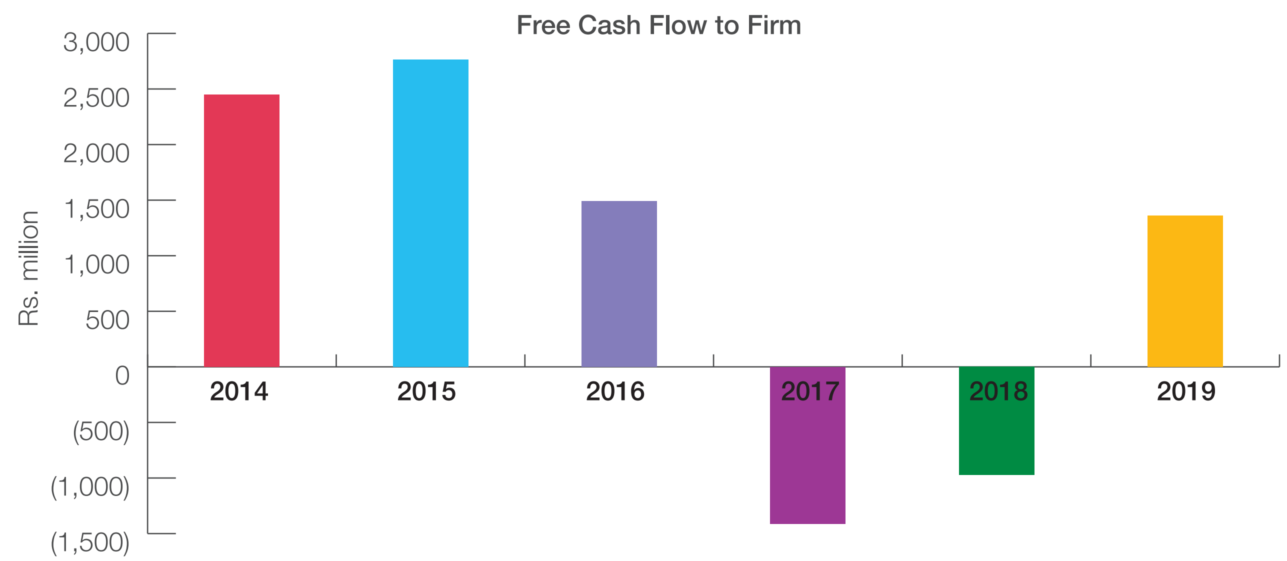
	2019	2018
	% of tonnage	
Galvanized iron pipes	34%	30%
CR steel tubes	27%	29%
API line pipes	11%	15%
Black pipes	2%	8%
Polymer	5%	4%
Others	21%	14%
	100%	100%

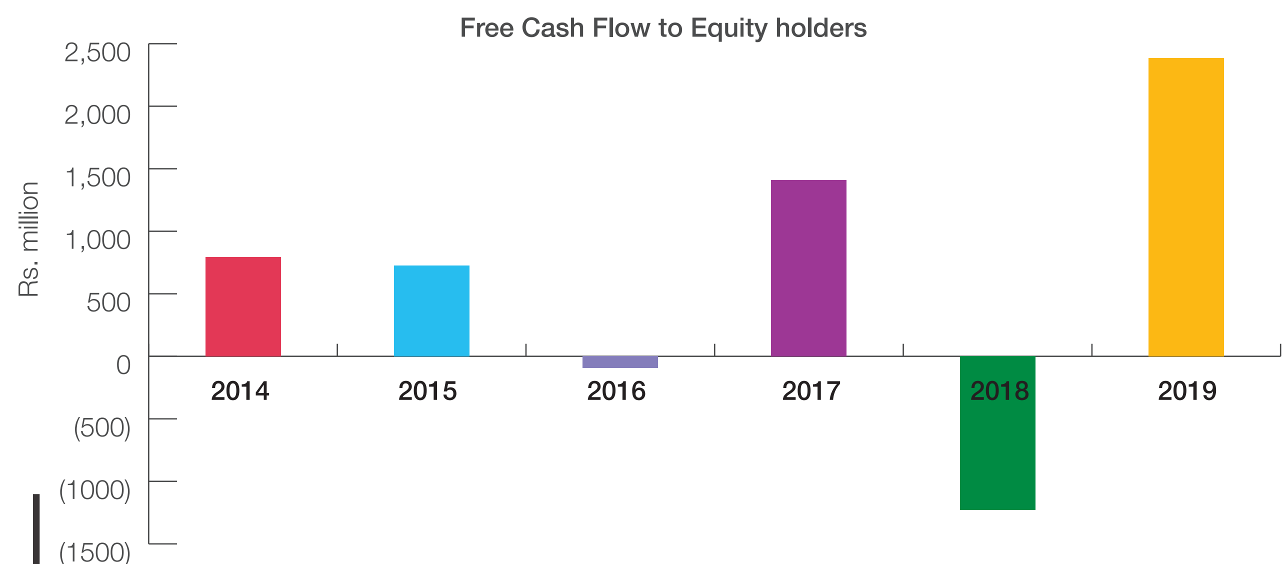
Key Financial Indicators

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross profit ratio	%	10.10	12.75	16.91	16.17	10.26	12.23
Net profit to Sales	%	6.12	6.10	10.63	5.15	3.99	2.93
EBITDA Margin to Sales	%	13.53	11.49	17.30	11.19	9.10	9.69
Operating Leverage	%	(25.55)	(0.01)	5.60	(0.15)	0.01	(1.18)
Return on Equity with Surplus on revaluation of fixed assets	%	15.83	17.78	23.44	10.76	11.52	8.37
Return on Equity without Surplus on revaluation of fixed assets	%	21.00	22.80	31.54	15.11	15.28	11.37
Return on Capital Employed	%	13.99	15.90	21.20	10.53	11.33	7.90
Return on Total Assets	%	6.22	7.04	9.95	5.62	5.56	3.10
Liquidity Ratios							
Current ratio	Times	1.11	1.19	1.16	1.18	1.07	1.05
Quick / Acid test ratio	Times	0.27	0.37	0.26	0.40	0.47	0.34
Cash to Current Liabilities	Times	(0.39)	(0.54)	(0.06)	(0.15)	(0.03)	(0.03)
Cash flow from Operations to Sales	Times	0.01	(0.05)	(0.12)	0.12	0.12	0.09
Activity / Turnover Ratios							
Inventory turnover ratio	Times	2.33	2.63	2.36	3.32	3.18	2.50
Inventory turnover in days	Days	156.59	138.53	154.95	109.95	114.72	146.19
Debtor turnover ratio	Times	11.55	14.26	10.81	8.92	8.82	8.58
Debtor turnover in days	Days	31.59	25.59	33.76	40.93	41.37	42.55
Creditor turnover ratio	Times	34.23	37.12	20.12	22.59	7.73	10.43
Creditor turnover in days	Days	10.66	9.83	18.14	16.16	47.20	34.98
Total assets turnover ratio	Times	1.02	1.15	0.94	1.09	1.39	1.06
Fixed assets turnover ratio	Times	3.50	4.49	3.41	3.15	5.05	4.91
Operating cycle in days	Days	177.51	154.29	170.56	134.72	108.89	153.76
Capital employed turnover ratio	Times	2.21	2.39	1.92	1.83	2.78	2.73
Investment / Market Ratios							
Earnings per share - basic and diluted	Rs.	13.13	13.19	15.37	6.56	6.09	4.19
Price earning ratio	Times	5.87	17.58	23.98	10.76	11.02	11.79
Dividend Yield ratio	%	8.43	3.66	2.44	6.38	5.96	6.57
Dividend Payout ratio (Cash)	%	41.87	64.43	58.57	68.64	65.65	77.49
Dividend Payout ratio (Bonus Shares)	%	7.61	-	-	-	-	-
Dividend Payout ratio (Total)	%	49.49	64.43	58.57	68.64	65.65	77.49
Dividend per share - Cash	Rs.	5.50	8.50	9.00	4.50	4.00	3.25
Bonus shares	Rs.	1.00	-	-	-	-	-
Dividend Cover	Times	2.02	1.55	1.71	1.46	1.52	1.29
Market value per share at the end of the year	Rs.	77	232	369	70	67	49
Market value per share high during the year	Rs.	248	377	406	94	87	61
Market value per share low during the year	Rs.	71	203	86	60	44	40
Break-up value per share with revaluation of fixed assets	Rs.	83	74	65	61	53	50
Break-up value per share without revaluation of fixed assets	Rs.	62	58	49	43	40	37
Break-up value per share including Investment in Related Party with revaluation of fixed assets	Rs.	144	264	312	116	92	78
Break-up value per share including Investment in Related Party without revaluation of fixed assets	Rs.	124	248	295	98	79	64
ISL (Market Value of Investment at year end)	Rs.	9,731	24,922	31,340	8,729	6,886	5,649
PCL (Market Value of Investment at year end)	Rs.	856	1,139	776	414	404	242
IIL A (Unquoted - Value of Initial Investment)	Rs.	9	9	9	9	9	9
IIL SS (Unquoted - Value of Initial Investment)	Rs.	-	-	150	150	150	-
Total Investment in Related Parties at Market Value	Rs.	10,596	26,070	32,276	9,302	7,449	5,900
Capital Structure Ratios							
Financial leverage ratio	Times	1.55	1.53	1.36	0.91	1.07	1.71
Total Debt : Equity ratio	Times	61.39	60.40	58.42	48.52	52.48	63.37
Interest cover	Times	1.50	4.26	7.85	4.18	2.26	1.72
Earning assets to Total Assets Ratio	Times	1.00	0.99	0.99	0.99	1.00	1.00
Net Assets per Share	Times	82.98	74.19	65.55	60.94	52.91	50.08

Free Cash Flow

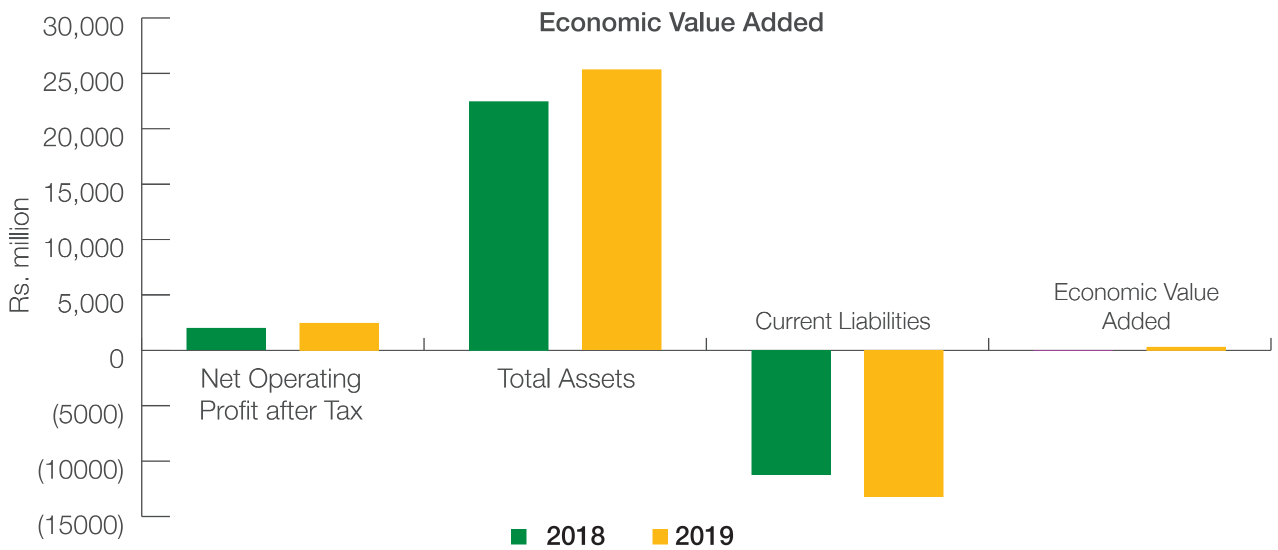
	2019	2018	2017	2016	2015	2014
			Rs. million			
Earnings before Interest and Taxes	3,017	2,591	2,618	1,438	1,420	1,431
Depreciation and amortisation	468	387	379	270	246	235
Changes in Working capital	(666)	(2,881)	(3,788)	653	1,463	1,009
Capital expenditure incurred	(1,456)	(1,070)	(620)	(868)	(366)	(224)
	(1,654)	(3,563)	(4,029)	54	1,342	1,019
Free Cash Flow to Firm	1,363	(972)	(1,412)	1,493	2,763	2,450
Net borrowing raised / (paid)	1,883	170	3,024	(1,232)	(1,523)	(891)
Interest paid	(859)	(426)	(202)	(353)	(515)	(766)
	1,024	(256)	2,822	(1,585)	(2,038)	(1,657)
Free Cash Flow to Equity holders	2,387	(1,228)	1,410	(92)	725	793





Economic Value Added

	2019	2018	2017	2016	2015	2014
			Rs. million			
	2,499	2,023	2,067	1,120	1,218	1,282
Cost of Capital	**(2,159)**	(2,057)	(2,470)	(1,128)	(987)	(710)
Economic Value Added	**340**	(34)	(404)	(7)	231	573
Total Assets	**25,327**	22,465	18,516	13,977	13,138	16,247
Current Liabilities	**(13,222)**	(11,233)	(9,164)	(5,338)	(6,337)	(9,674)
Invested Capital	**12,105**	11,232	9,352	8,639	6,801	6,572
WACC	**17.84%**	18.31%	26.41%	13.06%	14.51%	10.80%
Cost of Capital	**2,159**	2,057	2,470	1,128	987	710



Computations of WACC and net investment in operating assets are based on the following:

1. ROE has been considered as cost of shareholders' equity (excluding Surplus on revaluation of property, plant and equipment)
2. Year-end capital structure (excluding short-term debt) has been considered for determining component of capital employed
3. Cost of long term debt is after tax

Comments on Six Years Analysis

On the performance of the Company

STATEMENT OF FINANCIAL POSITION

Over six years, the asset base of the Company elevated mainly due to investment in property, plant and equipment, to achieve gradual capacity expansion to meet the market needs. Revaluation of land and building has also contributed in progression of asset base. Continued PKR devaluation with the heaviest in 2019 has led to surge in value of inventories and enhanced average working capital requirements.

Significant portion of long-term investments represents 56.33% interest in a subsidiary engaged in manufacturing cold rolled sheets since 2011. Remaining long-term investment represents 17.124% strategic interest in Pakistan Cables Limited, an associated company and 100% interest in a foreign subsidiary for diversification of business.

The shareholder's equity consists of share capital, reserves and revaluation surplus. The equity has surged-up over the past six years primarily due to increase in retained earnings of the Company and revaluation surplus.

The non-current liabilities of the Company have geared-up in the past six years, principally due to the long-term loans obtained for multiple expansion projects, including large dia production and PPRC project. The current liabilities have consequently soared-up due to the current portion of long-term loans due for repayment each year, followed by an escalation in average working capital requirement.

STATEMENT OF PROFIT OR LOSS

Topline of the Company has witnessed continuous growth except 2019 which was by and large at same level as 2018. Over the years, revenue has grown from Rs.17.19billion to Rs.25billion which translates into compounded annual growth rate (CAGR) of 8.42%. Growth is attributable to increase in selling prices and sales volume with a resultant impact in terms of augmented cost of sales.

Stagnancy in revenue growth in 2019,is driven by lower sales volumes on account of the prevailing challenging economic environment.

However Company implemented a well-thought-out pricing strategy which resulted in similar level of revenue as compared to last year in spite of decline in volumes.

Cost of Goods Sold for the year at Rs. 23,149 million was 2.3% higher than last year on account of Higher cost of raw material and devaluation of Pak rupee. Over the years, Cost of Sales has increased from Rs. 15.08 billion to Rs. 25.7 billion which translates into CAGR of 8.94% mainly due to increase in volume, increase in international raw material prices and devaluation of Pak rupee.

Administrative, selling and distribution expenses remained under control and were consistent with the proportion to the sales in last six years.

Finance cost depicts declining trend except last two years. In current year Financial cost increased from Rs. 442m to 924m primarily due to increase in discount rates and 34% PKR devaluation leading to increased average working capital and borrowing levels.

Other income over 6 years increased from Rs. 166m to Rs. 1,733m. Major component of other income have been Exchange gain and dividend income from associate and subsidiary company.

During the year Company posted Profit after tax of 1.5 bn which is in line with last year.

CASHFLOW ANALYSIS

The Company's expansion projects are financed via long-term borrowing and cash generation from operations, the working capital requirement is fulfilled through short term running finance from reputable banks.

The Company generated money from its operating activities due to positive working capital variations at period end.The cash used in investing activities comprises mainly of investment in capital expenditure and dividend income received from its subsidiary and associates. The financing activities of the Company comprises mainly of long-term loans obtained, proceeds from short term borrowings and dividends paid to the shareholders. The Company has financed its expansion needs by obtaining long-term loans, which were partially offset by dividend payments.

RATIO ANALYSIS

PROFITABILTY

EBITDA margin to sales was 13.5% which is 17.8% higher over last year mainly due to Higher Dividend Income, Exchange gain and Buying efficiencies. Over the years, EBITDA margin to Sales has grown from 9.7% to 13.5% which translates into CAGR of 6.91%.

INVESTMENT / MARKET

The earnings per share of the Company stood at 13.1 as against 13.2 in 2018 and it was third highest in last 3 years. Price earnings ratio declined to 5.9 (2018: 17.6) due to KSE-100 index falling by 19.1% which also had an adverse impact on companies share price

During the year, cash outlay in terms of dividend per share was Rs 5.5 (Final 2018: Rs. 3 and Interim 2019: Rs. 2.5) which was third highest in last six years. LIQUIDITY

The current ratio improved over the years from 1.05 in 2014 to 1.11 in 2019. This depicts that the Company is liquid to pay-off its short-term debts on timely basis.

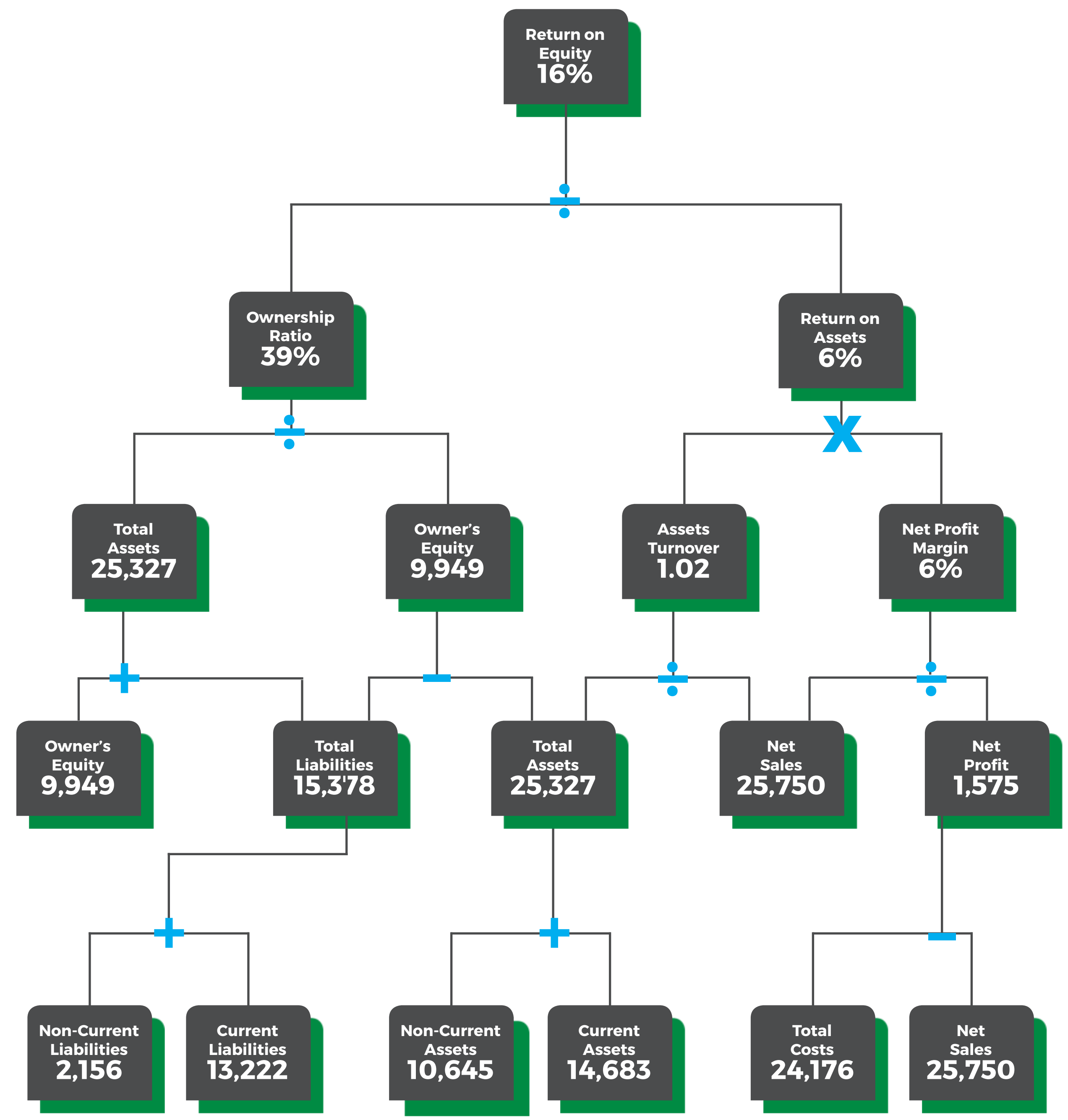
CAPITAL STRUCTURE

The gearing level of the Company demonstrated an upward trend as evidenced by an increasing financial leverage and Debt-to-equity ratio over the years due to higher working capital requirement as well as borrowing cost

ACTIVITY/ TURNOVER

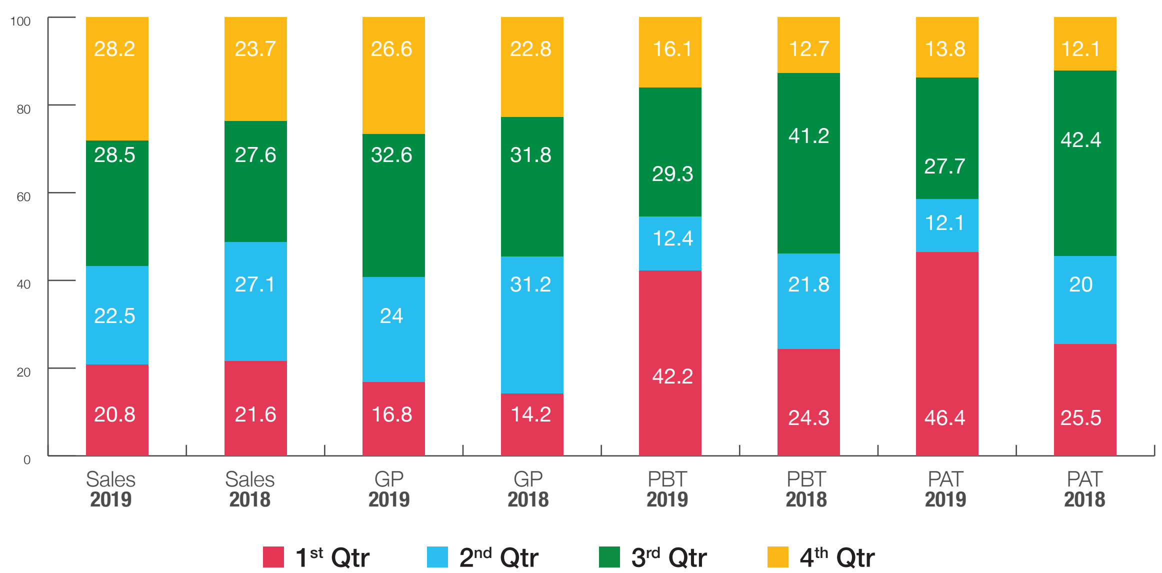
The operating cycle in last six years ranges from 154 days in 2014 to 177 days in 2019 primarily driven by growth in business. Significant PKR devaluation in current year had an adverse impact due to inventory value at period end increasing by 21% against 6% increase in quantities.

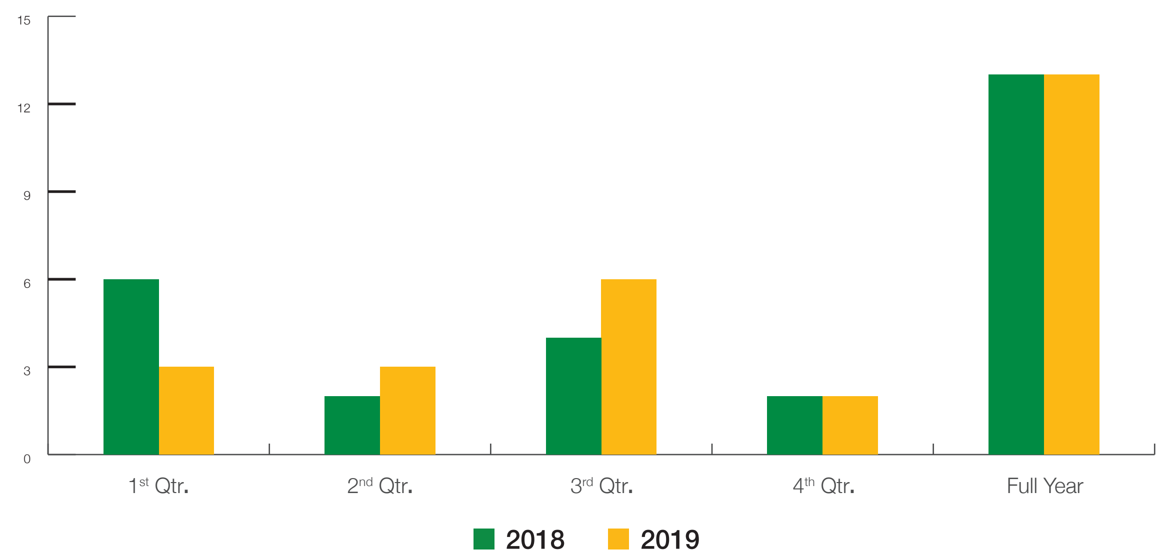
DuPont Analysis 2019



QUARTERLY PERFORMANCE ANALYSIS

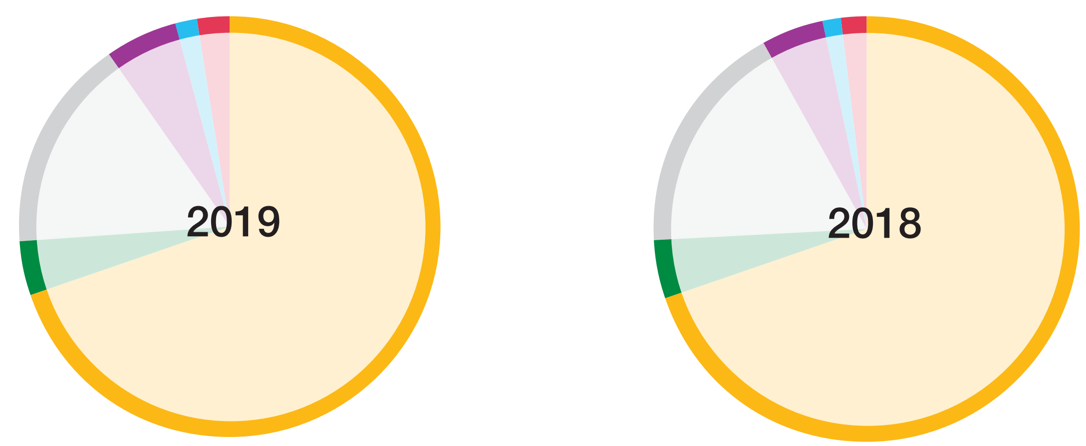
	2019									
	Q 1		Q 2		Q 3		Q 4		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	Rupees in million									
Revenue	5,361	100.0	5,786	100.0	7,336	100.0	7,268	100.0	25,750	100.0
Cost of sales	(4,924)	(91.8)	(5,161)	(89.2)	(6,488)	(88.4)	(6,577)	(90.5)	(23,149)	(89.9)
Gross Profit	437	8.2	625	10.8	848	11.6	691	9.5	2,602	10.1
Selling and distribution cost	(163)	(3.0)	(257)	(4.4)	(266)	(3.6)	(236)	(3.2)	(923)	(3.6)
Adminitration Cost	(71)	(1.3)	(83)	(1.4)	(82)	(1.1)	(60)	(0.8)	(296)	(1.1)
Operating Profit	203	3.8	285	4.9	501	6.8	395	5.4	1,383	5.4
Other expenses	(15)	(0.3)	(29)	(0.5)	(25)	(0.3)	(30)	(0.4)	(98)	(0.4)
Other income	862	16.1	235	4.1	421	5.7	214	2.9	1,733	6.7
EBIT	1,050	19.6	491	8.5	897	12.2	579	8.0	3,017	11.7
Finance cost	(168)	(3.1)	(232)	(4.0)	(283)	(3.9)	(241)	(3.3)	(924)	(3.6)
PBT	883	16.5	260	4.5	614	8.4	337	4.6	2,093	8.1
Taxation	(152)	(2.8)	(69)	(1.2)	(177)	(2.4)	(120)	(1.7)	(518)	(2.0)
PAT	730	13.6	191	3.3	437	6.0	217	3.0	1,575	6.1
EPS (Rupees)	6.09		1.59		3.64		1.81		13.13	





STATEMENT OF VALUE ADDITION

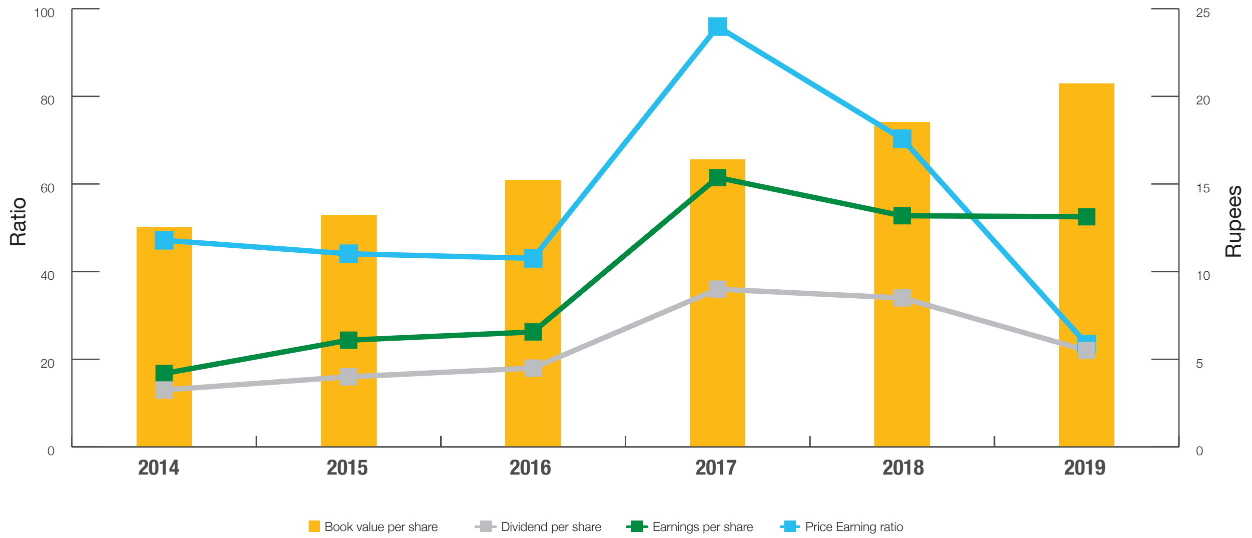
	2019		2018	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales including sales tax	**29,608,779**	94.5%	29,757,007	97.1%
Other operating income	**1,732,512**	5.5%	883,187	2.9%
	31,341,291	100%	30,640,194	100%
Wealth Distributed				
Cost of material & services	**21,864,712**	69.8%	21,417,080	69.9%
To Employees				
Salaries & other related cost	**1,353,472**	4%	1,323,508	4%
To Government				
Taxes & Duties	**5,068,270**	16.2%	5,344,382	17.4%
Worker Profit Participation Fund	**51,532**	0.2%	82,000	0.3%
Worker Welfare Fund	**19,198**	0.1%	33,000	0.1%
	5,139,000	16.4%	5,459,382	17.8%
To Providers of Capital				
Dividend to shareholders	**779,302**	2.5%	1,019,087	3.3%
Finance cost	**924,292**	2.9%	441,696	1.4%
	1,703,594	5.4%	1,460,783	4.8%
To Society				
Donation	**17,245**	0.1%	29,910	0.1%
Retained in Business				
For replacement of fixed assets				
Depreciation & Amortization	**467,857**	1.5%	386,879	1.3%
To provide for growth: Retained Profit	**795,411**	2.5%	562,652	1.8%
	1,263,268	4.0%	949,531	3.1%
	31,341,291	100%	30,640,194	100%



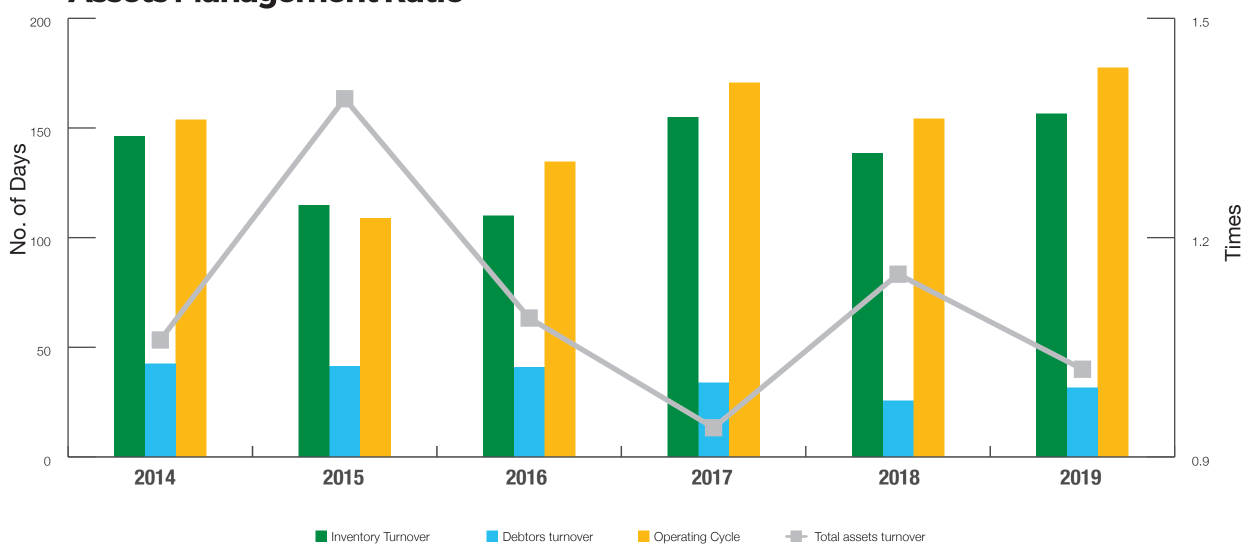
	2019	2018
Cost of material & services	69.8%	69.9%
To Employees	4.3%	4.3%
To Government	16.4%	17.8%
To Providers of Capital	5.4%	4.8%
To Society	0.1%	0.1%
Depreciation & Amortization	1.5%	1.3%
Retained Profit	2.5%	1.8%

PERFORMANCE AT A GLANCE

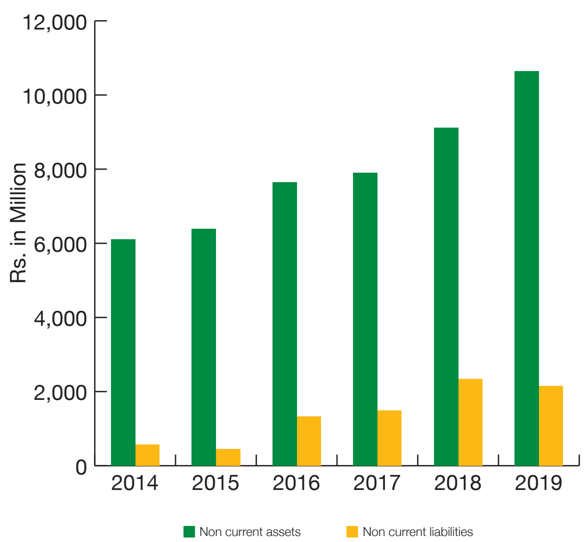
Market Value Ratio



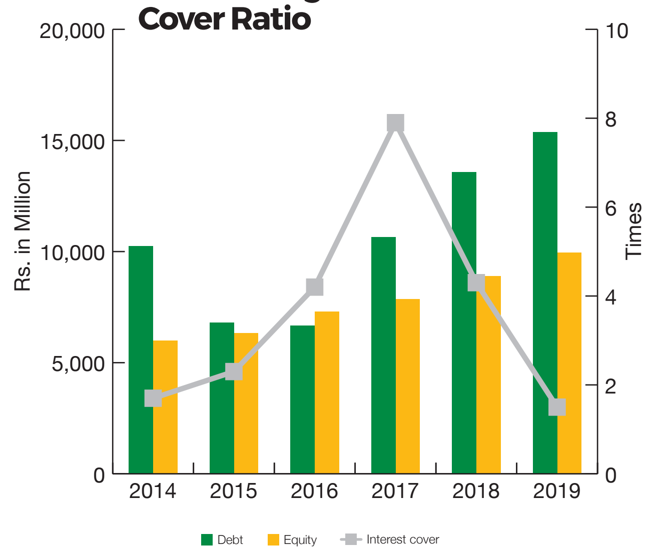
Assets Management Ratio



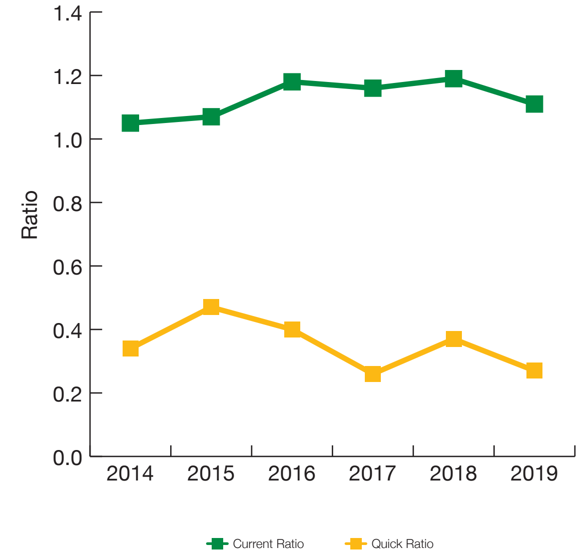
Non Current Assets & Non liabilities



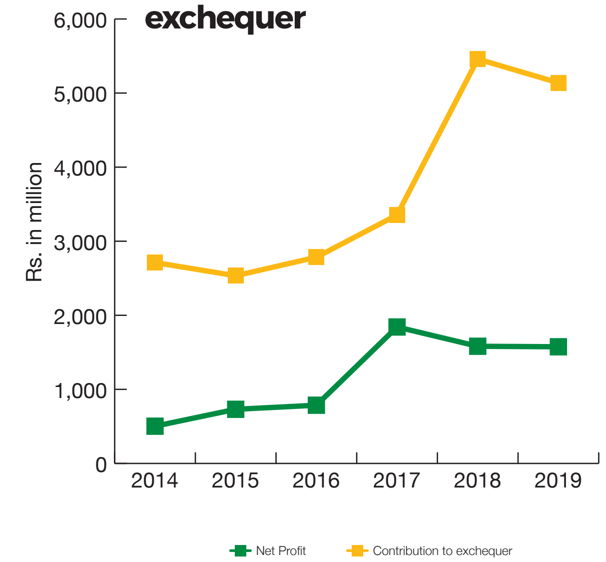
Debt Management & Interest Cover Ratio



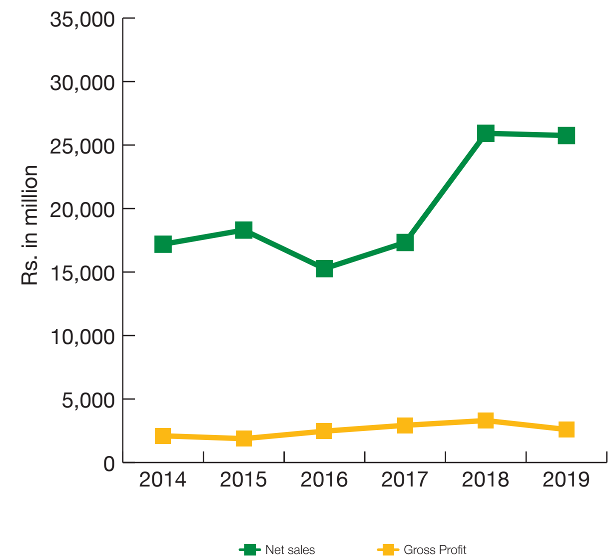
Liquidity Ratio



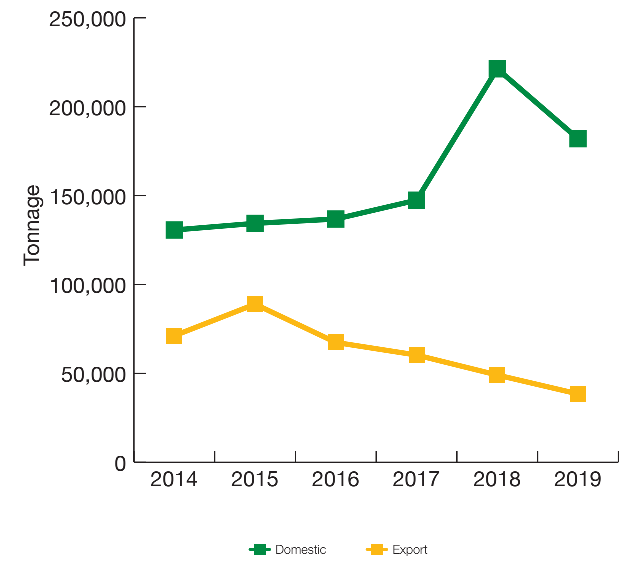
Net Profit & Contribution to exchequer



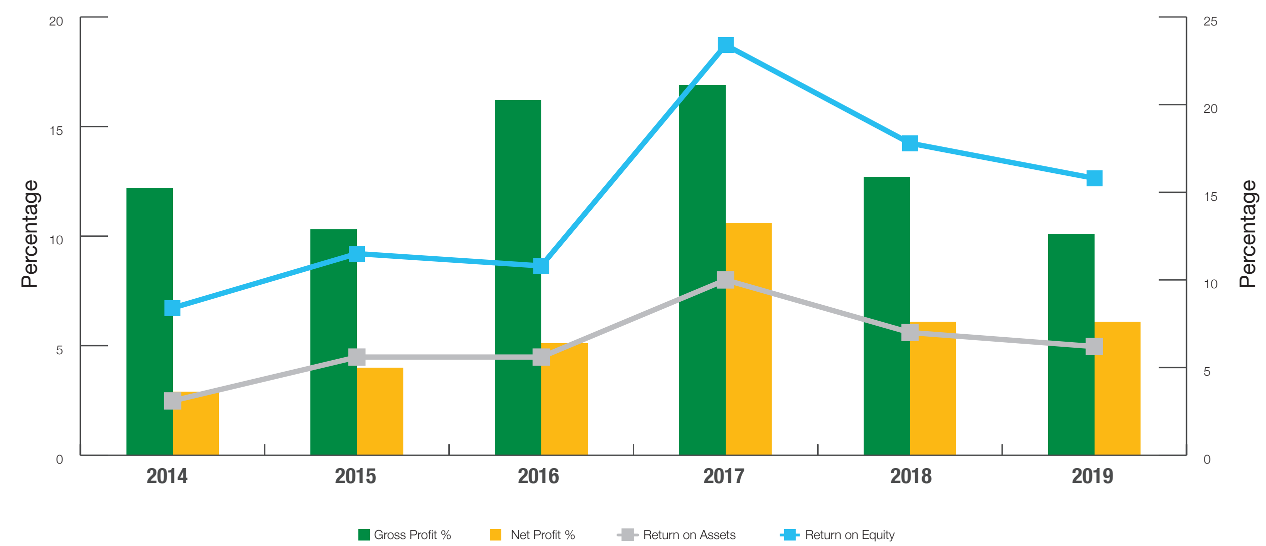
Net Sale & Gross Profit



Sales Breakup



Profitability



STATEMENT OF CASH FLOWS - DIRECT METHOD

For the year ended 30 June 2019

	2019	2018
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Customers	28,908,623	29,405,921
Cash paid to suppliers / service providers and employees	(26,904,867)	(29,276,854)
Workers Funds	(46,050)	(84,576)
Sales tax refund / (payment)	(328,849)	(618,975)
Deposits	59,475	(11,519)
Finance cost paid	(859,498)	(425,595)
Income on bank deposits received	1,827	1,400
Payment for staff gratuity	(47,533)	(35,192)
Payment for compensated absences	(4,585)	(5,736)
Income tax paid	(490,446)	(352,923)
Net cash generated (used in) operations	288,096	(1,404,048)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,455,983)	(1,069,508)
Investment in an associated company	-	(684,571)
Amalgamation of wholly owned subsidiary company	-	150,000
Proceeds from disposal of property, plant and equipment	140,556	79,668
Dividend income received	1,133,212	629,676
Net cash (used in) investing activities	(182,215)	(894,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	24,553	971,106
Repayment of long term financing	(180,919)	(109,707)
Proceeds from short term borrowings - net	2,039,500	(691,511)
Dividends paid	(1,076,253)	(704,798)
Net cash (used in) / generated from financing activities	806,881	(534,910)
Net increase / (decrease) in cash and cash equivalents	912,762	(2,833,693)
Cash and cash equivalents at beginning of the year	(6,103,192)	(3,256,117)
Transfer upon merger	-	(13,382)
Cash and cash equivalents at end of the year	(5,190,430)	(6,103,192)
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	250,700	261,865
Short term borrowings - running finance (secured)	(5,441,130)	(6,365,057)
	(5,190,430)	(6,103,192)

SHARE PRICE SENSITIVITY ANALYSIS

The following are some factors which may affect the share price of the Company in the stock exchange
.

INCREASE IN DEMAND

Increase in demand of our product will contribute towards better profitability and EPS which will in turn increase the share price.

INCREASE IN VARIABLE COST

Any increase in variable cost may badly impact the gross margin and will result in fall in profitability and EPS if the cost cannot be passed on to the customers. This will have a negative impact on our share price.

INCREASE/DECREASE IN STEEL PRICES

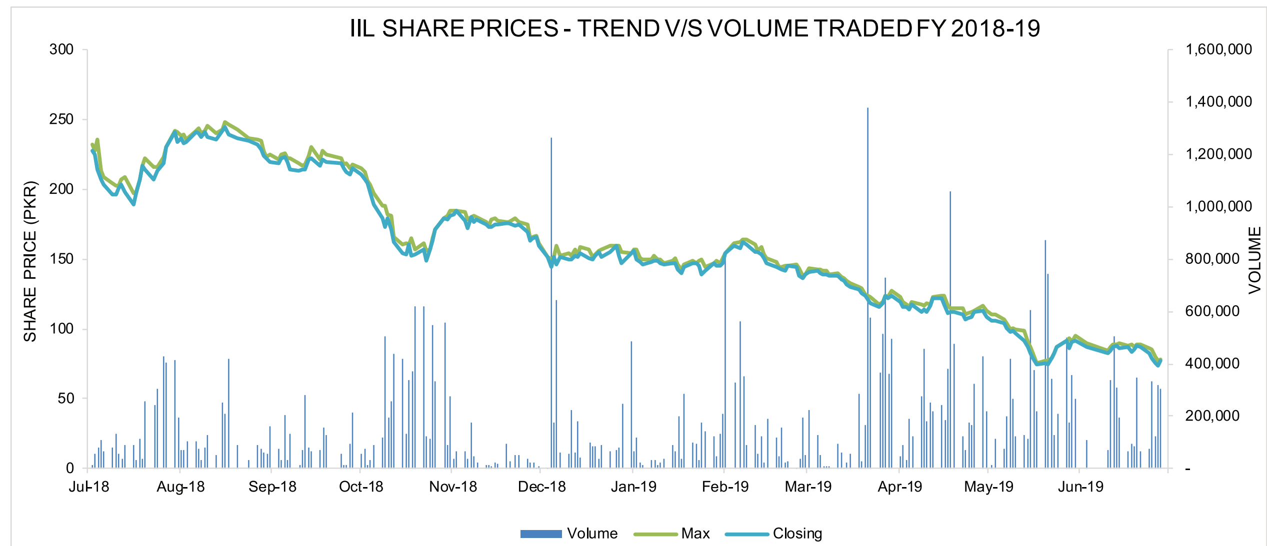
Cost of steel is a major component of the cost of the product. Stability in price which cannot be passed on to the customers will have an impact on profitability and the share price.

INCREASE IN FIXED COSTS

Increase in fixed cost would reduce profitability affecting the EPS and share prices respectively.

CHANGE IN GOVERNMENT POLICIES

Any change in government policies related to steel sector may affect the share price of the Company. A positive change would increase the share price and a negative change would reduce the share price.



FORWARD LOOKING STATEMENT

Future Outlook

The past year has presented considerable economic challenges, not just for IIL, but for Pakistan as a whole. Historically, we have witnessed an upsurge in spending on infrastructure and development projects in election years, followed by a sharp decline in major economic indicators post-elections; this trend was much more pronounced during the last election cycle compared to preceding election cycles. An assessment of this past trend indicates that this post-election slowdown can last at least one year, however given the severity of the current correction this cycle may be much more prolonged. As such, we expect domestic demand for steel to remain at current levels until the economy can fully adjust to the post-IMF economic realities as both loss in domestic consumers' purchasing power due to PKR devaluation and high interest rates will keep economic growth in check for the foreseeable future.

Notwithstanding the above, the long-term outlook for steel remains positive as developing economies such as Pakistan, with young and growing populations, require large investments in public infrastructure to continue growing. The country's demographic profile indicates that the economy will require greater investment in housing, energy, automobiles and white goods to service the needs of this demographic. As per the World Steel Association's assessment for 2018, world average steel consumption was 228 kg per capita, whereas Pakistan remained well below the world average at 46 kg per capita steel. This highlights the extent of shortage of steel products in Pakistan and indicates the immense potential for growth in the domestic steel manufacturing and processing industry. Therefore, IIL remains heavily invested in the steel industry and believes that rising energy, infrastructure and white goods demand will drive steel demand in the coming years. To this end, the Company has made significant forward-looking investments in the preceding years to enhance outreach through diversification in our product range. Our range of square and rectangular Hollow Structural Sections (HSS) pipes have a wide range of applications in construction and infrastructure related projects, and continuous engagement with builders and architects will provide further impetus to this new line of products. Furthermore, this plant is also API certified and will be instrumental in fulfilling Pakistan's requirement of API pipes for gas and LNG distribution in the coming years. Similarly, an increase in professional construction techniques has driven the demand for steel scaffolding pipe. Whereas IIL has always been active in the provision of steel scaffolding pipe, the Company has recently commissioned a dedicated scaffolding line to ensure that it is poised to meet increased demand going forward. We have further upgraded our galvanizing plants to make them more environmentally friendly and galvanize a larger range of products.

We remain cognizant of shifting market dynamics that may affect our business. In recent years, a shift away from small diameter steel pipe towards polymer pipe for water supply led to IIL's foray into PPRC pipes & fittings. The Company views this new business as an important part of its future strategy as the polymer pipes market for water supply is set to grow along with the rise in housing demand. Bulk water supply utilizes large diameter HDPE water pipe and IIL is proud to be the only manufacturer with the largest product range of HDPE water pipes in Pakistan. Our new Polymer Division in Sheikhupura is well-equipped to manufacture the full range our polymer pipes and will strengthen our presence in the North.

Aside from the commercial business segment, demand from institutional projects is expected to support sales in the years ahead. We have proactively developed an affordable housing blueprint to support the Governments initiative of providing housing to 5 million people. Other than this projects such as Green Line, Orange Line, LNG distribution and CPEC and its ancillary projects will constitute a large portion of demand from institutional customers.

The export market remains highly competitive and our primary thrust will be towards introduction of a diversified range of products and increased penetration into new export markets. Subsequent to the various barriers to trade imposed on steel products worldwide, we have adjusted our export business strategy to adapt to the transformed external business environment.

To support growth, IIL has invested in enhancing its brand awareness and continues to engage commercial and institutional customer via nationwide events, participation in trade exhibitions, sponsorships and direct engagement mechanisms.

Status of projects in progress and disclosed in the previous years:

1. Our new Hollow Structural Sections (HSS) and API pipe mill has been fully operational for the last 3 years. The mill has been servicing API orders for local gas utility companies and various export and domestic orders for square and rectangle HSS during the year.

2. Our new scaffolding mill ordered last year has been commissioned and will enable us to produce high strength steel scaffolding pipe in various grades in order to meet specialized requirements.

3. Our Stainless-Steel business and IIL Australia Pty Limited are now both past their initial teething phases and are being managed by independent and competent professionals. Australia has been one of our top performing international markets over the past 3 years and our brand is now well-established in the country. For our line of stainless-steel products, in addition to doubling our production capacity we have also expanded our product range to include auto grade muffler pipes and ornamental grade squares and rectangles in order to further diversify our product range and eliminate imports of this product into Pakistan.

4. A formal inauguration for our Polymer Division was held in Sheikhupura during the latter part of the year. The commissioning of two new HDPE extruders in 2017-18 is now complete. With these investments the Company will possesses the largest HDPE pipe product range and capacity in Pakistan, with operations in both Karachi and Sheikhupura. Our PPRC manufacturing plant in Sheikhupura is fully operational and has the ability to manufacture the full range of PPRC pipes and fittings available in the market. Dedicated management, sales, planning and production teams are in place and comprehensive marketing campaigns on print and electronic media have been in circulation to market our products.

5. Our subsidiary International Steels Limited (ISL) formally inaugurated the completion of its capacity enhancements to its cold-rolling mill and annealing furnaces this year and became the first company in Pakistan with a manufacturing capacity of one million tons of flat steel. ISL further held a groundbreaking ceremony for one of its two planned service centers at Port Qasim during the year.

Explanation of how the performance of the entity meets the forward-looking disclosures made in the previous year:

It is a matter of pride that all new business undertakings mentioned in our previous report have not only been commissioned but are now fully engaged in commercial production and servicing orders. We however remain vigilant in the search for further diversification into innovative ventures that can add value to our shareholders.

Sources of information:

Management has quoted figures from the World Steel Association Report (2018) and has made estimates through assessment of market surveys, discussions with industry professionals, internal discussions and research made through various mediums. IIL regularly utilizes the services of external consultants including during the establishment of its PPRC Pipes & Fittings facility and during the commissioning of its mills as and when required.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERNATIONAL INDUSTRIES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of International Industries Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss account, the statement of 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 account, the statement of 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 income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1	**Revenue recognition** Refer notes 4.1.1, 4.11, 22 and 37.1 to the financial statements relating to revenue recognition. The Company generates revenue from sale of goods to domestic as well as export customers. Sales to domestic and export customers represent 86% and 14% of the total sales respectively. Sales to related parties represent 4% of total sales. 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 and risk of misapplication of the new accounting standard IFRS 15 Revenue from Contracts with Customers.	Our procedures included: • We obtained an understanding of, assessed and tested the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • We compared, 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; • We inspected credit notes issued to record sales returns subsequent to year end, if any; • We reviewed management's IFRS 15 assessment to verify the reasonableness, accuracy and completeness of the impact on the financial statements of the Company; and • We obtained an understanding of the nature of the revenue contracts entered into by the Company, tested a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard.

S. No.	Key audit matters	How the matters were addressed in our audit
2.	**Valuation of Trade Debts** Refer notes 4.1.2, 4.5.2.1, 4.13.1 and 10 to the financial statements relating to valuation of trade debts. The Company has a significant balance of trade debts. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECL). The ECL model has been adopted during the year due to the application of IFRS 9 (Financial Instruments). Details about the application of the IFRS and the effect is given in note 4.1.2 to the financial statements. We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.	Our procedures included: • We obtained an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process; • We assessed the method used by the company for the recognition of the impact of the application of IFRS 9 regarding provision for doubtful debts as allowable under IFRS 9 and assessed the reasonableness of assumptions of ECL; and • We tested the accuracy of the data on a sample basis extracted from the Company's accounting system which has been used to calculate the provision required including the subsequent recoveries.
3.	**Valuation of Stock-in-trade** Refer notes 4.7, 9, 23 and 37.1 to the financial statements relating to valuation of stock-in-trade. Inventory forms a significant part of the Company's assets. During the year 43% of raw materials were purchased by the Company from a related party. We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.	Our procedures included: • We obtained an understanding of internal controls over purchases and valuation of stock in trade and tested, on a sample basis, their design, implementation and operating effectiveness; • We compared on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if any; • We compared calculations of the allocation of directly attributable costs with the underlying supporting documents; • We obtained 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-process and costs necessary to make the sale and their basis; and • We compared 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.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss account, the statement of 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;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

Date: September 3rd, 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019	2018
		---------- Rupees in '000 ----------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,360,485	5,769,659
Intangible assets	6	3,351	8,635
Investments	7	3,277,276	3,277,276
Long term deposits		3,519	62,994
		10,644,631	9,118,564
Current assets			
Stores and spares	8	215,528	152,299
Stock-in-trade	9	10,857,730	9,004,552
Trade debts - considered good	10	2,988,083	2,318,876
Advances, trade deposits and short-term prepayments	11	51,384	1,065,827
Receivable from K-Electric Limited (KE) - unsecured, considered good		30,124	19,965
Other receivables	12	9,523	4,705
Sales tax receivable		279,468	518,397
Cash and bank balances	14	250,700	261,865
		14,682,540	13,346,486
Total assets		25,327,171	22,465,050
EQUITY AND LIABILITIES			
Share capital and Reserves			
Authorised capital			
200,000,000 (2018: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital	15	1,198,926	1,198,926
Revenue reserve			
General reserve		2,700,036	2,700,036
Un-appropriated profit		3,599,089	3,037,210
Capital reserve			
Revaluation surplus on property, plant and equipment	16	2,450,893	1,958,211
Total Shareholders' equity		9,948,944	8,894,383
LIABILITIES			
Non-current liabilities			
Long term financing - secured	17	1,702,174	1,968,534
Staff retirement benefits	32	118,409	146,253
Deferred taxation	18	335,547	222,840
		2,156,130	2,337,627
Current liabilities			
Trade and other payables	19	2,764,019	2,072,728
Contract Liabilities		235,171	242,867
Short term borrowings - secured	20	9,425,130	8,309,557
Unpaid dividend		4,257	14,218
Unclaimed dividend		36,596	23,854
Current portion of long term financing- secured	17	290,913	180,919
Taxation - net	13	322,545	310,225
Accrued mark-up		143,466	78,672
		13,222,097	11,233,040
Total liabilities		15,378,227	13,570,667
Contingencies and commitments	21		
Total equity and liabilities		25,327,171	22,465,050

The annexed notes from 1 to 42 form an integral part of these financial statements.

Ehsan A. Malik Director & Chairman Board Audit Committee	Muhammad Hanif Idrees Chief Financial Officer	Riyaz T. Chinoy Chief Executive Officer

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Note	2019	2018
		--------- Rupees in '000 ---------	
Net sales	22	25,750,467	25,923,464
Cost of sales	23	(23,148,791)	(22,618,536)
Gross profit		2,601,676	3,304,928
Selling and distribution expenses	24	(916,840)	(1,136,456)
Administrative expenses	25	(295,796)	(298,399)
Impairment (loss) / reversal on trade debts	10.4	(5,767)	10,000
		(1,218,403)	(1,424,855)
Finance cost	26	(924,292)	(441,696)
Other operating charges	27	(98,364)	(172,475)
		(1,022,656)	(614,171)
Other income	28	1,732,512	883,187
Profit before taxation		2,093,129	2,149,089
Taxation	29	(518,416)	(567,350)
Profit after taxation for the year		1,574,713	1,581,739
		(Rupees)	
Earnings per share - basic and diluted	30	13.13	13.19

The annexed notes from 1 to 42 form an integral part of these financial statements.

Ehsan A. Malik Director & Chairman Board Audit Committee	Muhammad Hanif Idrees Chief Financial Officer	Riyaz T. Chinoy Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019	2018
		--------- Rupees in '000 ---------	
Profit for the year		1,574,713	1,581,739
Other comprehensive income			
Items that will not be subsequently reclassified to Statement of profit or loss account			
Gain / (loss) on Remeasurements of net defined benefit liability		27,844	(61,132)
Adjustment related to opening deferred tax balance		(2,933)	1,754
Related deferred tax charge for the year		(6,718)	15,974
		(9,651)	17,728
		18,193	(43,404)
Gain due to addition to Surplus on Revaluation during the year			
Freehold land	5.1	72,635	-
Leasehold land	5.1	197,316	-
Building	5.1	358,144	-
Adjustment related to opening deferred tax balance		(685)	(9,821)
Related deferred tax charge for the year		(86,721)	-
		270,738	(9,821)
		540,689	(9,821)
Other comprehensive income for the year - net of tax		558,882	(53,225)
Total comprehensive income for the year		2,133,595	1,528,514

The annexed notes from 1 to 42 form an integral part of these financial statements.

Ehsan A. Malik	Muhammad Hanif Idrees	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
		--------- Rupees in '000 ---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,093,129	2,149,089
Adjustments for:			
Depreciation	5.2	462,573	380,005
Amortisation	6.1.2	5,284	6,874
Impairment loss / (reversal) on trade debts		5,767	(10,000)
Provision for staff gratuity	32.2	47,533	35,192
Provision for compensated absences		1,109	6,050
Income on bank deposits	28	(1,827)	(1,400)
Gain on disposal of property, plant and equipment	28	(109,877)	(71,739)
Dividend income		(1,133,212)	(629,676)
Finance cost	26	924,292	441,696
		2,294,771	2,306,091
Changes in:			
Working capital	31	(665,915)	(2,880,574)
Long term deposits		59,475	(11,519)
Net cash generated from / (used in) operations		1,688,331	(586,002)
Finance cost paid		(859,498)	(425,595)
Income on bank deposits received		1,827	1,400
Payment for staff gratuity	32.2	(47,533)	(35,192)
Payment for compensated absences		(4,585)	(5,736)
Income tax paid		(490,446)	(352,923)
Net cash generated from / (used in) operating activities		288,096	(1,404,048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,455,983)	(1,069,508)
Investment in an associated company		-	(684,571)
Amalgamation of wholly owned subsidiary company		-	150,000
Proceeds from disposal of property, plant and equipment		140,556	79,668
Dividend income received		1,133,212	629,676
Net cash used in investing activities		(182,215)	(894,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		24,553	971,106
Repayment of long term financing		(180,919)	(109,707)
Proceeds from short term borrowings - net		2,039,500	(691,511)
Dividends paid		(1,076,253)	(704,798)
Net cash (used in) / generated from financing activities		806,881	(534,910)
Net increase / (decrease) in cash and cash equivalents		912,762	(2,833,693)
Cash and cash equivalents at beginning of the year		(6,103,192)	(3,256,117)
Transfer upon merger		-	(13,382)
Cash and cash equivalents at end of the year		(5,190,430)	(6,103,192)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	14	250,700	261,865
Short term borrowings - running finance (secured)	20.1,20.2,20.4	(5,441,130)	(6,365,057)
		(5,190,430)	(6,103,192)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Ehsan A. Malik	Muhammad Hanif Idrees	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Issued, subscribed and paid up capital	Revenue reserves		Capital Reserves	Total
		General reserves	Un-appropriated profit	Revaluation surplus on property, plant & equipment	
	(Rupees in '000)				
Balance as at 01 July 2017	1,198,926	2,700,036	1,942,475	2,017,384	7,858,821
Profit for the year	-	-	1,581,739	-	1,581,739
Other comprehensive income for the year	-	-	(43,404)	(9,821)	(53,225)
Total comprehensive income for the year	-	-	1,538,335	(9,821)	1,528,514
Transactions with owners recorded directly in equity - distributions					
Dividend:					
- Final dividend at 20% (i.e. Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)
- Interim dividend at 20% (i.e. Rs. 2.00 per share) for the year ended 30 June 2018	-	-	(239,785)	-	(239,785)
Total transactions with owners of the Company - distributions	-	-	(479,570)	-	(479,570)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of tax	-	-	765	(765)	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	-	48,587	(48,587)	-
Transfer upon merger	-	-	(13,382)	-	(13,382)
Balance as at 30 June 2018	1,198,926	2,700,036	3,037,210	1,958,211	8,894,383
Profit for the year	-	-	1,574,713	-	1,574,713
Other comprehensive income for the year	-	-	18,193	540,689	558,882
Total comprehensive income for the year	-	-	1,592,906	540,689	2,133,595
Transactions with owners recorded directly in equity - distributions					
Dividend:					
- Final dividend at 65% (i.e. Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(779,302)	-	(779,302)
- Interim dividend at 25% (i.e. Rs. 2.50 per share) for the year ended 30 June 2019	-	-	(299,732)	-	(299,732)
Total transactions with owners of the Company - distributions	-	-	(1,079,034)	-	(1,079,034)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of tax	-	-	7,139	(7,139)	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	-	40,868	(40,868)	-
					-
Balance as at 30 June 2019	1,198,926	2,700,036	3,599,089	2,450,893	9,948,944

The annexed notes from 1 to 42 form an integral part of these financial statements.

Ehsan A. Malik Director & Chairman Board Audit Committee	Muhammad Hanif Idrees Chief Financial Officer	Riyaz T. Chinoy Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1 STATUS AND NATURE OF BUSINESS

International Industries Limited ("the Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Company is engaged in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes & fittings. The registered office of the Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

The manufacturing facilities of the Company are situated as follows:

a) LX 15-16, Landhi Industrial Area, Karachi
b) Survey # 402,405-406, Dehshrabi Landhi Town, Karachi
c) 22 KM, Sheikhupura Road, Lahore

Sales offices are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

Details of the Company's investment in subsidiaries and associated company are stated in note 7 to these financial statements.

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 Standard 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 with the requirements of 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, land & 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 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 asset and liabilities in the next year are described in the following notes:

- Property, plant and equipment and Intangible assets (notes 4.2 and 4.3).
- Trade debts, advances and other receivables (note 4.5.2.1)
- Derivative financial instruments (note 4.5.4 and 4.5.5)
- Stores and spares (note 4.6)
- Stock-in-trade (note 4.7)
- Taxation (note 4.8)
- Staff retirement benefits (note 4.9)
- Impairment (note 4.13)
- Provisions (note 4.14)
- Contingent liabilities (note 4.15)

3 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 4.1. 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.

3.1 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 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting impact of the standard on the Company's financial reporting.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or fair value through other comprehensive income (FVOCI), IFRS 9 requires its contractual cash flows to meet the criterion that cash flows are 'solely payments of principal and interest' (SPPI). Some prepayment options could result in a situation wherein the party that triggers the early termination receives 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 the 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 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The Company does not intend to amend, curtail or settle its defined benefit plan, therefore the application of this amendment does not have an impact on the 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 1 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 and it 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 1 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.

4 SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 4.1, the significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

4.1 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:

4.1.1 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 1 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, net of sales commission and excludes amounts collected on behalf of third parties.

The Company manufactures and contracts with customers for the sale of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes & fittings which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is upon the delivery of goods. Delivery occurs when the products have been shipped to the specific location and the risks of loss have been transferred to the customers . The transfer can be either in the form of acceptance by the customer of products as per the sales contract or lapse of acceptance provision or the Company has objective evidence that all criteria for acceptance have been satisfied.

Invoices are generated at the point in time when control of the asset is transferred and revenue is recognised at that point in time. Receivable is also 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.

The Company also receives short term advances from some of its customers. Prior to adoption of IFRS 15, advance consideration received from customers was included in 'Trade and other payables' which now is reclassified as 'Contract liabilities' and presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to 'Contract liabilities' for outstanding balance of advance from customers for prior year to provide comparison. The amount of contract liabilities includes advance consideration received from customers amounting to Rs.242.9 million as at the beginning of the period which 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 goods and when the Company transfers that promised goods 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 primary geographical markets and major product lines.

4.1.2 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 account 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 are 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 4.5 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:

As at 30 June 2018	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
			--------- Rupees in '000	---------
Long term deposits	Loans and receivables	Amortized cost	62,994	62,994
Trade debts - considered good	Loans and receivables	Amortized cost	2,318,876	2,318,876
Advances and trade deposits	Loans and receivables	Amortized cost	1,057,313	1,057,313
Receivable from K-Electric Limited (KE) - unsecured, considered good	Loans and receivables	Amortized cost	19,965	19,965
Other receivables	Loans and receivables	Amortized cost	4,705	4,705
Sales tax receivable	Loans and receivables	Amortized cost	518,397	518,397
Cash and bank balances	Loans and receivables	Amortized cost	261,865	261,865
Total financial assets			4,244,115	4,244,115

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 loss model, rather than the current incurred loss model, when assessing the impairment of financial asset 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 for measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. Impairment losses related to trade debts are presented separately in the statement of profit or loss account. Trade debts 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 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.

4.2 **Property, plant and equipment**

4.2.1 **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 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 (except freehold and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold lands are stated at revalued amounts and buildings on freehold and leasehold lands are stated at revalued amounts less accumulated depreciation. The value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals. The costs of Property, plant and equipment include:

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

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

(c) Borrowing costs, if any.

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

Subsequent expenditure

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

Depreciation

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

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

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

Revaluation surplus

Revaluation of land and building 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 land and building 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 account, in which case the increase is first recognized in statement of profit or loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to statement of profit or loss account. The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss account 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 account, and the related revaluation surplus on property, plant and equipment, if any, is transferred directly to retained earnings.

4.2.2 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.

4.3 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 6).

c) Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed-off.

4.4 Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognised and carried at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is the higher of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses are recognised in statement of profit or loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the statement of profit or loss account.

Investments in associates

Investments in associates are initially recognised and carried at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount exceeds its recoverable amount.

Impairment losses are recognised in statement of profit or loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the statement of profit or loss account.

4.5 Financial Instruments

4.5.1 Initial measurement of financial asset

The Company classifies its financial assets into 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 account. 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 account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss account 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 account.
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 the statement of profit or loss account.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest 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 account.

4.5.2 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 retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.5.2.1 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.

4.5.2.2 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 investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term borrowings availed by the Company, which are repayable on demand and form an integral part of the Company's cash management.

4.5.3 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.

4.5.3.1 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 account over the period of the borrowings using the effective interest method.

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

4.5.3.2 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.

4.5.4 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 account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5.5 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 the statement of profit or loss account. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

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

4.5.6 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.

4.6 **Stores and spares**

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

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

4.7 **Stock-in-trade**

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

4.8 **Taxation**

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

Current

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

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

Deferred tax

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

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

4.9 **Staff retirement benefits**

4.9.1 **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 statement of profit or loss account. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

4.9.2 **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 account.

4.9.3 **Compensated absences**

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

4.10 **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 account currently.

4.11 **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.
- Dividend income is recognised when the right to receive payment is established.
- Gains / losses arising on sale of investments are included in the statement of profit or loss account in the period in which they arise.
- Service income is recognised when related services are rendered.
- Rental income is recognized on straight line basis over the term of the respective lease agreement.

4.12 Income on bank deposits and finance cost

The Company's finance income and finance cost includes interest income and interest expense. Interest income or expense is recognized using the effective interest method.

4.13 Impairment

4.13.1 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 of 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 expects 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.

4.13.2 Non-financial assets

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

4.14 Provisions

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

4.15 Contingent liabilities

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

4.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The management monitors the operating results of its products (i.e. Steel and Plastic Pipes) separately for the purposes of making decisions regarding resource allocation and performance assessment. Further, due to significant returns from its investment in 56.33% owned subsidiary and an associated company, the management now monitors returns from its strategic investments separately. Accordingly, Investments has also been identified as a reportable segment.

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 production facilities and currently any excess electricity is sold to KE.

4.17 Dividend and appropriation to / from reserves

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		--------- Rupees in '000 ---------	
Operating assets	5.1	7,309,783	5,604,624
Capital work-in-progress (CWIP)	5.6	19,749	146,098
Stores and spares held for capital expenditures - at cost		30,953	18,937
		7,360,485	5,769,659

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2018								
Cost / revalued amount	528,791	1,782,743	271,176	1,130,212	4,368,547	106,073	160,899	8,348,441
Accumulated depreciation	-	-	(31,691)	(193,386)	(2,348,845)	(88,029)	(81,866)	(2,743,817)
Net book value (NBV)	528,791	1,782,743	239,485	936,826	2,019,702	18,044	79,033	5,604,624
Additions / adjustments / transfers from CWIP	-	48,336	85,574	310,010	1,063,066	28,968	34,362	1,570,316
Surplus on revaluation	72,635	197,316	84,176	273,968	-	-	-	628,095
Disposals								
- Cost	-	-	-	(24,664)	(137,498)	(7,641)	(34,770)	(204,573)
- Accumulated depreciation	-	-	-	12,763	124,947	7,327	28,857	173,894
	-	-	-	(11,901)	(12,551)	(314)	(5,913)	(30,679)
Depreciation charge	-	-	(23,366)	(94,131)	(306,355)	(7,969)	(30,752)	(462,573)
Balance as at 30 June 2019 (NBV)	**601,426**	**2,028,395**	**385,869**	**1,414,772**	**2,763,862**	**38,729**	**76,730**	**7,309,783**
Gross carrying value as at 30 June 2019								
Cost / revalued amount	601,426	2,028,395	385,869	1,414,772	5,294,115	127,400	160,491	10,012,468
Accumulated depreciation	-	-	-	-	(2,530,253)	(88,671)	(83,761)	(2,702,685)
Net book value	**601,426**	**2,028,395**	**385,869**	**1,414,772**	**2,763,862**	**38,729**	**76,730**	**7,309,783**
Depreciation rates (% per annum)	**-**	**-**	**2 - 50**	**2 - 50**	**3 - 50**	**10 - 33.3**	**20**	
Balance as at 1 July 2017								
Cost / revalued amount	528,791	1,501,234	258,726	969,726	3,917,123	102,580	140,047	7,418,227
Accumulated depreciation	-	-	(15,142)	(111,697)	(2,132,268)	(86,629)	(72,830)	(2,418,566)
Net book value (NBV)	528,791	1,501,234	243,584	858,029	1,784,855	15,951	67,217	4,999,661
Additions / transfer from CWIP	-	281,509	12,717	161,882	404,178	8,178	42,154	910,618
Transfer upon merger	-	-	-	-	104,118	-	-	104,118
Disposals								
- Cost	-	-	(267)	(1,396)	(56,872)	(4,685)	(21,302)	(84,522)
- Accumulated depreciation	-	-	50	136	53,201	4,588	18,618	76,593
	-	-	(217)	(1,260)	(3,671)	(97)	(2,684)	(7,929)
Transfer upon merger	-	-	-	-	(21,839)	-	-	(21,839)
Depreciation charge	-	-	(16,599)	(81,825)	(247,939)	(5,988)	(27,654)	(380,005)
Balance as at 30 June 2018 (NBV)	528,791	1,782,743	239,485	936,826	2,019,702	18,044	79,033	5,604,624
Gross carrying value as at 30 June 2018								
Cost / revalued amount	528,791	1,782,743	271,176	1,130,212	4,368,547	106,073	160,899	8,348,441
Accumulated depreciation *	-	-	(31,691)	(193,386)	(2,348,845)	(88,029)	(81,866)	(2,743,817)
Net book value	528,791	1,782,743	239,485	936,826	2,019,702	18,044	79,033	5,604,624
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

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

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

	Note	2019	2018
		Rupees in '000	
Cost of sales	23	**428,041**	348,964
Selling and distribution expenses	24	**14,945**	11,321
Administrative expenses	25	**10,703**	13,956
Power Generation	28.1	**8,884**	5,764
		462,573	380,005

5.3 The revaluation of freehold land, leasehold 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 amounting to Rs.628 million which was incorporated in the books of the Company as at 30 June 2019.

The Company commissioned independent valuation of freehold land, leasehold land and buildings thereon during the years / periods ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007, 30 June 2013, 30 June 2016 & 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	**141,962**	**-**	**141,962**
Leasehold land	**711,182**	**-**	**711,182**
Buildings	**1,329,357**	**(418,349)**	**911,008**
As at 30 June 2019	**2,182,501**	**(418,349)**	**1,764,152**
As at 30 June 2018	1,763,245	(376,960)	1,386,285

5.4 Particulars of immovable property (i.e. land and building) in the name of the Company and related Forced Sales Value are as follows:

Particulars	Location	Area of Land (acres)	Covered Area (Sq Ft)	FSV (Rs in '000)
Leasehold Land (Manufacturing plant)	Plot no.LX15-16, HX-7/4 Landhi Industrial Estate Karachi	25.59	791,614	1,706,091
Leasehold Land (Manufacturing plant)	22 KM Sheikhupura Road, Mouza Khanpur Nabipur Tehsil Ferozpur District Sheikhupura.	31.05	366,032	849,011
Freehold Land (Manufacturing plant)	Survey Nos.402,405-406, Deh Sharabi, Landhi Town, City District Government, Karachi	10	220,480	704,817
Office Premises	Office No.101-105, 1st Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	Not applicable	13,676	164,107
Sales Office Premises	Chinoy House, 2nd and 3rd Floor Off Thornton Road, Hadbast Mouza Khas District Lahore	Not applicable	4,906	35,323
Sales Godown	Plot bearing No.NEIR-61 Khasra No.3303 - 3308, Hadbast Mouza Naulakha GT Road Lahore	0.17	6,295	39,488
Sales Godown	Plot bearing No.47, Khasra Nos.298/1, 2978/1 Ghoray Shah Road, Hadbast Mouza Khoi Meran District Lahore	0.18	6,215	45,530
		66.99	1,409,218	3,544,367

5.5 Details of property, plant and equipment disposed off / scrapped having book value each in excess of Rs. 5 million each are as follows:

Description		Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer	Relationship with buyer
		(Rupees in '000)							
Buildings	Buildings	7,966	1,569	6,397	5,866	(531)	Negotiation	M/s. Arshad Bros.	None

5.6 Capital work-in-progress (CWIP)

	Cost			
	As at 1 July 2018	Additions / Adjustments	Transfers / Adjustments	As at 30 June 2019
	(Rupees in '000)			
Leasehold land	-	48,336	(48,336)	-
Buildings on freehold land	12,047	73,527	(85,574)	-
Buildings on leasehold land	74,804	240,090	(310,010)	4,884
Plant and machinery	58,510	1,019,421	(1,063,066)	14,865
Furniture, fixtures and office equipment	737	28,231	(28,968)	-
Vehicles	-	34,362	(34,362)	-
	146,098	1,443,967	(1,570,316)	19,749

	Cost			
	As at 1 July 2017	Additions / Adjustments	Transfers / Adjustments	As at 30 June 2018
	(Rupees in '000)			
Leasehold land	-	281,509	(281,509)	-
Buildings on freehold land	961	23,125	(12,039)	12,047
Buildings on leasehold land	5,555	231,809	(162,560)	74,804
Plant and machinery	75,768	386,920	(404,178)	58,510
Furniture, fixtures and office equipment	647	8,268	(8,178)	737
Vehicles	-	42,154	(42,154)	-
	82,931	973,785	(910,618)	146,098

	Note	2019	2018
		Rupees in '000	
6 INTANGIBLE ASSETS			
Operating intangible assets	6.1	2,271	7,555
Capital work-in-progress (CWIP)	6.2	1,080	1,080
		3,351	8,635
6.1 Operating intangible assets			
Net book value as at 1 July		7,555	14,429
Amortisation	6.1.2	(5,284)	(6,874)
Net book value as at 30 June		2,271	7,555
Gross carrying value as at 30 June			
Cost		74,940	74,940
Accumulated amortisation		(72,669)	(67,385)
Net book value		2,271	7,555
		Percent	
Amortisation rate (per annum)		33.33	33.33

6.1.1 Intangible assets comprise of computer software and licenses.

6.1.2 The amortisation expense for the year has been allocated as follows:

	Note	(Rupees in '000)	
Cost of sales	23	-	2,928
Selling and distribution expenses	24	-	1,829
Administrative expenses	25	5,284	2,117
		5,284	6,874

6.2 This represents advance provided to ERP consultant on account of upgradation of ERP system.

7 INVESTMENTS

2019	2018		Note	2019	2018
(Number of shares)				Rupees in '000	
Quoted Companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company, at cost	7.1	2,450,555	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associated company, at cost	7.2	817,553	817,553
Un-quoted Companies					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company, at cost	7.3	9,168	9,168
				3,277,276	3,277,276

7.1 The Company holds 56.33% ownership interest in ISL. The Chief Executive Officer of ISL is Mr. Yousuf H. Mirza.

7.1.1 The Company has pledged 500,000 shares of International Steels Limited in the Honourable Sindh High Court as explained in note 21.1.8

7.2 The Company holds 17.124% (2018: 17.124%) ownership interest in PCL. The Chief Executive Officer of PCL was Mr. Kamal A. Chinoy upto 30 June 2019. Subsequently Mr.Fahad K.Chinoy has been appointed as Chief Executive Officer of PCL.

7.3 The Company holds 100% ownership interest in IIL Australia Pty Limited. The Chief Executive Officer of IIL Australia Pty Limited is Mr. Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia. As per the latest available financial statements which are prepared on going concern. IIL Australia Pty. Limited has been audited by KST Partners Chartered Accountants and they have expressed an unqualified opinion.

7.4 The market value of the aforementioned quoted investments is as follows:

	Note	2019	2018
		Rupees in '000	
International Steels Limited at Rs.39.71 (2018: Rs. 101.98) per share	7.4.1	9,731,156	24,922,149
Pakistan Cables Limited at Rs.140.52 (2018: Rs. 186.95) per share	7.4.1	856,114	1,138,987

7.4.1 Market values of the investments disclosed above is categorised as Level 1 fair value measurement.

7.5 The book value of IIL Australia based on the audited financial statements as at 30 June 2019 is Australian Dollars 177,569 (Rs. 20.42 million) [2018: AUD 162,332 (Rs. 14.56 million)].

8 STORES AND SPARES

	Note	2019	2018
		-------- Rupees in '000 --------	
Stores		98,269	88,711
Spares		113,286	60,363
Loose tools		3,973	3,225
		215,528	152,299

9 STOCK-IN-TRADE

	Note	2019	2018
Raw material - in hand	9.1	5,186,733	4,384,947
- in transit		1,721,549	840,324
		6,908,282	5,225,271
Work-in-process		1,516,682	1,409,862
Finished goods		2,358,009	2,296,166
By-products		45,970	17,363
Scrap material		28,787	55,890
		10,857,730	9,004,552

9.1 Raw material amounting to Rs. 4.9 million as at 30 June 2019 (2018: Rs. 3.8 million) was held at a vendor's premises for the production of pipe caps.

10 TRADE DEBTS - considered good

	Note	2019	2018
		-------- Rupees in '000 --------	
Considered good - secured	10.1	86,154	74,290
- unsecured		2,901,929	2,244,586
		2,988,083	2,318,876
Considered doubtful		145,767	140,000
		3,133,850	2,458,876
Provision for impairment on trade debts	10.4	(145,767)	(140,000)
		2,988,083	2,318,876

10.1 This represents trade debts arising on account of export sales of Rs. 63.3 million (2018: Rs. 61.5 million) which are secured by way of Export Letters of Credit and Rs. 22.8 million (2018: Rs. 12.8 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

10.2 Related parties from whom trade debts are due as at 30 June 2019 are as under:

	Note	2019	2018
		-------- Rupees in '000 --------	
IIL Australia Pty Limited		581,091	828,388
Pakistan Cables Limited		9,695	-
	10.3.1	590,786	828,388

10.3 The maximum aggregate amount due from the related parties at any time during the year calculated by reference to month-end balances is Rs. 1,132.54 million.

10.3.1 The ageing of trade debts receivable from related parties as at the reporting date is as under:

	Note	2019	2018
		-------- Rupees in '000 --------	
Not yet due		416,015	589,883
Past due 1-60 days		137,362	183,219
Past due 61 days - 180 days		37,409	55,286
Total		590,786	828,388

10.4 Provision for impairment on trade debts

	Note	2019	2018
Balance as at 01 July		140,000	150,000
Impairment (loss) / reversal on trade debts		38,774	16,496
Recoveries during the year		(33,007)	(26,496)
		5,767	(10,000)
Balance as at 30 June		145,767	140,000

11 ADVANCES, TRADE DEPOSITS AND SHORT - TERM PREPAYMENTS

	Note	2019	2018
Considered good - unsecured			
- Suppliers		40,927	1,042,867
- Employees for business related expenses		440	993
Trade deposits		4,352	13,453
Short term prepayments		5,665	8,514
		51,384	1,065,827

11.1 These advances and trade deposits are non interest bearing.

12 OTHER RECEIVABLES

	Note	2019	2018
Considered good			
Insurance claim		9,341	46
Others		182	4,659
		9,523	4,705
Considered doubtful			
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
		35,463	30,645
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior periods		(25,940)	(25,940)
		9,523	4,705

13 TAXATION

	Note	2019	2018
Tax receivable as at 01 July		(310,225)	(96,337)
Tax payments / adjustments made during the year		490,446	352,923
		180,221	256,586
Less: Provision for tax	29	(502,766)	(566,811)
Tax payable as at 30 June		(322,545)	(310,225)

14 CASH AND BANK BALANCES

	Note	2019	2018
		-------- Rupees in '000 --------	
Cash at bank			
- Current accounts		245,408	261,865
- Deposit accounts	14.1	5,292	-
		250,700	261,865

14.1 Mark-up rate on deposits accounts, placed with banks under conventional banking arrangement, is 10.25% (2018: 4.5%).

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		Note	2019	2018
(Number of shares)				-------- Rupees in '000 --------	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash		67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs.10 each issued as bonus shares		1,131,229	1,131,229
119,892,619	119,892,619			1,198,926	1,198,926

15.1 Pakistan Cables Limited, an associated company, due to common directors, held 576,000 (2018: 576,000) ordinary shares of Rs. 10 each at the year end.

16 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
Freehold land			
Balance as at 01 July		386,829	386,829
Surplus on revaluation of Freehold land	5.1	72,635	-
Balance as at 30 June		459,464	386,829
Leasehold land			
Balance as at 01 July		1,119,897	1,119,897
Surplus on revaluation of Leasehold land	5.1	197,316	-
Balance as at 30 June		1,317,213	1,119,897
Buildings			
Balance as at 01 July		594,834	660,020
Surplus on revaluation of buildings	5.1	358,144	-
Disposal of buildings		(9,420)	(1,007)
Transferred to retained earnings (un-appropriated profit) in respect of incremental depreciation charged during the year		(53,925)	(64,179)
		889,633	594,834
Related deferred tax liability	16.2	(215,417)	(143,349)
Balance as at 30 June - net of deferred tax		674,216	451,485
		2,450,893	1,958,211

16.1 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.

16.2 Movement in related deferred tax liability

	Note	2019	2018
		-------- Rupees in '000 --------	
Balance as at 01 July		143,349	149,362
Surplus on revaluation of Buildings		86,721	-
Effect of change in tax rates		685	9,821
Tax effect on disposal		(2,281)	(242)
Tax effect on incremental depreciation transferred to retained earnings		(13,057)	(15,592)
Deferred tax liability as at 30 June	18	215,417	143,349

17 LONG TERM FINANCING - secured

	2019	2018
Long-term finances utilised under mark-up arrangements	1,993,087	2,149,453
Current portion of long term finances shown under current liabilities	(290,913)	(180,919)
	1,702,174	1,968,534

Details of Long Term Financing are as follows:

	Sale price	Purchase price	Number of instalments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2019	2018
CONVENTIONAL	(Rupees in '000)					------ Rupees in '000 ------	
MCB Bank Limited							
Financing under long term finance facility for plant and machinery (Refer note 17.1)	550,000	906,963	34 quarterly 29 October 2016	28 March 2025 to 20 Nov 2027	SBP+0.70% (fixed rate)	411,134	476,839
MCB Bank Limited							
Financing under long term finance facility for plant and machinery (Refer note 17.1)	800,000	1,164,316	11 half yearly 30 June 2020	28 Dec 2024	0.1 % over 6 months KIBOR	800,000	800,000
MCB Bank Limited							
Financing under long term finance facility for plant and machinery (Refer note 17.1)	100,000	149,976	34 quarterly 31 Aug 2019	31 Aug 2027	SBP+0.50% (fixed rate)	98,422	100,000
MCB Bank Limited							
Financing under long term finance facility for plant and machinery (Refer note 17.1)	100,000	147,862	34 quarterly 30 Mar 2020	30 June 2028	SBP+0.50% (fixed rate)	92,623	68,069
ISLAMIC							
Meezan Bank Limited							
Diminishing Musharakah of Rs.500 million for plant and machinery (Refer note 17.2)	500,000	950,361	11 half yearly 30 June 2018	30 June 2023	0.1 % over 6 months KIBOR	363,635	454,545
Meezan Bank Limited							
Diminishing Musharakah of Rs.250 million for plant and machinery (Refer note 17.2)	250,000	279,978	11 half yearly 30 June 2019	30 June 2024	0.1 % over 6 months KIBOR	227,273	250,000
						1,993,087	2,149,453

17.1 The Company has an approved financing facility under Long Term Finance Facilities of an amount aggregating Rs. 550 million and Rs. 800 million, Rs. 100 million and Rs. 100 million which were obtained during the year. As at 30 June 2019 the Company has withdrawn Rs. 1,402.1 million (2018: Rs. 1,444.9 million) from a commercial bank. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.

17.2 These long term financing utilized under diminishing musharakah arrangement are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.

17.3 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.

18 DEFERRED TAXATION - NET

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

	Note	2019	2018
		-------- Rupees in '000 --------	
Taxable temporary difference			
Accelerated tax depreciation		306,631	257,345
Surplus on revaluation of buildings	16.2	215,417	143,349
Deductible temporary differences			
Provision for infrastructure cess		(115,791)	(96,611)
Provision for impairment on trade receivables		(40,551)	(40,600)
Provision for compensated absences		(1,592)	(2,425)
Staff retirement benefits		(28,567)	(38,218)
		335,547	222,840

19 TRADE AND OTHER PAYABLES

	Note	2019	2018
Trade creditors		125,238	138,061
Bills payable		1,003,235	17,293
Accrued expenses		999,177	1,120,432
Provision for Infrastructure cess	19.1 & 21.1.4	477,586	401,376
Short term compensated absences		6,600	10,076
Workers' Profit Participation Fund	19.2	5,171	(311)
Workers' Welfare Fund		121,155	101,957
Others		25,857	283,844
		2,764,019	2,072,728

19.1 Provision for Infrastructure Cess

This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 21.1.4).

	Note	2019	2018
		-------- Rupees in '000 --------	
Balance as at 01 July		401,376	322,537
Charge for the year		76,210	78,839
Balance as at 30 June		477,586	401,376

19.2 Workers' Profit Participation Fund

	Note	2019	2018
Balance as at 01 July		(311)	2,576
Interest on funds utilized in the Company's business Nil (2018: 67.50%)	26	-	247
		(311)	2,823
Allocation for the year		51,532	81,689
		51,221	84,512
Payments made during the year		(46,050)	(84,823)
Balance as at 30 June		5,171	(311)

20 SHORT TERM BORROWINGS - secured

	Note	2019	2018
CONVENTIONAL			
Running finance under mark-up arrangement from banks	20.1	868,485	1,205,504
Short term borrowing under Money Market Scheme			
Maturing after three months		500,000	-
Maturing within three months		4,216,850	3,716,854
	20.2	4,716,850	3,716,854
Short term borrowing under Export Refinance Scheme	20.3	2,176,000	1,944,500
ISLAMIC			
Short term borrowing under running Musharakah	20.4	355,795	1,442,699
Short term borrowing under term Murabaha	20.5	1,308,000	-
		9,425,130	8,309,557

20.1 The facilities for running finance available from various commercial banks amounted to Rs. 3,342.5 million (2018: Rs.2,860 million). The rates of mark-up on these finances range from 11.44% to 13.04% per annum (2018: 6.53% to 8.17% per annum). Unavailed facility as at the year end amounted to Rs. 2,474 million (2018: Rs. 1,654.5 million).

20.2 The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 5,270 million (2018: Rs. 5,140 million).Unavailed facility as at the year end amounted to Rs. 553.1 million (2018: Rs. 1,423.1 million). The rates of mark-up on these finances range from 11.04% to 13.06% (2018: 6.43% to 7.02%) per annum

20.3 The Company has borrowed short term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 2,176 million (2018: Rs. 1,994.5 million). The rate of mark-up on this facility was 2.50% to 3.00% per annum (2018: 2.10% to 2.15% per annum).

20.4 The facilities for running musharakah available from various banks amounted to Rs. 1,500 million (2018: Rs. 1,500 million). The rates of mark-up on these finance is 13.10% per annum (2018: 6.63% per annum). Unavailed facility as at the year end amounted to Rs. 1,144.2 million (2018: Rs. 57.3 million).

20.5 During the year new loan has been obtained from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 8 million equivalent to fixed amount of Rs.1,308 million for meeting working capital requirement. The tenor of the loan is six months i.e from 26 June 2019 to 26 December 2019. The price of loan is six months KIBOR minus 0.28%. As per the term of agreement, Standard Chartered Bank (Pakistan) has obtained forward cover on behalf of the Company to hedge foreign currency risk.

20.6 All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

	Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
21.1.1	Customs duties amounting to Rs. 40.5 million as at 30 June 2019 (2018: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.	Sindh High Court	Collector of Customs / Federation of Pakistan	2005
21.1.2	An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.	Sindh High Court	Collector of Customs / Federation of Pakistan	15 January 2010
21.1.3	The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.	Sindh High Court	Collector of Customs / Federation of Pakistan	30 August 2007

	Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
21.1.4	The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice. Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 595 million (2018: Rs. 515 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 30 June 2019. As a matter of prudence, company is making provision for the balance amount, which as at 30 jun, 2019 amounts to Rs. 477.6 million (2018: Rs.401.4m) as disclosed in note 19.1. Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 the Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.	Sindh High Court	Secretary Exsice and Taxation / Federation of Pakistan	28 October 2002
21.1.5	The Gas Infrastructure Development Cess (GIDC) Act, 2011 was passed by the National Assembly on 25th November, 2011 as a Money Bill pursuant to Article 73 of the constitution of Pakistan 1973 for raising funds for development of infrastructure related to transnational gas pipelines and Liquefied Natural Gas (LNG) projects, which was challenged before the courts. The Act of 2011 was declared as ultra vires to the Constitution of Pakistan, 1973. The Federal Government filed an appeal in the Supreme Court of Pakistan which in its judgment dated 22.08.2014, held that since GIDC is a fee and not a 'Tax' and alternatively GIDC is also not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts it could not have been introduced through a money bill and the same was therefore not validly levied in accordance with the Constitution of Pakistan, 1973.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	8 January 2012

Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
On September 24, 2014, the government promulgated the GIDC Ordinance, 2014, however, this was also challenged in various courts of law. The government, with the approval of Parliament, in May, 2015 promulgated GIDC Act, 2015 after addressing the lacuna pointed out by the Supreme Court of Pakistan with specific reference to the laying of a bill under Article 70 of the Constitution of Pakistan 1973. Section 8 of the GIDC Act, 2015 provides validation of Cess levied, charged, collected or realized under the GIDC, Act, 2011 and GIDC Ordinance, 2014. By virtue of GIDC Act, 2015, all prior enactments have been declared infructuous and 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. Based on the recommendations of a special committee constituted by the senate , the GIDC Amendment Act, 2018 was approved by the Parliament in May, 2018. However the amendment was also challenged in various courts of Law by a specified sector. The Company has obtained a stay order on the retrospective imposition of the levy vide GIDC Act, 2015 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. 95.1 million (from 01 July 2011 till 22 May 2015) in these financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act, 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of High Court of Sindh 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. Such decision has been challenged in appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending. 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 procedure contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. Inlight of the aforementioned developments, the Company on the prudent basis continue to recognise provision after the passage of the Act.			

	Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
	Further the Company has not recognized GIDC amounting to Rs. 89.65 million (2018: Rs. 67.97 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).			
21.1.6	Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement with a conflicting view.	Sindh High Court	SRB / Government of Sindh	9 June 2017
21.1.7	Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 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 order subject to submission of security for the differential amount with the Nazir of the Court. The Company has issued cheques amounting to Rs 99.5 million (2018: Rs.81.2 million) in favour of Nazir of the court upto September 2018. The Company, on a 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 furtehr revision and the matter is partiallly heard. Pending the decision on the matter, the Company is settling the bills at the revised rate. OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. 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 Company is settling the bills at the revised rate.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19 January 2017

Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
21.1.8 The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process. On a separate application challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.	Sindh High Court	FBR / Commis-sioner Inland Revenue / Federation of Pakistan	1 November 2016

21.1.9 Guarantees issued in favour of Sui Nothern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 299.42 million (2018: Rs. 524.14 million) as performance security for goods to be supplied by the Company.

21.1.10 Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 97.36 million (2018: Rs. 53.74 Million) as performance security for goods to be supplied by the Company.

21.1.11 Guarantee issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 94.94 million (2018: Rs.71.00 million) as a security for supply of gas.

21.1.12 Standby letter of credit issued in favour of Sui Nothern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2018: Rs.59.57 million) as a security for supply of Regasified Liquified Natural Gas (RLNG).

21.1.13 Guarantee issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2018: Rs. 5.83 million) as a security for supply of electricity.

21.1.14 Guarantee issued in favour of Pakistan State Oil Company Limited by bank on behalf of the Company amounted to Rs. 59.00 million (2018: Rs. Nil) for supply of fuel and lubricants.

21.1.15 Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2018: Rs.0.83 million) as performance security for goods to be supplied by the Company.

21.1.16 Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs. 2.00 million (2018:Rs.9.35 million) as performance security for goods to be supplied by the Company.

21.1.17 Guarantees issued in favour of Small Industries Development Board by the bank on behalf of the Company amounted to Rs. Nil (2018: Rs. 24.57 million) as performance security for goods to be supplied by the Company.

21.1.18 Guarantee issued in favour of Mechanical Engineer Mansehra by bank on behalf of the Company amounted to Rs. Nil (2018: Rs.3.60 million) as performance security for goods to be supplied by the Company.

21.1.19 Guarantee issued in favour of Collector of Customs by banks on behalf of the Company for differential of duty on imported Hot Rolled Coils amounted to Rs. Nil (2018: Rs.259.86 million)

21.1.20 Guarantee issued in favour of Sui Nothern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs. 22.00 m (2018: Nil) as security for holding the bids (bid bond) submitted in tenders

21.1.21 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Company amounted to Rs. 0.81 m (2018: 6.52m) as security for holding the bids (bid bond) submitted in tenders

21.2 Commitments

21.2.1 Capital expenditure commitments outstanding as at 30 June 2019 amounted to Rs. 23.6 million (2018: Rs. 89.4 million).

21.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2019 amounted to Rs. 875.7 million (2018: Rs. 2,100.7 million).

21.2.3 Commitments under purchase contracts as at 30 June 2019 amounted to Rs. 243.5 million (2018: Rs. 190.5 million).

21.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 8,311 million (2018: Rs. 4,332 million) and Rs. 620 million (2018: Rs. 474 million) respectively.

21.2.5 Postdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 3,107.93 million (2018: 2,093.93 million)

21.2.6 Postdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs.14.3 million (2018: nil)

21.2.7 Postdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs.166.83 million (2018: 166.83 million)

22 NET SALES

	2019	2018
	-------- Rupees in '000 --------	
Local	26,480,467	26,201,864
Export	4,180,092	4,471,569
	30,660,559	30,673,433
Sales tax	(3,858,312)	(3,833,543)
Domestic trade discounts	(1,025,597)	(863,779)
Export commission	(26,183)	(52,647)
	(4,910,092)	(4,749,969)
	25,750,467	25,923,464

22.1 DISAGGREGATION OF REVENUE

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

	Note	2019	2018
		-------- Rupees in '000 --------	
Primary geographical markets:			
Local		21,596,558	21,504,542
Asia		1,349,993	1,506,100
Europe		705,982	312,167
Australia		1,137,746	1,227,376
Africa		-	11,617
Americas		960,188	1,361,662
		25,750,467	25,923,464
Major Product Lines:			
Steel products		23,359,720	23,714,616
Polymer products		2,390,747	2,208,848
		25,750,467	25,923,464

23 COST OF SALES

	Note	2019	2018
Raw material consumed			
Opening stock of raw material		4,384,947	3,763,291
Purchases		21,971,063	22,345,890
		26,356,010	26,109,181
Closing stock of raw material	9	(5,186,733)	(4,384,947)
		21,169,277	21,724,234
Manufacturing overheads			
Salaries, wages and benefits	23.1	970,252	933,675
Rent, rates and taxes		2,025	3,650
Electricity, gas and water		389,345	353,134
Insurance		9,255	3,692
Security and janitorial		33,895	28,978
Depreciation and amortisation	5.2 & 6.1.2	428,041	351,892
Operational supplies and consumables		101,057	95,944
Repairs and maintenance		140,723	140,617
Postage, telephone and stationery		12,059	10,270
Vehicle, travel and conveyance		22,379	17,122
Internal material handling		34,688	43,254
Toll manufacturing expenses		-	12,957
Environment controlling expense		361	264
Sundries		5,601	11,712
		2,149,681	2,007,161
		23,318,958	23,731,395
Work-in-process			
Opening stock		1,409,862	984,857
Closing stock	9	(1,516,682)	(1,409,862)
		(106,820)	(425,005)
Cost of goods manufactured		23,212,138	23,306,390
Finished goods, by-products and scrap:			
Opening stock		2,369,419	1,681,565
Closing stock	9	(2,432,766)	(2,369,419)
		(63,347)	(687,854)
		23,148,791	22,618,536

23.1 Salaries, wages and benefits include Rs. 54.3 million for the year ended 30 June 2019 (2018: Rs. 53.9 million) in respect of staff retirement benefits.

24 SELLING AND DISTRIBUTION EXPENSES

	Note	2019	2018
		-------- Rupees in '000 --------	
Freight and forwarding		588,479	769,268
Salaries, wages and benefits	24.1	169,411	173,735
Rent, rates and taxes		1,757	974
Electricity, gas and water		7,468	7,265
Insurance		3,605	963
Depreciation and amortisation	5.2 & 6.1.2	14,945	13,150
Repairs and maintenance		979	864
Advertising and sales promotion		82,887	119,156
Postage, telephone and stationery		7,058	6,913
Office supplies		135	476
Vehicle, travel and conveyance		23,966	28,621
Trade debts written off		994	-
Certification and registration charges		3,982	1,966
Others		11,174	13,105
		916,840	1,136,456

24.1 Salaries, wages and benefits include Rs. 11.96 million for the year ended 30 June 2019 (2018: Rs. 11.1 million) in respect of staff retirement benefits.

25 ADMINISTRATIVE EXPENSES

	Note	2019	2018
		-------- Rupees in '000 --------	
Salaries, wages and benefits	25.1	207,645	210,991
Rent, rates and taxes		123	213
Electricity, gas and water		2,609	2,244
Insurance		1,478	1,762
Depreciation and amortisation	5.2 & 6.1.2	15,987	16,073
Repairs and maintenance		1,646	2,231
Postage, telephone and stationery		10,507	13,542
Office supplies		590	275
Vehicle, travel and conveyance		12,486	9,097
Legal and professional charges		17,218	21,883
Certification and registration charges		6,742	5,447
Others		18,765	14,641
		295,796	298,399

25.1 Salaries, wages and benefits include Rs. 15.1 million for the year ended 30 June 2019 (2018: Rs. 13.1 million) in respect of staff retirement benefits.

26 FINANCE COST

	Note	2019	2018
		-------- Rupees in '000 --------	
Mark-up on:			
- long term financing		96,836	21,609
- short term borrowings		671,892	322,932
- running musharakah		79,377	30,145
- term murabaha		2,351	-
- diminishing musharakah		61,045	47,069
Exchange loss and others		-	3,074
Interest on Workers' Profit Participation Fund	19.2	-	247
Bank charges		12,791	16,620
		924,292	441,696

		Note	2019	2018
			-------- Rupees in '000 --------	
27	**OTHER OPERATING CHARGES**			
	Auditors' remuneration	27.1	3,131	2,803
	Donations	27.2	17,245	29,910
	Workers' Profit Participation Fund		51,532	81,689
	Workers' Welfare Fund		19,198	32,676
	Business development expense		7,258	25,397
			98,364	172,475
27.1	**Auditors' remuneration**			
	Audit services			
	Audit fee		1,625	1,477
	Half yearly review		466	424
	Out of pocket expenses		162	147
			2,253	2,048
	Non-audit services			
	Certifications for regulatory purposes		878	755
			3,131	2,803

27.2 Donations

27.2.1 Donation to the following organization exceed 10% of total amount of donations made or Rs. 1 million, whichever is higher

	Note	2019	2018
		-------- Rupees in '000 --------	
SINA Health, Education and Welfare Trust (IIL Clinic)		6,000	3,500
The Citizen Foundation (IIL Campus)	27.2.2	5,100	9,800
Amir Sultan Chinoy Foundation		2,320	3,500
Indus Hospital		-	4,000
		13,420	20,800

27.2.2 Mr. Riyaz T. Chinoy's interest in The Citizen Foundation is limited to the extent of his involvement as a director

		Note	2019	2018
28	**OTHER INCOME**		-------- Rupees in '000 --------	
	Income / return on financial assets			
	Income on bank deposits - conventional		1,827	1,400
	Exchange gain		472,531	161,720
	Income from non-financial assets			
	Income from power generation	28.1	(12,172)	3,971
	Rental income from subsidiary company		27,082	10,179
	Dividend income from associated company	28.2	30,462	17,037
	Dividend income from subsidiary company	28.2	1,102,750	612,639
	Gain on disposal of property, plant and equipment		109,877	71,739
	Others		155	4,502
			1,732,512	883,187

		2019	2018
28.1	Income from power generation	-------- Rupees in '000 --------	
	Net sales	102,191	93,829
	Cost of electricity produced:		
	Salaries, wages and benefits	6,164	5,107
	Electricity, gas and water	93,585	73,713
	Insurance	60	45
	Depreciation and amortisation	8,884	5,761
	Operational supplies & consumables	3,348	3,219
	Repairs and maintenance	2,322	2,013
		114,363	89,858
	Income from power generation	(12,172)	3,971

28.1.1 Salaries, wages and benefits include Rs. 0.539 million (2018: Rs. 0.502 million) in respect of staff retirement benefits.

28.1.2 The Company has 4MW electricity power generation facility at its premises generating electricity in excess of its requirements which is supplied to K-Electric Limited under an agreement. The agreement is valid for period upto 3 years commencing from 18 April 2017 and ending on 17 April, 2020

28.2 Associated company is Pakistan Cables Limited and Subsidiary company is International Steels Limited.

			2019	2018
29	**TAXATION**		-------- Rupees in '000 --------	
	Current			
	- for the year	14	502,766	545,511
	- for prior years		-	21,300
			502,766	566,811
	- Deferred		15,650	539
			518,416	567,350

		2019	2018	2019	2018
29.1	**Relationship between income tax expense and accounting profit**	(Effective tax rate %)		-------- Rupees in '000 --------	
	Profit before taxation			2,093,129	2,149,089
	Tax at the enacted tax rate	29%	30%	607,007	644,727
	Tax effect of:				
	Income subject to final tax regime	-7.19%	-5.2%	(150,581)	(112,119)
	Income taxed as separate block of income	-7.58%	-4.4%	(158,650)	(94,452)
	Tax credits	-2.03%	-1.7%	(42,523)	(37,077)
	Minimum tax	11.98%	2.0%	250,777	43,170
	Tax effect of permanent differences	0.90%	1.5%	18,893	31,532
	Change in tax rate on opening deferred tax	-1.66%	0.6%	(34,683)	12,763
	Super tax	1.35%	2.7%	28,176	57,506
	Prior year		1.0%	-	21,300
		24.77%	26.50%	518,416	567,350

29.2 The provision for current year tax represents tax on taxable income at the rate of 29% (2018: 30%) per annum. The rate of tax imposed on the taxable income of a company for the tax year 2019 and onwards 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.

29.3 Under section 5A of Income Tax Ordinance, 2001 [as amended vide Finance Supplementary (Second Amendment) Act, 2019], for tax years 2017 to 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 21 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.

30 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2019	2018
		-------- Rupees in '000 --------	
Profit after taxation		1,574,713	1,581,739
		(Number)	
Weighted average number of ordinary shares in issue during the year	15	119,892,619	119,892,619
		(Rupees)	
Earnings per share		13.13	13.19

30.1 There is no dilutive impact on Earnings per share.

31 CHANGES IN WORKING CAPITAL

	2019	2018
(Increase) / decrease in current assets:		
Stores and spares	(63,229)	(44,918)
Stock-in-trade	(1,853,178)	(839,696)
Trade debts	(674,974)	(327,197)
Advances, trade deposits and short-term prepayments	1,014,443	(993,781)
Receivable from K-Electric Limited	(10,159)	(1,863)
Other receivables	(4,818)	(4,361)
Sales tax receivables	238,929	(251,580)
	(1,352,986)	(2,463,396)
Increase / (decrease) in current liabilities:		
Trade and other payables	694,767	(490,717)
Contract liabilities	(7,696)	73,539
	(665,915)	(2,880,574)

32 STAFF RETIREMENT BENEFITS

32.1 Defined contribution plan

Staff Provident Fund

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.

32.2 Defined benefit schemes

Staff Gratuity Fund

The actuarial valuation of gratuity was carried out at 30 June 2019 under projected unit credit method using the following significant assumptions;

	2019	2018
	% per annum	
Financial Assumptions		
Discount Rate	14.25%	9.00%
Salary increase rate		
First year	10.85%	8.00%
Long term	12.25%	8.00%
Demographic Assumptions		
Mortality rate	SLIC 2001-05-1 Heavy	SLIC 2001-05-1 Heavy
Rates of employee turnover		
Retirement assumption	Age 60 years	Age 60 years

The amounts recognised in statement of financial position are as follows:	2019	2018
	-------- Rupees in '000 --------	
Present value of defined benefit obligation (DBO)	556,142	563,010
Fair value of plan assets	(437,733)	(416,757)
(Surplus) / Deficit	118,409	146,253
Movements in the net defined benefit liability (assets)		
Balance Sheet (prepaid) / accrued as at the beginning of the period	146,253	85,121
Net the periodic benefit cost / (income) for the period ended	47,533	35,192
Actual Contribution by the Employer to the Fund	(47,533)	(35,192)
Total amount of Remeasurements recognised in OCI	(27,844)	61,132
Balance Sheet (prepaid) / accrued as at the end of the period	118,409	146,253
Defined Benefit Cost for the period		
Cost recognised in P&L for the period		
Service cost		
Current service cost	34,856	28,837
Interest Cost on DBO	49,563	36,547
Interest income on plan assets	(36,886)	(30,192)
	12,677	6,355
Cost recognised in P&L for the period	47,533	35,192

	2019	2018
	-------- Rupees in '000 --------	
Re-measurements recognised in OCI during the period		
Actuarial (gain) / loss on obligation	(67,470)	38,941
Actuarial (gain) / loss on plan assets	39,626	22,191
Total re-measurements recognised in OCI	(27,844)	61,132
Total defined benefit cost recognised in P&L and OCI	19,689	96,324
Movements in the present value of defined benefit obligation		
Present value of DBO at beginning of the period	563,010	483,488
Service cost	34,856	28,837
Interest cost on DBO	49,563	36,547
Actual benefits paid/payable during the year	(23,817)	(24,803)
Re-measurements : Actuarial (gain) / loss on obligation	(67,470)	38,941
Present value of DBO at end of the period	556,142	563,010
Movements in the fair value of plan assets		
Fair value of plan assets at beginning of the period	416,757	398,367
Interest income on plan assets	36,886	30,192
Actual contribution by the employer to the Fund	47,533	35,192
Actual benefit paid / payable from the Fund during the year	(23,817)	(24,803)
Re-measurements : Actuarial gain / (loss) on plan assets	(39,626)	(22,191)
Fair value of plan assets at end of the period	437,733	416,757
Analysis of Present value of DBO		
Vested / Non-Vested		
Vested Benefits	552,976	559,951
Non-Vested benefits	3,166	3,059
	556,142	563,010
Type of Benefits earned to date		
Accumulated Benefit Obligation	278,308	340,537
Amounts attributed to future salary increases	277,834	222,473
	556,142	563,010
Disaggregation of fair value of plan assets		
Cash and cash equivalents (after adjusting current liabilities)	13,286	11,540
Equity instruments	118,712	120,642
Debt instruments		
Pakistan Investment Bonds	109,538	160,548
National Saving Bonds	196,197	81,057
Defence Saving Certificates	-	42,970
	437,733	416,757
Remeasurements recognised in Other Comprehensive Expense/(Income) for the period		
Re-measurements : Actuarial (gain) / loss on obligation		
i) (Gain) / Loss due to change in financial assumptions	(19,937)	3,697
ii) (Gain) / Loss due to change in experience adjustments	(47,533)	35,244
Total actuarial (gain) / loss on obligation	(67,470)	38,941
Re-measurements: Actuarial (gain) / loss on plan assets		
i) Actual return on plan assets	(5,400)	17,517
ii) Interest income on plan assets	36,886	30,192
iii) Opening difference	2,660	(9,516)
Total actuarial (gain) / loss on plan assets = (ii) - (i) - (iii)	39,626	22,191
	(27,844)	61,131

Maturity profile of the defined benefit obligation (DBO)	2019	2018
	------------ Years -------------	
Weighted average duration of the DBO	5.97	6.72
	-------- Rupees in '000 --------	
Distribution of timing of benefit payments (time in the periods)		
1	55,864	60,012
2	59,460	56,789
3	79,436	57,206
4	110,438	71,295
5	91,250	97,543
6-10	643,631	515,734

Sensitivity analysis of significant actuarial assumptions on present value of DBO

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the present value of DBO by the amounts shown below:

	2019	2018
	-------- Rupees in '000 --------	
Discount rate + 1%	524,948	528,246
Discount rate - 1%	591,001	602,215
Long Term Salary increases + 1%	588,710	604,996
Long Term Salary increases - 1%	526,503	525,186

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

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	-------------------------------Rupees in '000)-------------------------------					
Managerial remuneration	36,332	34,536	-	-	183,777	161,233
Bonus	16,111	14,874			61,259	53,744
Variable performance pay	-	14,774	-	-	-	69,268
Retirement benefits	3,026	2,877	-	-	12,227	10,166
Rent, utilities allowance etc.	18,945	17,664	-	-	94,622	82,784
Directors' fees	-	-	6,825	5,400	-	-
	74,414	84,725	6,825	5,400	351,885	377,195
Number of persons	1	1	8	8	55	51

33.1 In addition to the above, the Chief Executive, Directors and certain executives are provided with free use of Company maintained vehicles & Chief Executive is provided with security guards in accordance with the Company's policy.

33.2 Fees paid to non-executive directors was Rs. 6.825 million (2018: Rs. 5.40 million) on account of meetings attended by them.

33.3 Reimbursement of chairman expense was Rs. 7.2 million (2018: Rs. 6.0 million).

34 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.

34.1 **Credit risk**

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

Exposure to credit risk

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

	Note	2019	2018
		-------- Rupees in '000 --------	
- Long term deposits		3,519	62,994
- Trade debts - net of provision	10	2,988,083	2,318,876
- Trade deposits		4,352	13,453
- Receivable from K-Electric Limited		30,124	19,965
- Other receivables	12	9,523	4,705
- Bank balances	14	250,700	261,865
		3,286,301	2,681,858

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the credit worthiness of counterparties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Company does not foresee any credit exposure there against as the amounts are paid to counterparties as per agreements and are refundable on termination of the agreements with respective counterparties.

Trade debts

The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The majority of the customers have been transacting with the Company for several years. The Company establishes an allowance for impairment that represents its estimate of incurred losses.

Trade deposits

These represent deposits placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss there against.

Other receivables and receivable from K-Electric Limited

This mainly includes insurance claim and an amount receivable from supplier amounting to Rs. 9.5 million (2018: Rs. 4.7 million). Receivable from K - Electric Limited amounting to Rs. 30.1 million (2018: Rs. 19.9 million) is on account of electricity provided to it from the 4 MW plant located at the factory site under an agreement. The Company does not expect to incur credit loss against these receivables.

Analysis of gross amounts receivable from local and foreign trade debtors and receivable from K Electric are as follows:

	2019	2018
	-------- Rupees in '000 --------	
Domestic	2,006,463	1,287,416
Export	1,157,511	1,191,425
	3,163,974	2,478,841

The majority of export debtors of the Company are situated in Australia, Americas and Asia.

34.1.1 **Impairment losses**

The ageing of trade debtors and receivable from K-Electric as per above at the reporting date was as follows:

	2019		2018	
	Gross	**Impairment**	Gross	Impairment
	------------------------- (Rupees in '000) -------------------------			
0-30 Days	2,496,299	5,839	2,015,930	7,305
31-60 Days	351,163	2,851	184,737	1,688
61-90 Days	79,002	992	74,630	1,109
91-120 Days	23,357	426	34,806	339
121-150 Days	19,383	598	11,304	651
151-180 Days	8,991	430	9,848	549
181-210 Days	31,839	2,483	10,769	530
211-240 Days	18,691	1,986	7,009	316
241-270 Days	2,841	400	874	194
271-300 Days	3,124	1,250	(113)	0
301-330 Days	962	539	3,491	1,583
331-360 Days	1,067	718	1,132	1,312
Over 1 year	127,255	127,255	124,424	124,424
	3,163,974	145,767	2,478,841	140,000

Management believes that the unimpaired balances that are past dues 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.

Bank Balances

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	VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
Faysal Bank Limited	PACRA / VIS	A-1+	AA
Bank AL Habib Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
Bank Alfalah Limited	PACRA / VIS	A-1+	AA+
Allied Bank Limited	PACRA	A-1+	AAA
Askari Bank Limited	PACRA	A-1+	AA+
Samba Bank Limited	VIS	A-1	AA
Soneri Bank Limited	PACRA	A-1+	AA-
Industrial & Commercial Bank of China	S&P	-	A
Industrial & Commercial Bank of China	Moody's	-	A1

Concentration of credit risk

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

34.2 Liquidity risk

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

	2019						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	1,993,087	-	(2,635,328)	(210,132)	(281,967)	(1,805,397)	(337,832)
Trade and other payables	2,134,250	-	(2,134,250)	(2,134,250)	-	-	-
Accrued mark-up	143,466	-	(143,466)	(143,466)	-	-	-
Short-term borrowings	9,425,130	(9,425,130)	-	-	-	-	-
Contract liability	235,171	(235,171)	-	-	-	-	-
Unpaid dividend	4,257	(4,257)	-	-	-	-	-
Unclaimed dividend	36,596	(36,596)	-	-	-	-	-
	13,971,957	(9,701,154)	(4,913,044)	(2,487,848)	(281,967)	(1,805,397)	(337,832)

	2018						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	2,149,453	-	(2,658,273)	(143,801)	(166,229)	(1,724,877)	(623,366)
Trade and payables	1,285,862	-	(1,285,862)	(1,285,862)	-	-	-
Accrued mark-up	78,672	-	(78,672)	(78,672)	-	-	-
Short-term borrowings	8,309,557	(8,309,557)	-	-	-	-	-
Contract liability	242,867	(242,867)	-	-	-	-	-
Unpaid dividend	14,218	(14,218)	-	-	-	-	-
Unclaimed dividend	23,854	(23,854)	-	-	-	-	-
	12,104,483	(8,590,496)	(4,022,807)	(1,508,335)	(166,229)	(1,724,877)	(623,366)

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

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

34.3 Market risk

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

34.3.1 Currency risk

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

Exposure to currency risk

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

	2019			2018		
	Rupees	US Dollars	AUD	Rupees	US Dollars	AUD
	(In '000)			(In '000)		
Financial assets						
Bank Balance	250,395	1,537	-	260,267	2,143	-
Trade debts	1,156,897	3,535	5,088	1,141,594	2,579	9,237
Financial liabilities						
Trade and other payables	(1,003,235)	(6,146)	-	(17,271)	(142)	-
Net exposure	404,057	(1,074)	5,088	1,384,590	4,580	9,237

The following significant exchange rates were applicable during the year:

	Reporting date rate	
	2019	2018
	Buying/Selling	Buying/Selling
US Dollars to Pakistan Rupee	162.87 / 163.24	121.45 / 121.63
AUD to Pakistan Rupee	114.20 / 114.47	89.68 / 89.81

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar and Australian Dollar at 30 June would have (decreased) / increased the equity / profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for both the years. However, prior year amount is net of corporate tax while there is no impact of corporate tax on current year as company is subject to minimum tax.

	Effect on statement of profit or loss account	
	2019	2018
	-------- Rupees in '000 --------	
As at 30 June		
Effect in US Dollars	(16,692)	35,692
Effect in AUD	54,038	53,157

34.3.2 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.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instrument is:

	Note	Carrying amount	
		2019	2018
		-------- Rupees in '000 --------	
Fixed rate instruments			
Financial liabilities	17 & 20	(2,778,179)	(2,589,408)
Variable rate instruments			
Financial liabilities	17 & 20	(8,640,038)	(7,869,602)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit after tax by Rs. 86.40 million (2018: Rs. 54.03 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for both the years. However, prior year amount is net of corporate tax while there is no impact of corporate tax on current year as company is subject to minimum tax.

Fair value sensitivity analysis for fixed rate instruments

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

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

	2019				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July 2018	6,365,057	2,016,863	2,155,762	3,037,210	13,574,892
Changes from financing cash flows					
Repayment of long term loan	-	-	(180,919)	-	(180,919)
Proceeds from long term loan	-	-	24,553	-	24,553
Dividend paid	-	-	-	(1,076,253)	(1,076,253)
Total changes from financing activities	-	-	(156,366)	(1,076,253)	(1,232,619)
Other changes - interest cost					
Interest expense	-	766,411	157,881	-	924,292
Interest paid	-	(701,398)	(158,100)	-	(859,498)
Changes in short term borrowings	(923,927)	2,039,500	-	-	1,115,573
Total loan related other changes	(923,927)	2,104,513	(219)	-	1,180,367
Total equity related other changes	-	-	-	1,638,132	1,638,132
Balance as at 30 June	5,441,130	4,121,376	1,999,177	3,599,089	15,160,772

	2018				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July 2017	526,870	5,427,746	1,295,416	1,942,475	9,192,507
Changes from financing cash flows					
Repayment of long term loan	-	-	(109,707)	-	(109,707)
Proceeds from long term loan	-	-	971,106	-	971,106
Dividend paid	-	-	-	(704,798)	(704,798)
Total changes from financing activities	-	-	861,399	(704,798)	156,601
Other changes - interest cost					
Interest expense		373,018	68,678		441,696
Interest paid		(355,864)	(69,731)		(425,595)
Changes in short term borrowings	5,838,187	(3,428,037)			2,410,150
Total loan related other changes	5,838,187	(3,410,883)	(1,053)	-	2,426,251
Total equity related other changes	-	-	-	1,799,533	1,799,533
Balance as at 30 June	6,365,057	2,016,863	2,155,762	3,037,210	13,574,892

Other price risk

At present, the company is not exposed to any other price risk.

34.5 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the statement of financial position approximate their fair values.

34.6 Financial instruments by categories

	Note	2019	2018
		-------- Rupees in '000 --------	
Financial assets			
Loans and receivables			
- Long term deposits		3,519	62,994
- Trade debts - net of provision	10	2,988,083	2,318,876
- Trade deposits	11	4,352	13,453
- Receivable from K-Electric Limited		30,124	19,965
- Other receivables	12	9,523	4,705
- Cash and bank balances	14	250,700	261,865
		3,286,301	2,681,858
Financial liabilities			
Financial liabilities at amortized cost			
- Long term financing	17	1,993,087	2,149,453
- Trade and other payables	19	2,134,250	1,285,862
- Accrued mark-up		143,466	78,672
- Short term borrowings	20	9,425,130	8,309,557
- Contract Liabilities		235,171	242,867
- Unpaid dividend		4,257	14,218
- Unclaimed dividend		36,596	23,854
		13,971,957	12,104,483

35 CAPITAL MANAGEMENT

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

36 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) with sufficient regularity and obtains rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

	30 June 2019					
	Carrying amount			Fair Value		
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	---------- (Rupees in '000) ----------					
Financial assets not measured at fair value						
Long term deposits	3,519	-	3,519	-	-	-
Trade debts - net of provision	2,988,083	-	2,988,083	-	-	-
Trade deposits	4,352	-	4,352	-	-	-
Receivable from K-Electric Limited	30,124	-	30,124	-	-	-
Other receivables	9,523	-	9,523	-	-	-
Cash and bank balances	250,700		250,700	-	-	-
Total	3,286,301		3,286,301	-	-	-
Financial liabilities not measured at fair value						
- Long term financing	-	1,993,087	1,993,087	-	-	-
- Trade and other payables	-	2,134,250	2,134,250	-	-	-
- Accrued mark-up	-	143,466	143,466	-	-	-
- Short term borrowings	-	9,425,130	9,425,130	-	-	-
- Contract Liabilities	-	235,171	235,171	-	-	-
- Unpaid dividend	-	4,257	4,257	-	-	-
- Unclaimed dividend	-	36,596	36,596	-	-	-
	-	13,971,957	13,971,957	-	-	-

	30 June 2018					
	Carrying amount			Fair Value		
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	---------- (Rupees in '000) ----------					
Financial assets not measured at fair value						
Long term deposits	62,994	-	62,994	-	-	-
Trade debts - net of provision	2,318,876	-	2,318,876	-	-	-
Trade deposits	13,453	-	13,453	-	-	-
Receivable from K-Electric Limited	19,965	-	19,965	-	-	-
Other receivables	4,705	-	4,705	-	-	-
Cash and bank balances	261,865		261,865	-	-	-
Total	2,681,858		2,681,858	-	-	-
Financial liabilities not measured at fair value						
- Long term financing	-	2,149,453	2,149,453	-	-	-
- Trade and other payables	-	1,285,862	1,285,862	-	-	-
- Accrued mark-up	-	78,672	78,672	-	-	-
- Short term borrowings	-	8,309,557	8,309,557	-	-	-
- Contract Liabilities	-	242,867	242,867	-	-	-
- Unpaid dividend	-	14,218	14,218	-	-	-
- Unclaimed dividend	-	23,854	23,854	-	-	-
	-	12,104,483	12,104,483	-	-	-

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	Dates of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment			
- Land and Building	30 June 2016 30 June 2019	The valuation model is based on price per unit of area for land and price per unit of constructed area and current replacement cost method adjusted for depreciation factor for existing asset in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, 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, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair values of investment in quoted subsidiary and associate are disclosed in note 7.4 to these financial statements.

37 TRANSACTIONS WITH RELATED PARTIES

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

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.

37.1 Transactions with related parties

	2019	2018
	-------- Rupees in '000 --------	
Subsidiaries		
Sales	1,249,821	1,648,134
Purchases	9,484,967	9,513,929
Partial manufacturing - purchases (inclusive of sales tax)	54	2,292
Cost of shared resources	78,010	89,441
Rental income	27,080	10,146
Dividend received	1,102,750	612,639
Reimbursement of expenses incurred on behalf of the Company	8,788	18,502
Associated companies		
Sales	12,861	4,544
Purchases	23,290	19,093
Insurance premium	3,469	3,288
Insurance claim	6,247	-
Right shares at premium	-	194,959
Dividend paid	5,184	2,304
Dividend received	30,463	17,037
Registration and training	3,380	3,891
Reimbursement of expenses	2,025	481
Donation	5,100	-
Key management personnel		
Remuneration	287,829	264,564
Non-executive directors		
Directors' fee	6,825	5,400
Reimbursement of Chairman's expenses	7,200	6,000
Staff retirement funds		
Contributions paid	101,101	81,890

37.2

Name of the Related Party	Relationship and percentage of Shareholding
International Steels Limited	Subsidiary Company holds 56.3346% (2018:56.3346%)
IIL Australia Pty Limited	Wholly owned Subsidiary Company
Pakistan Cables Limited	Associated Company holds 17.124% (2018:17.124%)
Jubilee Life Insurance Company Limited	Associated Company by nature of common directorship
Pakistan Institute of Corporate Governance	Associated Company by nature of common directorship
Cherat Cement Company Limited	Associated Company by nature of common directorship
Bulleh Shah Packaging (Pvt.) Ltd.	Associated Company by nature of common directorship
Intermark (Pvt.) Ltd.	Associated Company by nature of common directorship
The Pakistan Business Council	Associated Company by nature of common directorship
The Citizens Foundation	Associated Company by nature of common directorship
Newbury Café	Associated Company by nature of common directorship

37.3 Outstanding balances with related parties have been separately disclosed in trade debts. These are settled in ordinary course of business.

38 ANNUAL PRODUCTION CAPACITY

	2019	2018
	-------- Metric Tones --------	
Name-plate production capacity at the year end was as follows:		
Steel pipe	585,000	515,000
Galvanizing	150,000	150,000
Cold rolled steel strip	50,000	50,000
Polymer pipes & fittings	30,000	25,000
Stainless steel - pipe	2,400	1,200
The actual production for the year was:		
Steel pipe	192,936	241,268
Galvanizing	75,454	82,683
Polymer pipes & fittings	10,071	11,089
Stainless steel - pipe	771	673

Actual production during the year was sufficient to meet the market demand.

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

39 SEGMENT REPORTING

Performance is measured based on respective segment results. Information regarding the Company's reportable segments specified in note 4.16 is presented below.

39.1 Segment revenue and results

For the year ended 30 June 2019	Steel segment	Polymer segment	Investments segment	Total
	---------------------------- (Rupees in '000)			----------------------------
Sales	23,359,720	2,390,747	-	25,750,467
Cost of sales	(20,978,049)	(2,170,742)	-	(23,148,791)
Gross profit	2,381,671	220,005	-	2,601,676
Selling and distribution expenses	(825,164)	(91,676)	-	(916,840)
Administrative expenses	(277,178)	(18,618)	-	(295,796)
Impairment (loss) / reversal on trade debts	(4,862)	(905)		(5,767)
	(1,107,204)	(111,199)	-	(1,218,403)
Finance cost	(834,884)	(89,408)	-	(924,292)
Other operating charges	(96,609)	(1,755)	-	(98,364)
	(931,493)	(91,163)	-	(1,022,656)
Other income	599,300	-	1,133,212	1,732,512
Profit before taxation	942,274	17,643	1,133,212	2,093,129
Taxation				(518,416)
				1,574,713

For the year ended 30 June 2018	Steel segment	Polymer segment	Investments segment	Total
	---------------------------- (Rupees in '000)			----------------------------
Sales	23,714,616	2,208,848	-	25,923,464
Cost of sales	(20,625,582)	(1,992,954)	-	(22,618,536)
Gross profit	3,089,034	215,894	-	3,304,928
Selling and distribution expenses	(1,005,799)	(130,657)	-	(1,136,456)
Administrative expenses	(271,318)	(27,081)	-	(298,399)
Impairment (loss) / reversal on trade debts	10,000	-		10,000
	(1,267,117)	(157,738)	-	(1,424,855)
Finance cost	(400,652)	(41,044)	-	(441,696)
Other operating charges	(171,371)	(1,104)	-	(172,475)
	(572,023)	(42,148)	-	(614,171)
Other income	253,511	-	629,676	883,187
Profit before taxation	1,503,405	16,008	629,676	2,149,089
Taxation				(567,350)
				1,581,739

39.2 Segment assets and liabilities

	Steel segment	Polymer segment	Investment segment	Total
	---------------------------- (Rupees in '000)			----------------------------
As at 30 June 2019				
Segment assets	18,725,225	2,139,907	3,277,276	24,142,408
Segment liabilities	11,699,298	1,226,029	-	12,925,327
As at 30 June 2018				
Segment assets	14,495,749	2,255,417	3,277,276	20,028,442
Segment liabilities	9,753,426	1,182,477	-	10,935,903

Reconciliation of segment assets and liabilities with total assets and liabilities in the statement of financial position is as follows:

	2019	2018
	-------- Rupees in '000 --------	
Total for reportable segments assets	24,142,408	20,028,442
Unallocated assets	1,184,763	2,436,608
Total assets as per statement of financial position	25,327,171	22,465,050
Total for reportable segments liabilities	12,925,327	10,935,903
Unallocated liabilities	2,452,900	2,634,764
Total liabilities as per statement of financial position	15,378,227	13,570,667

39.3 Segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 **Information about major customers**

Revenue from major customers of the Polymer segment was Rs. 1,112 million (2018: Rs. 2,717 million), where as in the Steel segment was Rs. Nil (2018: Rs. 1,157), whose revenue accounts for more than 10% of the Segment's revenue.

39.6 **Geographical information**

The Company's net revenue from external customers by geographical location is disclosed in note 22.1

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

39.8 As at 30 June 2019, all non-current assets of the Company are located in Pakistan with an exception of its investment in IIL-Australia Pty Limited which is domiciled in Victoria, Australia.

40 NUMBER OF EMPLOYEES	2019	2018
The detail of number of employees are as follows:		
Total employees of the Company at the year end	1,060	1,055
Average employees of the Company during the year	1,090	1,079

41 **GENERAL**

41.1 **Non-adjusting events after reporting date**

The Board of Directors of the Company in their meeting held on 21 August 2019 has proposed a final cash dividend of Rs.3.00 per share amounting to Rs.359.68 million.(2018: Rs.6.50 per share amounting to Rs. 779.3 million) and 10% bonus shares i.e one ordinary share for each 10 ordinary shares held accounting to Rs. 119.89 million (2018: nil) for the year ended 30 June 2018. The approval of the Members of the Company for the dividend and bonus shares shall be obtained at the Annual General Meeting to be held on 30 September 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.

41.2 **Corresponding figures**

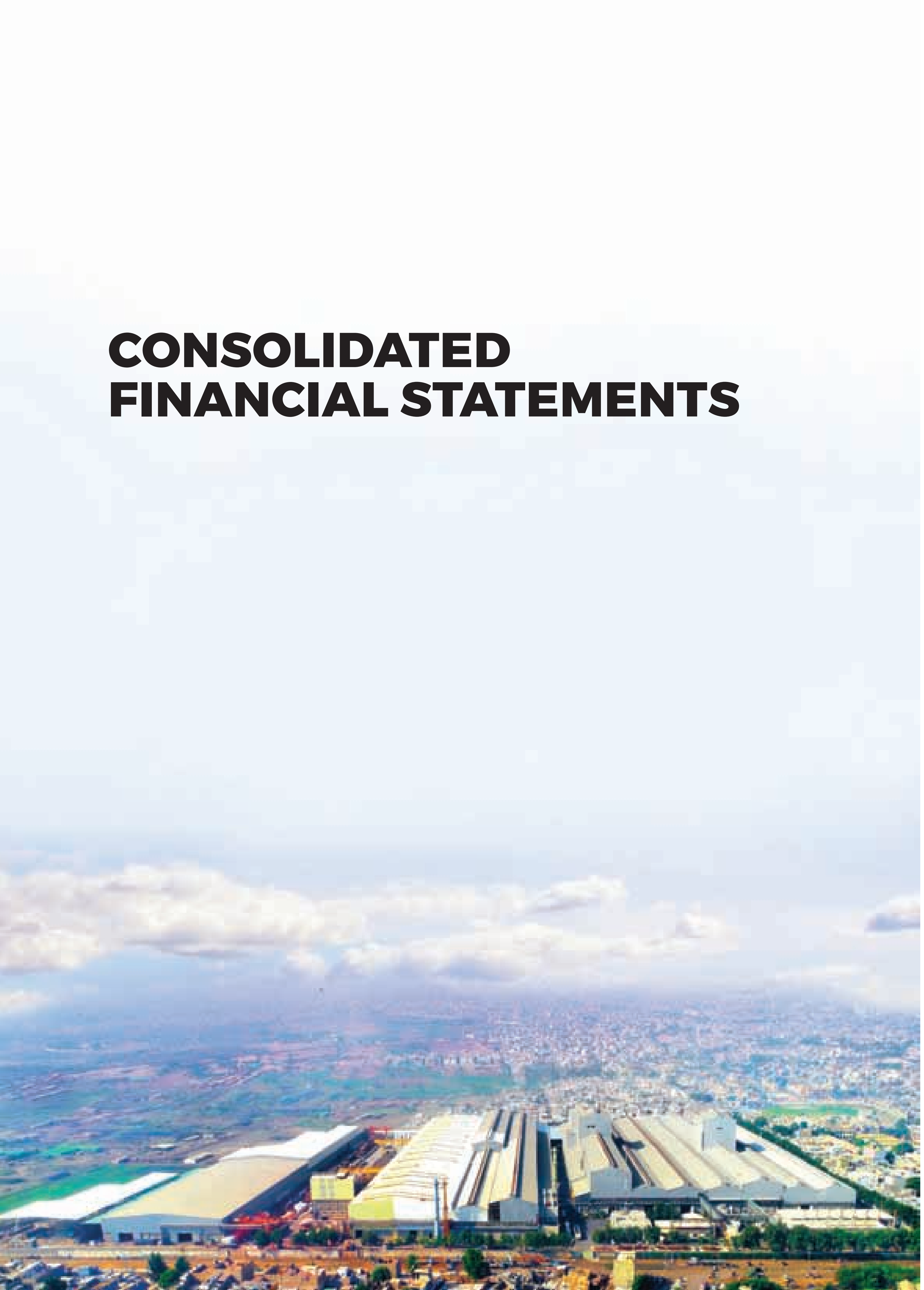
IFRS 15 "Revenue from contracts with customers" has introduced certain presentation and classification requirements for contract liabilities and assets. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of IFRS 15. Further, recovery from scrap has been reclassified as revenue instead of offsetting it against conversion cost for accurate reporting of revenue and expenses. 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)
Advance from customers	Trade and other payables	Contract Liabilities (presented on face of statement of financial position)	235,171
Scrap sales	Cost of Goods Sold	Net Sales	1,035,258
			2018 (Rupees in '000)
Scrap sales	Cost of Goods Sold	Net Sales	922,181
Advance from customers	Trade and other payables	Contract Liabilities (presented on face of statement of financial position)	242,867

42 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 21 August 2019 by the Board of Directors of the Company.

Ehsan A. Malik	Muhammad Hanif Idrees	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

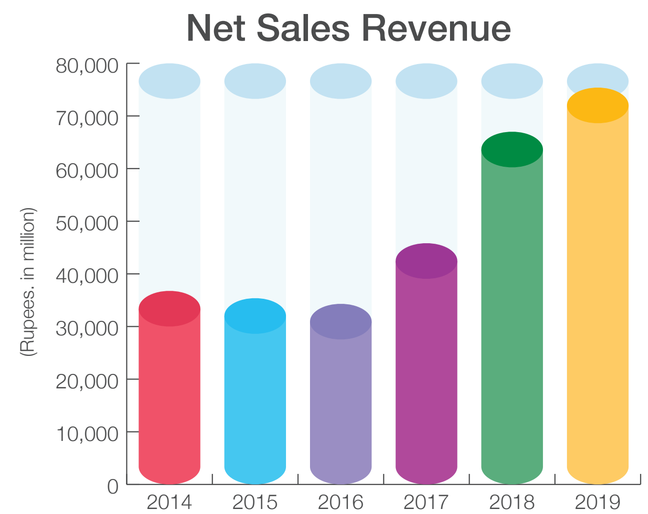


CONSOLIDATED FINANCIAL STATEMENTS

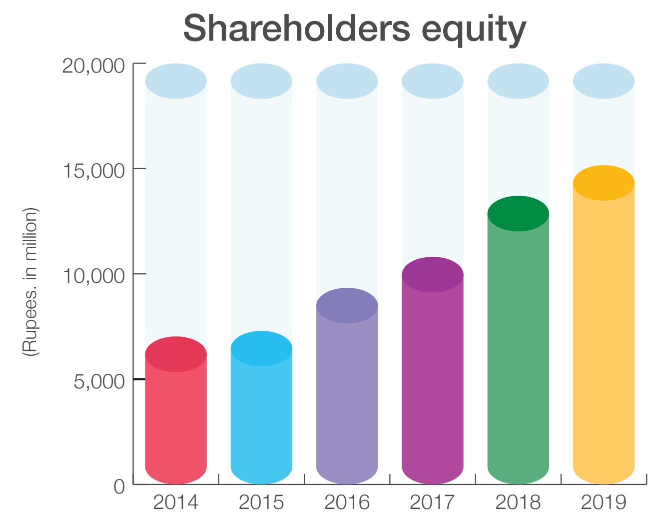
Consolidated Financial Highlights

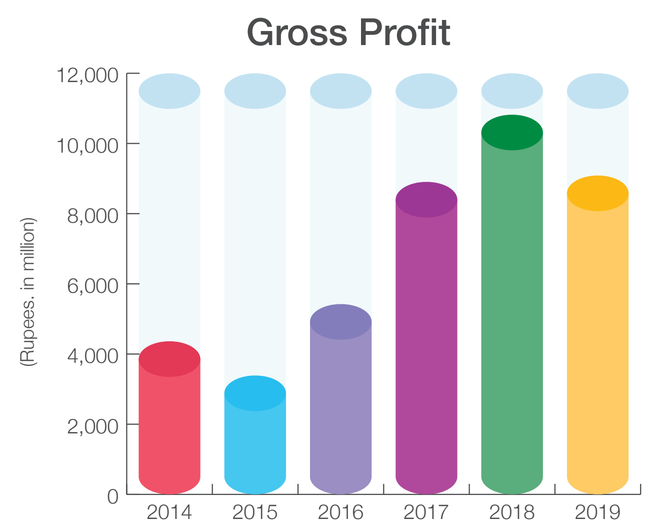
	2019	2018	%
	------------ Rupees in '000 ------------		
Net Sales Revenue	**75,387,444**	67,002,967	12.5%
Gross Profit	**9,087,342**	10,820,139	-16.0%
Property, Plant & Equipment	**27,223,797**	24,031,606	13.3%
Shareholders equity	**15,162,958**	13,709,016	10.6%
Non - controlling interest	**5,462,651**	4,655,410	17.3%

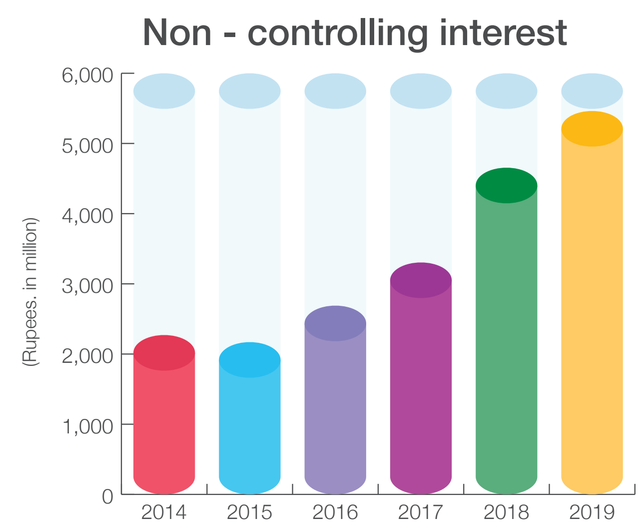
BUSINESS GROWTH



SHAREHOLDER VALUE ACCRETION







Analysis of Consolidated Financial Statements

Consolidated Statement of Financial Position

	2019	2018	2017	2016	2015	2014
	Rs. in million					
Property, plant and equipment	**27,224**	24,032	18,814	17,565	16,050	13,272
Investments	**1,015**	1,004	300	270	260	183
Other non current assets	**10**	74	71	60	22	22
Current assets	**34,440**	30,391	23,368	14,677	13,546	17,178
Total assets	**62,688**	55,501	42,553	32,571	29,877	30,655
Shareholders' equity	**15,163**	13,709	10,810	9,338	7,293	7,030
Non - controlling interest	**5,463**	4,655	3,305	2,690	2,170	2,271
Non current liabilities	**10,779**	10,833	6,608	6,221	6,598	3,952
Current portion of long term financing	**1,201**	1,383	1,307	857	1,000	900
Short term borrowings	**19,616**	16,772	10,939	6,767	8,780	11,154
Other Current liabilities	**10,466**	8,149	9,583	6,697	4,035	5,349
Total equity & liabilities	**62,688**	55,501	42,553	32,571	29,877	30,655
Vertical Analysis	Percentage					
Property, plant and equipment	**43.4**	43.3	44.2	53.9	53.7	43.3
Investments	**1.6**	1.8	0.7	0.8	0.9	0.6
Other non current assets	**0.0**	0.1	0.2	0.2	0.1	0.1
Current assets	**54.9**	54.8	54.9	45.1	45.3	56.0
Total assets	**100.0**	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	**24.2**	24.7	25.4	28.7	24.4	22.9
Non - controlling interest	**8.7**	8.4	7.8	8.3	7.3	7.4
Non current liabilities	**17.2**	19.5	15.5	19.1	22.1	12.9
Current portion of long term financing	**1.9**	2.5	3.1	2.6	3.3	2.9
Short term borrowings	**31.3**	30.2	25.7	20.8	29.4	36.4
Other Current liabilities	**16.7**	14.7	22.5	20.6	13.5	17.4
Total equity & liabilities	**100.0**	100.0	100.0	100.0	100.0	100.0
Horizontal Analysis	Percentage					
Property, plant and equipment	**13.3**	27.7	7.1	9.4	20.9	(1.1)
Investments	**1.1**	235.3	10.9	3.9	42.2	3.4
Other non current assets	**(86.9)**	4.0	19.7	176.9	(3.2)	(13.6)
Current assets	**13.3**	30.1	59.2	8.4	(21.1)	29.8
Total assets	**13.0**	30.4	30.6	9.0	(2.5)	14.1
Shareholders' equity	**10.6**	26.8	15.8	28.0	3.7	6.8
Non - controlling interest	**17.3**	40.8	22.9	24.0	(4.4)	15.4
Non current liabilities	**(0.5)**	63.9	6.2	(5.7)	67.0	(9.3)
Current portion of long term financing	**(13.1)**	5.8	52.4	(14.3)	11.1	14.9
Short term borrowings	**17.0**	53.3	61.6	(22.9)	(21.3)	(1.1)
Other Current liabilities	**28.4**	(15.0)	43.1	66.0	(24.6)	183.8
Total equity & liabilities	**13.0**	30.4	30.6	9.0	(2.5)	14.1

Analysis of Consolidated Financial Statements

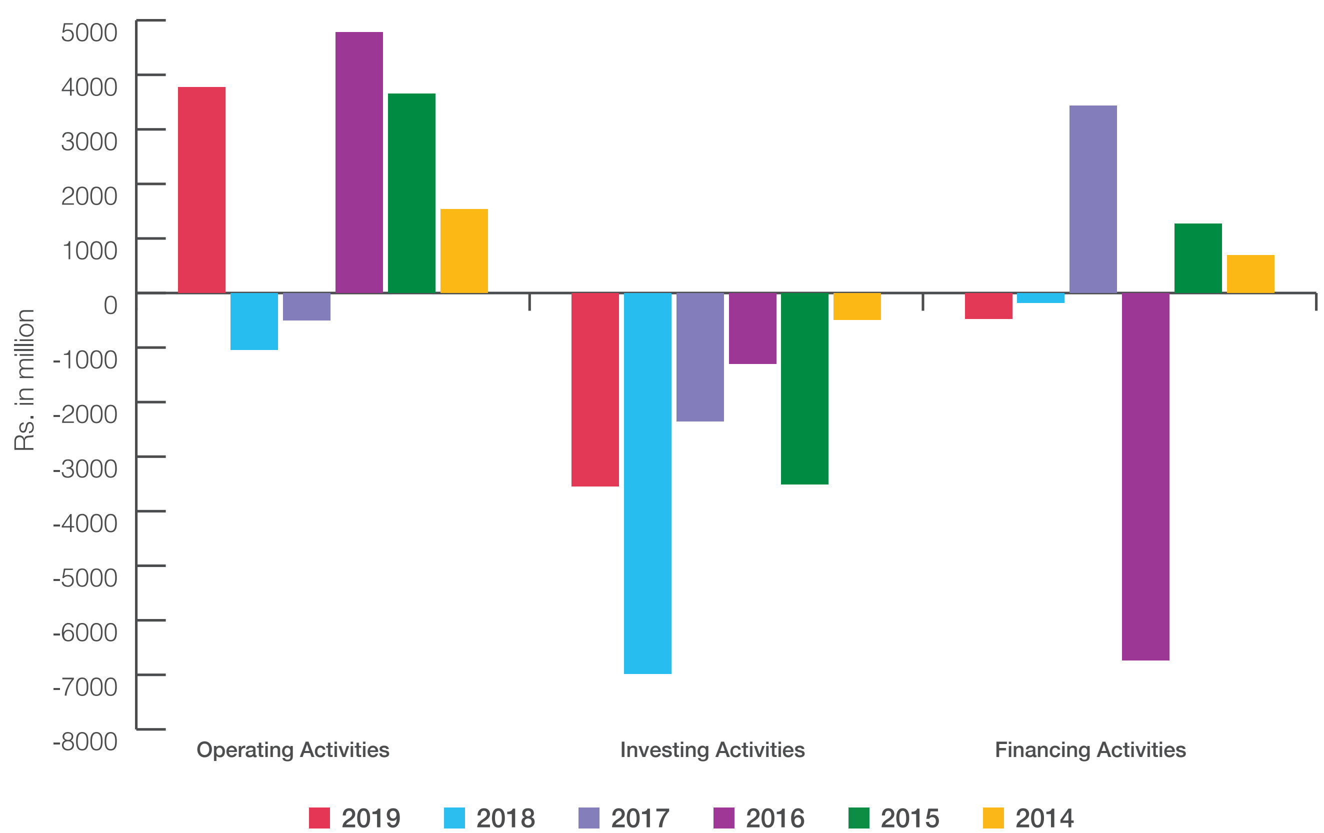
Consolidated Statement of Profit or Loss

	2019	2018	2017	2016	2015	2014
	Rs. in million					
Net Sales	**75,387**	67,003	45,828	34,310	35,385	36,769
Cost of Sales	**(66,300)**	(56,183)	(36,922)	(28,886)	(31,996)	(32,405)
Gross Profit	**9,087**	10,820	8,906	5,424	3,389	4,364
Administrative, Selling and Distribution expenses	**(2,239)**	(2,188)	(1,758)	(1,446)	(1,112)	(1,033)
Other operating expenses	**(632)**	(834)	(605)	(381)	(101)	(185)
Share of profit in equity accounted investee	**50**	35	36	18	20	16
Other operating income	**618**	338	176	204	246	196
Operating profit before financing cost	**6,884**	8,172	6,755	3,818	2,442	3,357
Finance cost	**(2,214)**	(981)	(680)	(1,069)	(1,517)	(1,832)
Profit before Taxation	**4,670**	7,191	6,076	2,750	925	1,525
Taxation	**(1,381)**	(1,922)	(2,011)	(795)	(239)	(333)
Profit after Taxation	**3,289**	5,268	4,065	1,955	686	1,191
Vertical Analysis	Percentage					
Net Sales	**100.0**	100.0	100.0	100.0	100.0	100.0
Cost of Sales	**(87.9)**	(83.9)	(80.6)	(84.2)	(90.4)	(88.1)
Gross Profit	**12.1**	16.1	19.4	15.8	9.6	11.9
Administrative, Selling and Distribution expenses	**(3.0)**	(3.3)	(3.8)	(4.2)	(3.1)	(2.8)
Other operating expenses	**(0.8)**	(1.2)	(1.3)	(1.1)	(0.3)	(0.5)
Share of profit in equity accounted investee	**0.1**	0.1	0.1	0.1	0.1	0.0
Other operating income	**0.8**	0.5	0.4	0.6	0.7	0.5
Operating profit before financing cost	**9.1**	12.2	14.7	11.1	6.9	9.1
Finance cost	**(2.9)**	(1.5)	(1.5)	(3.1)	(4.3)	(5.0)
Profit before Taxation	**6.2**	10.7	13.3	8.0	2.6	4.1
Taxation	**(1.8)**	(2.9)	(4.4)	(2.3)	(0.7)	(0.9)
Profit after Taxation	**4.4**	7.9	8.9	5.7	1.9	3.2
Horizontal Analysis	Percentage					
Net Sales	**12.5**	46.2	33.6	(3.0)	(3.8)	9.7
Cost of Sales	**18.0**	52.2	27.8	(9.7)	(1.3)	8.6
Gross Profit	**(16.0)**	21.5	64.2	60.0	(22.3)	18.4
Administrative, Selling and Distribution expenses	**2.4**	24.4	21.6	30.1	7.7	10.7
Other operating expenses	**(24.2)**	37.9	58.8	278.1	(45.6)	61.0
Share of profit in equity accounted investee	**41.7**	(1.5)	100.8	(10.5)	26.7	(0.7)
Other operating income	**82.8**	91.7	(13.5)	(17.0)	25.5	5.5
Operating profit before financing cost	**(15.8)**	21.0	76.9	56.4	(27.3)	18.2
Finance cost	**125.7**	44.3	(36.4)	(29.5)	(17.2)	8.3
Profit before Taxation	**(35.1)**	18.4	121.0	197.2	(39.3)	32.8
Taxation	**(28.2)**	(4.4)	152.9	232.4	(28.3)	48.8
Profit after Taxation	**(37.6)**	29.6	108.0	184.9	(42.4)	29.0

Analysis of Consolidated Financial Statements

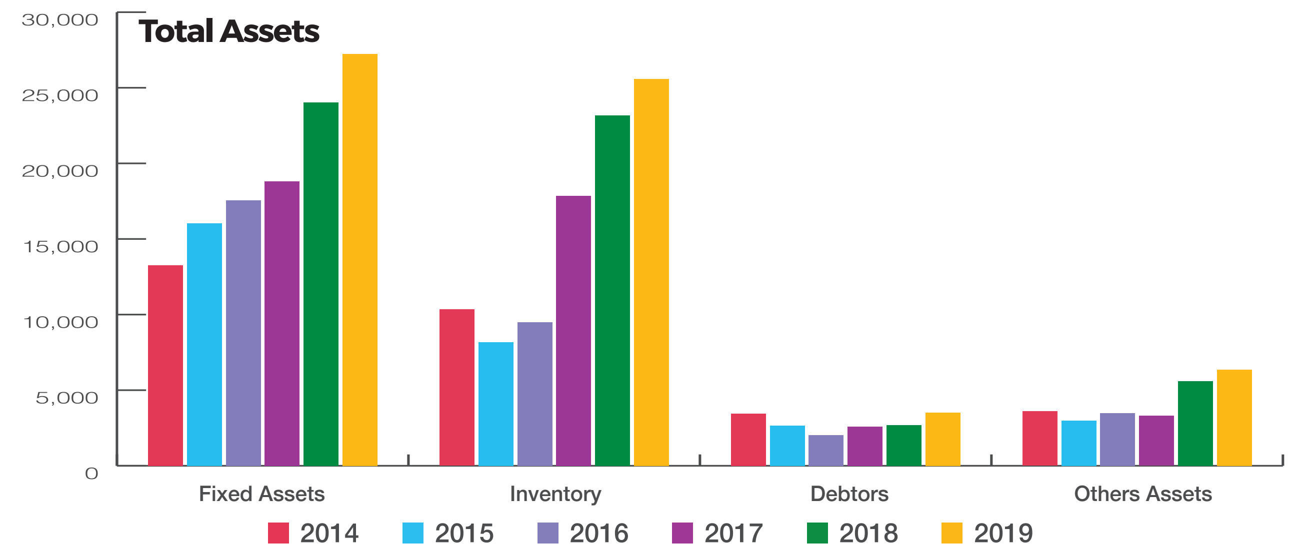
Consolidated Statement of Cash Flows

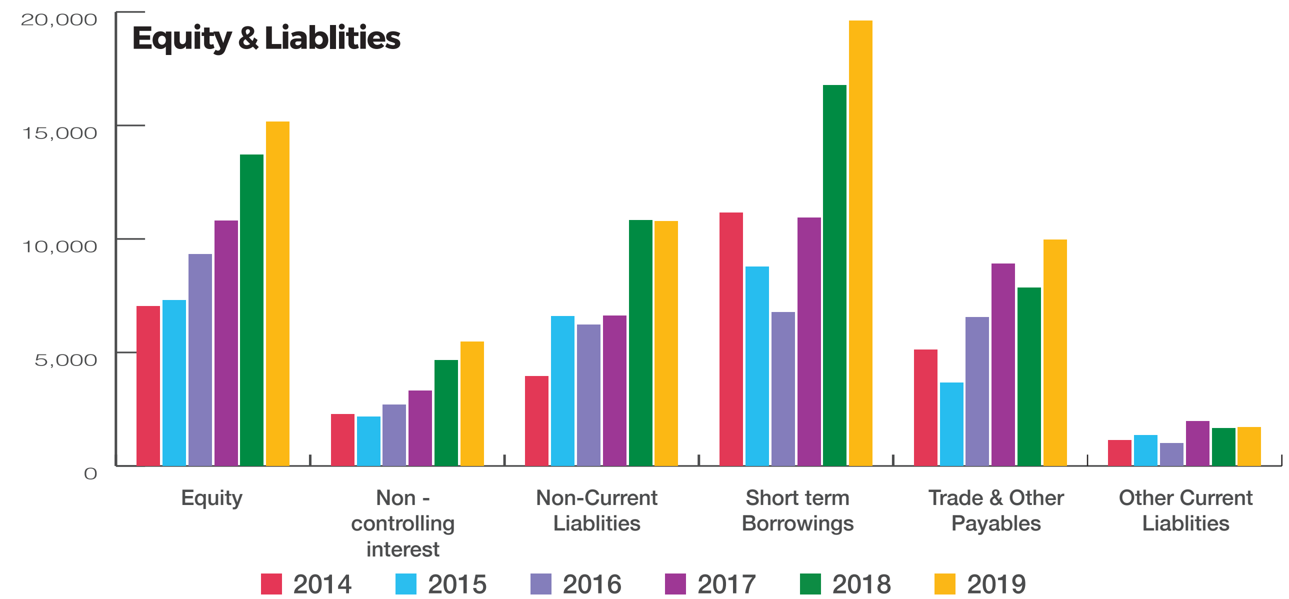
	2019	2018	2017	2016	2015	2014
	Rs. in million					
Net cash generated from/(used in) operating activities	**3,771**	(1,044)	(501)	4,779	3,649	1,532
Net cash inflows/(outflows) from investing activities	**(3,546)**	(6,979)	(2,351)	(1,300)	(3,504)	(487)
Net cash (outflows)/inflows from financing activities	**(475)**	(179)	3,436	(6,734)	1,269	692
Net increase/(decrease) in cash and cash equivalents	**(250)**	(8,202)	584	(3,255)	1,414	1,737
Vertical Analysis	Percentage					
Net cash generated from/(used in) operating activities	**1,510.4**	(12.7)	(85.8)	146.8	258.1	88.2
Net cash inflows/(outflows) from investing activities	**(1,420.2)**	(85.1)	(402.4)	(39.9)	(247.8)	(28.1)
Net cash (outflows)/inflows from financing activities	**(190.2)**	(2.2)	588.2	(206.9)	89.7	39.8
Net increase/(decrease) in cash and cash equivalents	**(100)**	(100)	100.0	(100.0)	100.0	100.0
Horizontal Analysis	Percentage					
Net cash generated from/(used in) operating activities	**(461.3)**	108.3	(110.5)	31.0	138.1	(66.9)
Net cash inflows/(outflows) from investing activities	**(49.2)**	196.9	80.8	(62.9)	619.1	(47.3)
Net cash (outflows)/inflows from financing activities	**165.0**	(105.2)	(151.0)	(630.8)	83.3	(130.7)
Net increase/(decrease) in cash and cash equivalents	**(97.0)**	(1,503.8)	(118.0)	(330.2)	(18.6)	19.9

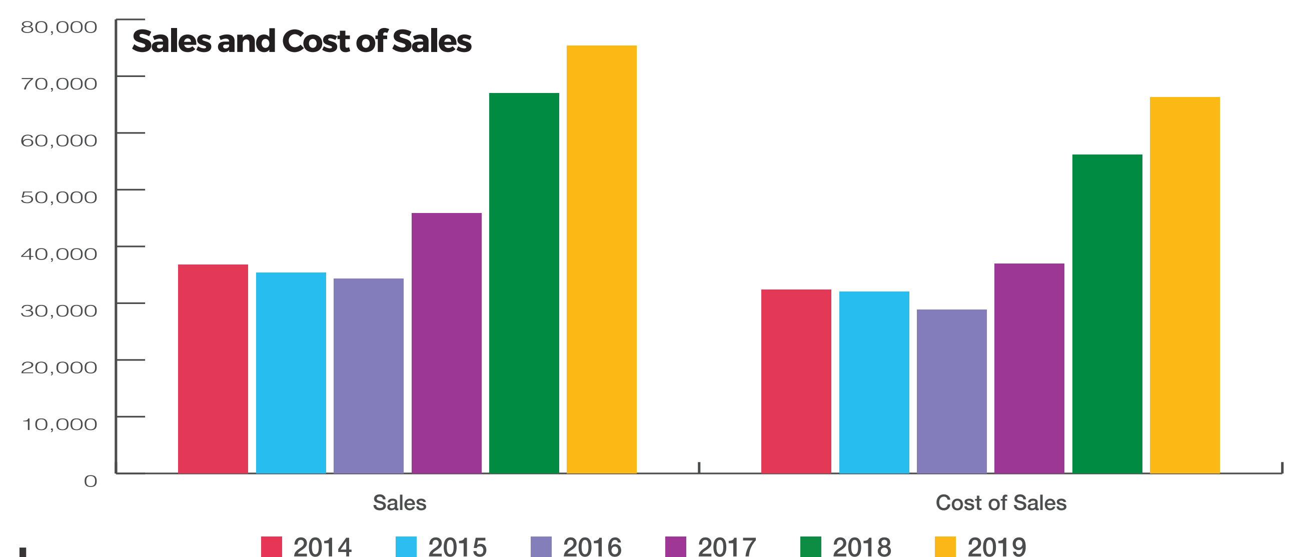


Graphical presentation of

Consolidated Statement of Financial Position and Profit or Loss Account





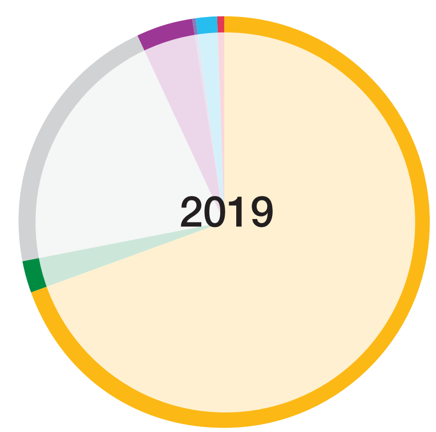


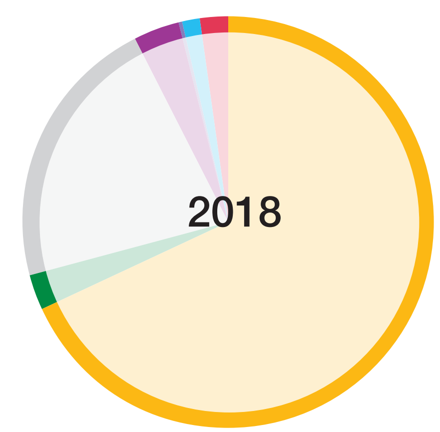
Consolidated Key Financial Indicators

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross profit ratio	%	**12.1**	16.1	19.4	15.8	9.6	11.9
Net profit to Sales	%	**4.4**	7.9	8.9	5.7	1.9	3.2
EBITDA Margin to Sales	%	**11.2**	14.1	17.3	14.0	9.1	11.2
Operating Leverage	%	**(0.85)**	0.41	1.92	(16.0)	5.7	1.8
Return on Equity with Surplus on revaluation of fixed assets	%	**15.9**	28.7	28.8	16.2	7.2	12.8
Return on Equity without Surplus on revaluation of fixed assets	%	**19.3**	35.1	38.0	22.9	9.9	17.5
Return on Capital Employed	%	**11.8**	22.9	22.6	12.0	4.9	9.5
Return on Total Assets	%	**5.2**	9.5	9.6	6.0	2.3	3.9
Liquidity Ratios							
Current ratio	Times	**1.10**	1.16	1.07	1.02	0.98	0.99
Quick / Acid test ratio	Times	**0.26**	0.25	0.22	0.32	0.35	0.37
Cash to Current Liabilities	Times	**(0.36)**	(0.42)	(0.13)	(0.24)	(0.01)	(0.09)
Cash flow from Operations to Sales	Times	**0.05**	(0.02)	(0.01)	0.14	0.10	0.04
Activity / Turnover Ratios							
Inventory turnover ratio	Times	**2.7**	2.7	2.7	3.3	3.5	3.5
Inventory turnover in days	days	**134**	133	135	112	106	103
Debtor turnover ratio	Times	**28.6**	29.8	22.5	16.7	13.1	13.7
Debtor turnover in days	days	**13**	12	16	22	28	27
Creditor turnover ratio	Times	**20.7**	14.8	8.3	8.0	8.8	13.5
Creditor turnover in days	days	**18**	25	44	46	41	27
Total assets turnover ratio	Times	**1.2**	1.2	1.1	1.1	1.2	1.2
Fixed assets turnover ratio	Times	**2.8**	2.8	2.4	2.0	2.2	2.8
Operating cycle in days	days	**129**	121	108	88	92	103
Capital employed turnover ratio	Times	**2.6**	2.5	2.4	2.0	2.3	2.9
Investment / Market Ratios							
Earnings per share - basic and diluted	Rs.	**18.26**	28.75	22.91	11.99	4.99	7.45
Price earning ratio	Times	**4.22**	8.07	16.09	5.88	13.42	6.64
Dividend Yield ratio	%	**8.43**	3.66	2.44	6.38	5.97	6.57
Dividend Payout ratio (Cash)	%	**30.12**	29.56	39.29	37.53	80.09	43.64
Dividend Payout ratio (Bonus shares)	%	**5.48**	-	-	-	-	-
Dividend Payout ratio (Total)	%	**35.59**	29.56	39.29	37.53	80.09	43.64
Dividend per share - Cash	Rs.	**5.50**	8.50	9.00	4.50	4.00	3.25
Bonus shares	Rs.	**1.00**	-	-	-	-	-
Dividend Cover	Times	**3.32**	3.38	2.55	2.66	1.25	2.29
Market value per share at the end of the year	Rs.	**77**	232	369	71	67	49
Market value per share high during the year	Rs.	**248**	377	406	94	87	61
Market value per share low during the year	Rs.	**71**	203	86	60	45	40
Break-up value per share with revaluation of fixed assets	Rs.	**126**	114	90	78	61	59
Break-up value per share without revaluation of fixed assets	Rs.	**96**	86	62	49	40	38
Capital Structure Ratios							
Financial leverage ratio	(x)	**2.0**	2.0	2.0	1.7	2.2	2.3
Total Debt : Equity ratio	(x)	**67 : 33**	67 : 33	67 : 33	63 : 37	68 : 32	70 : 30
Interest cover	Times	**3.1**	8.8	10.5	3.7	1.5	1.8
Earning asests to tatal assets ratio	Times	**1.0**	1.0	1.0	1.0	1.0	1.0
Net assets per share	Rs.	**172.0**	153.2	117.7	100.3	78.9	77.6

Consolidated Statement of Value Addition

	2019 Rupees in '000	2019 %	2018 Rupees in '000	2018 %
Wealth Generated				
Sales including sales tax	**87,300,154**	99.3%	77,137,264	99.6%
Other operating income	**617,688**	0.7%	337,952	0.4%
	87,917,842	100%	77,475,216	100%
Wealth Distributed				
Cost of material & services	**61,216,100**	69.6%	52,721,604	68.0%
To Employees				
Salaries & other related cost	**2,191,887**	2.5%	2,191,183	2.8%
To Government				
Taxes & Duties	**18,165,727**	20.7%	16,234,987	21.0%
Worker Profit Participation Fund	**248,556**	0.3%	395,370	0.5%
Worker Welfare Fund	**82,485**	0.1%	158,348	0.2%
	18,496,768	21.0%	16,788,705	21.7%
To Providers of Capital				
Dividend to shareholders	**1,229,245**	1.4%	1,873,837	2.4%
Finance cost	**2,213,650**	2.5%	980,924	1.3%
	3,442,895	3.9%	2,854,761	3.7%
To Society				
Donation	**62,722**	0.1%	93,910	0.1%
Retained in Business				
For replacement of fixed assets				
Depreciation & Amortization	**1,547,101**	1.8%	1,251,432	1.6%
To provide for growth: Retained Profit	**315,777**	0.4%	1,573,621	2.0%
	1,862,878	2.1%	2,825,053	3.6%
	87,917,842	100%	77,475,216	100%

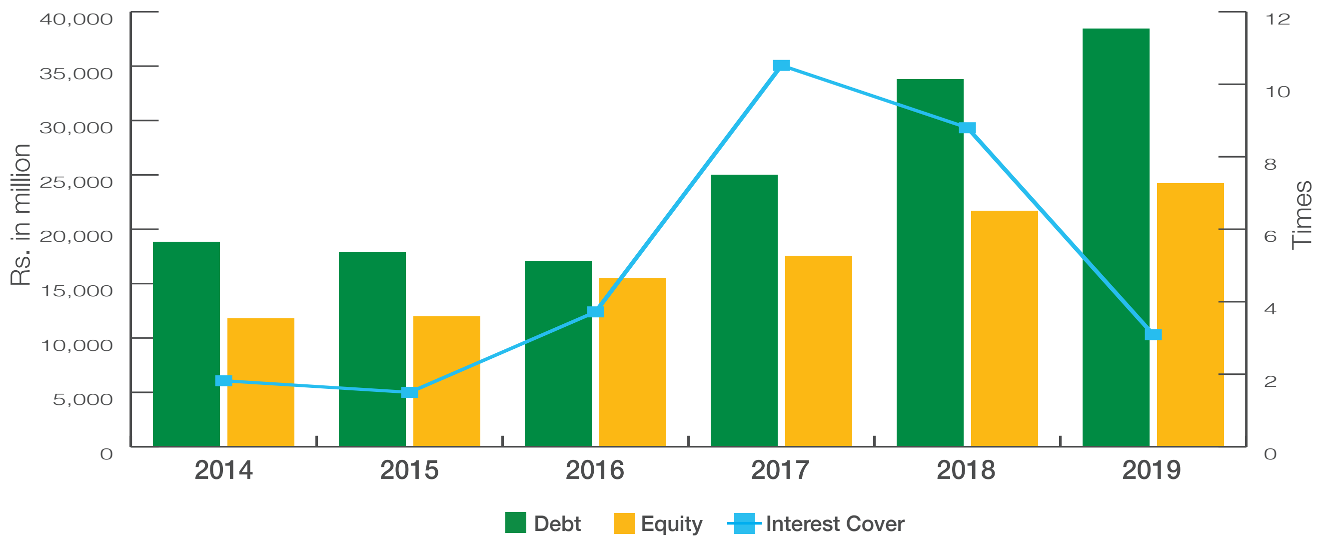




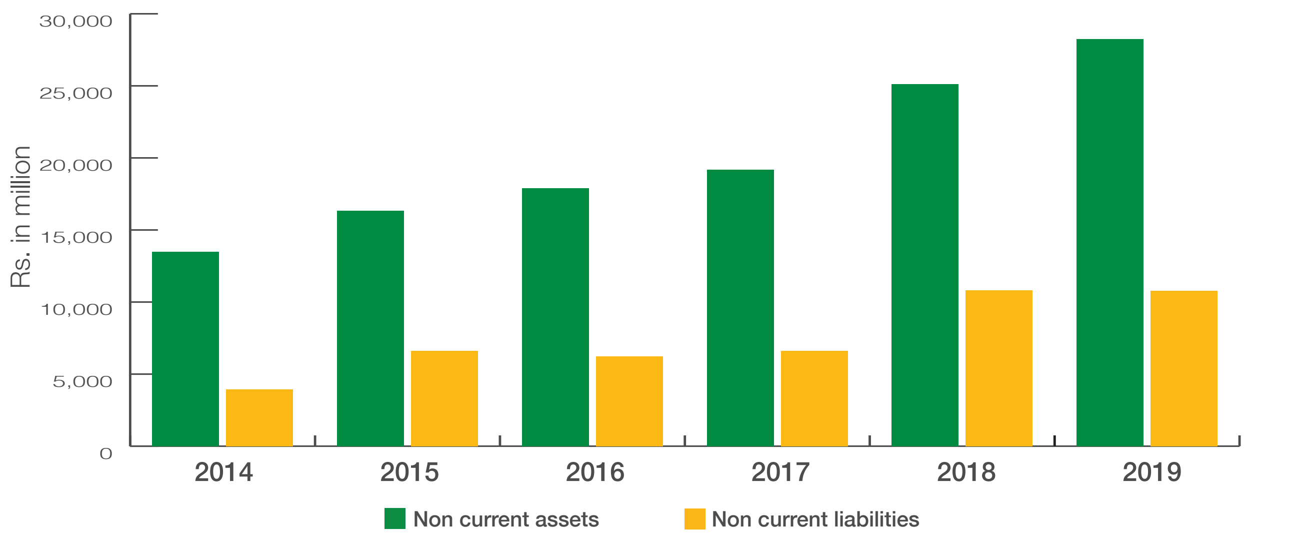
	2019	2018
Cost of material & services	**69.6%**	68.0%
To Employees	**2.5%**	2.8%
To Government	**21.0%**	21.7%
To Providers of Capital	**3.9%**	3.7%
To Society	**0.1%**	0.1%
Depreciation & Amortization	**1.8%**	1.6%
Retained Profit	**1.1%**	2.0%

Consolidated Performance at a Glance

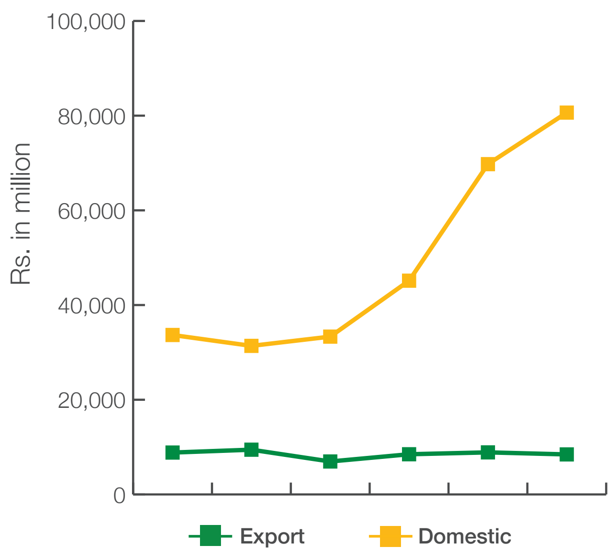
Debt Management & Interest Cover Ratio



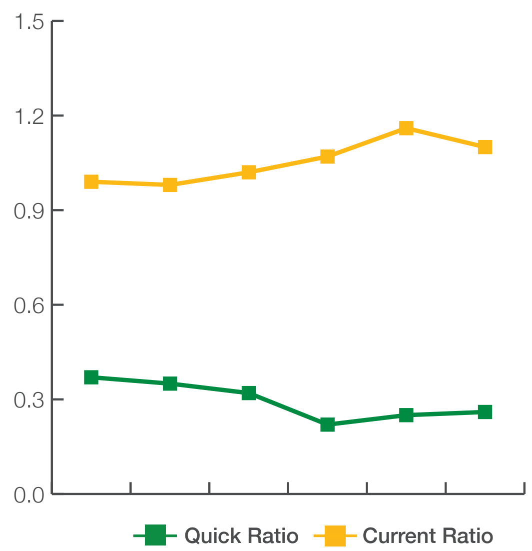
Non Current Assets & Non liabilities



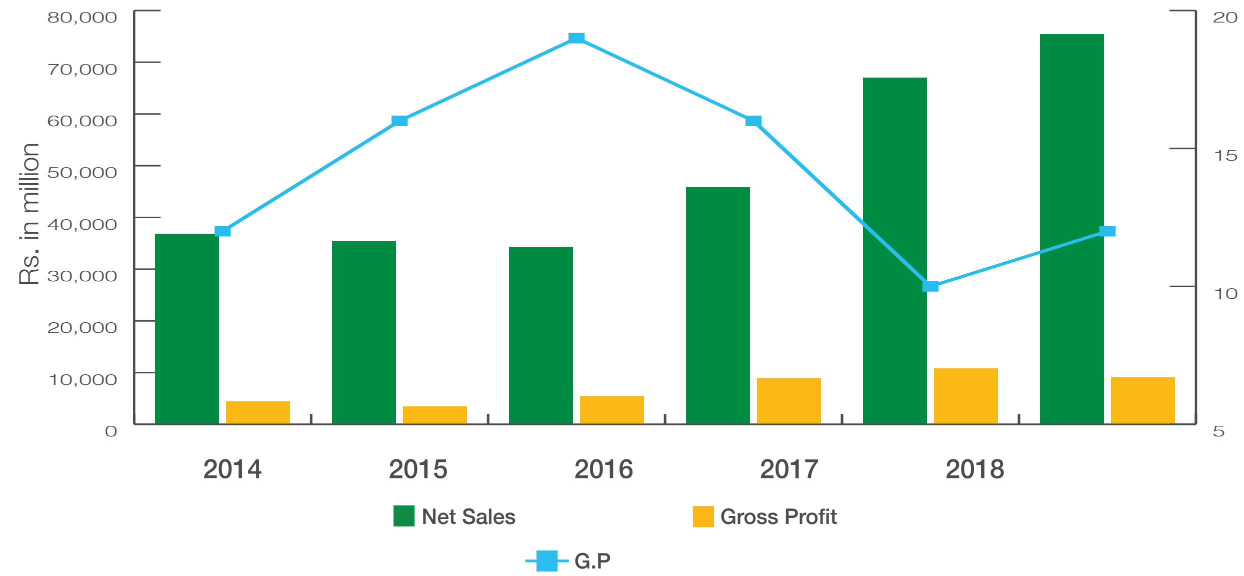
Sales Breakup



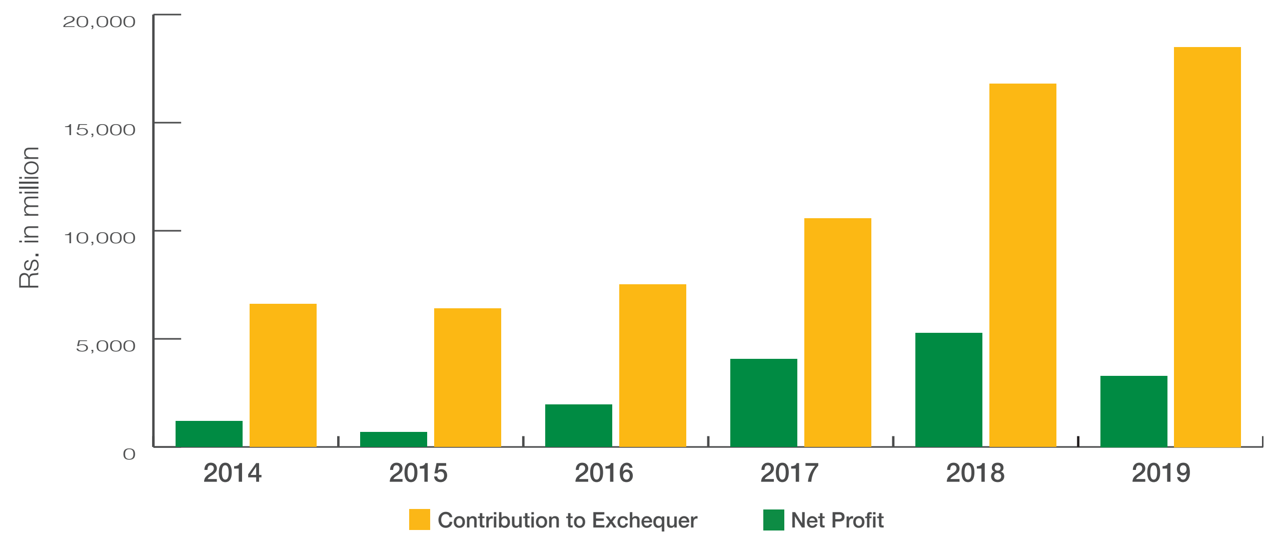
Liquidity Ratio



Net Sales to Gross Profit Ratio



Net Profit & Contribution to Exchequer



KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERNATIONAL INDUSTRIES LIMITED

Opinion

We have audited the annexed consolidated financial statements of International Industries Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1	**Revenue recognition** Refer notes 4.2.1, 4.11, 22 and 38 to the consolidated financial statements relating to revenue recognition. The Group generates revenue from sale of goods to domestic as well as export customers. Sales to domestic and export customers represent 91% and 9% of the total sales respectively. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not being recognized in the appropriate period and risk of misapplication of the new accounting standard IFRS 15 Revenue from Contracts with Customers.	Our procedures included: • We obtained an understanding of and assessed the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • We assessed the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • We compared, 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; • We inspected credit notes issued to record sales returns subsequent to year end, if any; • We reviewed management's IFRS 15 assessment to verify the reasonableness, accuracy and completeness of the impact on the consolidated financial statements of the Group; and • We obtained an understanding of the nature of the revenue contracts entered into by the Group, tested a sample of sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the standard.

S. No.	Key audit matters	How the matters were addressed in our audit
2	**Valuation of Trade Debts** Refer notes 4.2.2, 4.5.1, 4.5.2, 4.13.1 and 10 to the consolidated financial statements relating to valuation of trade debts. The Group has a significant balance of trade debts. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECL). The ECL model has been adopted during the year due to the application of IFRS 9 (Financial Instruments). Details about the application of the IFRS and the effect is given in note 4.2.2 to the consolidated financial statements. We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.	Our procedures included: • We obtained an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process; • We assessed the method used by the Group for the recognition of the impact of the application of IFRS 9 regarding provision for doubtful debts as allowable under IFRS 9 and assessed the reasonableness of assumptions of ECL; and • We tested the accuracy of the data on a sample basis extracted from the Group's accounting system which has been used to calculate the provision required including the subsequent recoveries.
3	**Valuation of Stock-in-trade** Refer notes 4.6, 9 and 38 to the consolidated financial statements relating to valuation of stock-in-trade. Inventory forms a significant part of the Group's assets. During the year 58% of raw materials were purchased by the Group from a related party. We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Group.	Our procedures included: • We obtained an understanding of internal controls over purchases and valuation of stock in trade and tested, on a sample basis, their design, implementation and operating effectiveness; • We compared on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if any; • We compared calculations of the allocation of directly attributable costs with the underlying supporting documents; • We obtained 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-process and costs necessary to make the sales and their basis; and • We compared 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.

S. No.	Key audit matters	How the matters were addressed in our audit
4	**Capitalization of Property, Plant and Equipment** Refer notes 4.3 and 5 to the consolidated financial statements relating to capitalization of property, plant and equipment. The Group has made significant capital expenditure on expansion of manufacturing facilities as disclosed in aforementioned notes. We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on capitalization of borrowing costs and depreciation charge for the year.	Our procedures included: • We obtained an understanding of the design and implementation of management controls over capitalization and performed tests of control over authorization of capital expenditure and accuracy of its recording in the system; • We tested, on sample basis, the costs incurred on projects with supporting documentation and contracts; • We assessed the nature of costs incurred including borrowing costs for capital projects through testing, on sample basis, of amounts recorded and considered whether the assets are of qualifying nature and the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and • We inspected 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 assessed the useful life assigned by management including testing the calculation of related depreciation.

Information Other than the Consolidated 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: September 3rd, 2019

Karachi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019	2018
		---------- Rupees in '000 ----------	
ASSETS			
Non-current assets			
Property, plant and equipment	5	27,223,797	24,031,606
Intangible assets	6	6,087	11,200
Investments in equity accounted investee	7	1,014,685	1,004,132
Long term deposits		3,619	63,094
		28,248,188	25,110,032
Current assets			
Stores and spares	8	826,502	591,296
Stock-in-trade	9	25,585,569	23,164,108
Trade debts	10	3,521,626	2,700,318
Advances, trade deposits and short-term prepayments	11	168,153	1,133,553
Receivable from K-Electric (KE) - unsecured, considered good		69,121	52,628
Other receivables	12	17,771	11,290
Sales tax receivable		2,596,098	2,003,799
Taxation - net	13	895,642	260,145
Cash and bank balances	14	759,543	473,671
		34,440,025	30,390,808
Total assets		62,688,213	55,500,840
EQUITY AND LIABILITIES			
Share capital and Reserves			
Authorised capital			
200,000,000 (2018: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital	15	1,198,926	1,198,926
Revenue reserve			
General reserve		2,991,258	2,991,258
Un-appropriated profit		7,343,772	6,170,136
Exchange translation reserve		4,658	305
Capital reserve			
Revaluation surplus on property, plant and equipment	16	3,624,344	3,348,391
Total Shareholders' equity		15,162,958	13,709,016
Non - controlling interest		5,462,651	4,655,410
		20,625,609	18,364,426
LIABILITIES			
Non-current liabilities			
Long term financing - secured	17	8,069,315	8,736,815
Staff retirement benefits		118,409	146,253
Deferred taxation - net	18	2,591,517	1,949,739
		10,779,241	10,832,807
Current liabilities			
Trade and other payables	19	8,473,948	6,725,540
Contract Liabilities		1,494,346	1,136,378
Short term borrowings - secured	20	19,616,349	16,771,867
Unpaid dividend		6,642	23,758
Unclaimed dividend		36,596	23,854
Unclaimed dividend attributable to non-controlling interest		6,453	2,917
Current portion of long term financing - secured	17	1,200,856	1,382,598
Sales tax payable		-	1,534
Accrued mark-up		448,173	235,161
		31,283,363	26,303,607
Total liabilities		42,062,604	37,136,414
Contingencies and commitments	21		
Total equity and liabilities		62,688,213	55,500,840

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	**Muhammad Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Note	2019	2018
		---------- Rupees in '000 ----------	
Net sales	22	75,387,444	67,002,967
Cost of sales	23	(66,300,102)	(56,182,828)
Gross profit		9,087,342	10,820,139
Selling and distribution expenses	24	(1,628,463)	(1,601,936)
Administrative expenses	25	(605,104)	(596,574)
Impairment (loss) / reversal on trade debts	10.3	(5,618)	10,930
		(2,239,185)	(2,187,580)
Finance cost	26	(2,213,650)	(980,924)
Other operating charges	27	(632,165)	(834,132)
		(2,845,815)	(1,815,056)
Other income	28	617,688	337,952
Share of profit in equity accounted investee		49,906	41,931
Profit before taxation		4,669,936	7,197,386
Taxation	29	(1,381,044)	(1,928,980)
Profit after taxation for the year		3,288,892	5,268,406
Profit attributable to:		2,189,614	3,447,458
- Owners of the Holding Company		1,099,278	1,820,948
- Non controlling interest		3,288,892	5,268,406
		(Rupees)	
Earnings per share - basic and diluted	30	18.26	28.75

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	**Muhammad Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	2019	2018
	---------- Rupees in '000 ----------	
Profit for the year	3,288,892	5,268,406
Other comprehensive income		
Item that will never be reclassified to profit or loss account		
Loss on remeasurements of net defined benefit liability	(542)	(70,564)
Adjustment to related opening deferred tax balance	(2,933)	-
Related deferred tax charge for the year	1,514	20,463
	(1,961)	(50,101)
Gain due to addition to Surplus on revaluation during the year		
Freehold Land	234,885	-
Leasehold Land	197,316	-
Building	645,881	-
Adjustment to related opening deferred tax balance	(685)	(9,821)
Related deferred tax charge for the year	(170,165)	-
	475,031	(9,821)
Item that will be classified to profit or loss account		
Foreign operations- foreign currency translation difference	4,353	1,247
Proportionate share of other comprehensive income of equity accounted investee	(3,461)	2,943
	906,163	(55,732)
Total comprehensive income for the year	4,195,055	5,212,674
Total comprehensive income attributable to:		
- Owners of the Holding Company	2,944,525	3,394,650
- Non controlling interest	1,250,530	1,818,024
	4,195,055	5,212,674

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	Muhammad Hanif Idrees	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
		-------- Rupees in '000 --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,669,936	7,197,386
Adjustments for:			
Depreciation		1,540,427	1,242,738
Amortisation	6.1	6,674	8,694
Impairment (loss) / reversal on trade debts		5,618	(10,930)
Provision for stores and spares		15,278	19,553
Provision for staff gratuity		66,681	52,892
Provision for compensated absences		8,323	18,799
Income on bank deposits	28	(10,483)	(3,975)
Gain on disposal of property, plant and equipment	28	(79,516)	(81,021)
Share of profit from associated company		(49,906)	(41,931)
Finance cost	26	2,213,650	980,924
		8,386,682	9,383,129
Changes in:			
Working capital	31	(1,038,040)	(8,106,895)
Long term deposits		59,475	(11,519)
		7,408,117	1,264,715
Translation reserve		1,462	(2,699)
Finance cost paid		(2,000,638)	(877,468)
Income on bank deposits		10,484	3,975
Payment for staff gratuity		(95,067)	(85,902)
Payment of compensated absences		(11,490)	(12,485)
Income taxes (paid) / (repayments) - net		(1,541,692)	(1,333,917)
Net cash generated (used in) / generated from operating activities		3,771,176	(1,043,781)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property,plant and equipment		(3,739,018)	(6,562,283)
Investment in an associated company		-	(684,571)
Amalgamation of wholly owned subsidiary company		-	150,000
Dividend received		30,462	17,037
Proceeds from disposal of property, plant and equipment		162,634	100,780
Net cash used in investing activities		(3,545,922)	(6,979,037)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		624,553	5,271,106
Repayment of long term financing		(1,473,795)	(1,258,092)
Proceeds from / (repayment of) short term borrowing - net		2,308,937	(2,749,212)
Dividend paid to non controlling interest		(858,369)	(738,226)
Dividends paid to shareholders of the Holding Company		(1,076,253)	(704,798)
Net cash used in financing activities		(474,927)	(179,222)
Net (decrease) / increase in cash and cash equivalents		(249,673)	(8,202,040)
Cash and cash equivalents at beginning of the year		(11,066,868)	(2,851,446)
Transfer upon merger		-	(13,382)
Cash and cash equivalents at end of the year		(11,316,541)	(11,066,868)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	14	759,543	473,671
Short term borrowings - running finance (secured)	20	(12,076,084)	(11,540,539)
		(11,316,541)	(11,066,868)

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	Muhammad Hanif Idrees	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Attributable to owners of the Holding Company						Non-Controlling interest	Total Equity
	Issued, subscribed and paid up capital	Capital reserve: Revaluation surplus on property,plant & equipment	Revenue reserves: General reserves	Revenue reserves: Un-appropriated profit	Exchange translation reserves	Total reserves		
	(Rupees in '000)							
Balance as at 1 July 2017	1,198,926	3,424,573	2,991,258	3,196,534	(942)	6,186,850	3,305,288	14,115,637
Total comprehensive income for the year ended 30 June 2018								
- Profit for the year	-	-	-	3,447,458	-	3,447,458	1,820,948	5,268,406
- Transfer upon amalgamatiom						-		-
- Other comprehensive income for the year	-	(9,821)	-	(44,234)	1,247	(42,987)	(2,924)	(55,732)
Total comprehensive income for the year		(9,821)		3,403,224	1,247	3,404,471	1,818,024	5,212,674
Transactions with owners recorded directly in equity: Distributions to owners of the Holding Company								
- Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	-	(239,785)	-	(239,785)	-	(239,785)
- Interim dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2018	-	-	-	(239,785)	-	(239,785)	-	(239,785)
Total transactions with owners of the Holding Company	-	-	-	(479,570)	-	(479,570)	-	(479,570)
Dividend to non-controlling interest	-	-	-	-	-	-	(474,861)	(474,861)
Transferred from revaluation surplus on disposal of property,plant and equipment - net of deferred tax	-	(765)	-	765	-	765	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax	-	(64,525)	-	57,566	-	57,566	6,959	-
Proportionate share of surplus on revaluation property, plant and equipments	-	(1,071)	-	-	-	-	-	(1,071)
Transfer upon amalgamatiom	-	-	-	(8,383)	-	(8,383)		(8,383)
Balance as at 30 June 2018	1,198,926	3,348,391	2,991,258	6,170,136	305	9,161,699	4,655,410	18,364,426
Total comprehensive income for the year ended 30 June 2019								
- Profit for the year	-	-	-	2,189,614	-	2,189,614	1,099,278	3,288,892
- Other comprehensive income for the year	-	747,180	-	3,378	4,353	7,731	151,252	906,163
Total comprehensive income for the year		747,180		2,192,992	4,353	2,197,345	1,250,530	4,195,055
Transactions with owners recorded directly in equity								
Distributions to owners of the Holding Company								
- Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	-	(779,302)	-	(779,302)	-	(779,302)
- Interim dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2019	-	-	-	(299,732)	-	(299,732)	-	(299,732)
Total transactions **with** owners of the Holding Company	-	-	-	(1,079,034)	-	(1,079,034)	-	(1,079,034)
Dividend to non-controlling interest	-	-	-	-	-	-	(854,750)	(854,750)
Transferred from revaluation surplus on disposal of property,plant and equipment - net of deferred tax	-	(7,139)	-	7,139	-	7,139	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax	-	(61,585)	-	52,539	-	52,539	9,046	-
Proportionate share / reclassification of surplus on revaluation property,plant and equipments - NCI		(402,415)					402,415	
Proportionate share of surplus on revaluation property, plant and equipments	-	(88)	-	-	-	-	-	(88) -
Balance as at 30 June 2019	1,198,926	3,624,344	2,991,258	7,343,772	4,658	10,339,688	5,462,651	20,625,609

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik Director & Chairman Board Audit Committee	Muhammad Hanif Idrees Chief Financial Officer	Riyaz T. Chinoy Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited, (the Holding Company) and its 56.33% owned subsidiary International Steels Limited and its wholly owned foreign subsidiary IIL Australia PTY Limited [together referred to as "the Group" and individually as "Group entities"] and the Holding Company's 17.124% interest in equity accounted investee namely Pakistan Cables Limited (PCL).

1.2 International Industries Limited ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Holding Company is engaged in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes and fittings. The registered office of the Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

The manufacturing facilities of the Holding Company are situated as follows:

a) LX 15-16, Landhi Industrial Area, Karachi
b) Survey # 402,405-406, Dehshrabi Landhi Town, Karachi
c) 22 KM, Sheikhupura Road, Lahore

Sales office are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

1.3 International Steels Limited ("the Subsidiary Company") was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.

The manufacturing facilities of the Subsidiary Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

1.4 IIL Australia PTY Limited ("the foreign Subsidiary") was incorporated in Australia on 02 May 2014. It is engaged in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office and sales office of the foreign Subsidiary Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia. IIL Australia PTY Limited is a wholly owned foreign subsidiary of the Holding Company.

1.5 Detail of equity accounted investee is given in note 7 to these consolidated financial statement.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company, the Subsidiary Company and the foreign Subsidiary Company for the year ended 30 June 2019. Details regarding the financial information of equity accounted investee used in the preparation of these consolidated financial statements are given in note 7 to these consolidated financial statements.

2.1 Statement of compliance

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

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

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the liabilities under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligation less fair value of plan assets, land & buildings 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 consolidated financial statements are presented in Pakistan Rupees which is the Holding Company's functional and presentation currency and have been rounded to the nearest thousand Rupee, unless otherwise indicated.

2.4 Use of estimates and judgments

The preparation of the consolidated 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 consolidated financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described in the following notes:

- Property, plant and equipment and intangible assets (notes 4.3 and 4.4).
- Trade debts, advances and other receivables (note 4.5.2)
- Derivative financial instruments (note 4.5.7 and 4.5.8)
- Stores and spares (note 4.6)
- Stock-in-trade (note 4.7)
- Taxation (note 4.8)
- Staff retirement benefits (note 4.9)
- Impairment (note 4.13)
- Provisions (note 4.14)
- Contingent liabilities (note 4.15)

3 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 4.2, are considered not to be relevant or do not have any significant effect on the Consolidated financial statements and are therefore not stated in these Consolidated financial statements.

3.1 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 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting impact of the standard on the consolidated financial reporting.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the consoldiated financial statements.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or at fair value through other comprehensive income (FVOCI), IFRS 9 requires its contractual cash flows to meet the criterion that cash flows are 'solely payments of principal and interest' (SPPI). Some prepayment options could result in a situation wherein the party that triggers the early termination receives 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 FVOCI if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on consolidated 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 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now use 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 relevant group entities do not intend to amend, curtail or settle its defined benefit plan, therefore the application of this amendment does not have an impact on the consolidated 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 1 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 1 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 borrowing any borrowing originally made to develop an asset when the asset is ready for its intended use or sales.

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

4 SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 4.2, the significant accounting policies are consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

4.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Holding Company. Subsidiaries are those entities over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company using consistent accounting policies and changes are made when necessary to align them with the policies adopted by the Holding Company.

The assets and liabilities of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Holding Company. Non controlling interests are presented as a separate item in the consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Upon the loss of control, the Holding Company derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss account. If the Holding Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

Associates are those entities in which the Holding Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Holding Company holds between 20 and 50 percent of the voting power of another entity or when the Holding Company has significant influence through common directorship(s).

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Holding Company's share of its associate's post acquisition profit or loss and consolidated statement of other comprehensive income, after adjustments to align the accounting policies with those of the Holding Company, from the date that significant influence commences until the date that significant influence ceases. Where there has been a change recognised directly in the equity of the associate, the Holding Company recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

When the Holding Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Holding Company has an obligation or has made payments on behalf of the investee. Dilution gains and losses arising on investments in associates are recognised in the consolidated statement of statement of profit or loss account.

The financial statements of the associate used for equity accounting are prepared with difference of three months from the reporting period of the consolidated financial statements.

After application of the equity method, the Holding Company determines whether it is necessary to recognise an additional impairment loss on the Holding Company's investment in its associate. The Holding Company determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case the Holding Company calculates the amount of impairment as the difference between the recoverable amount of the investment in equity accounted investee (which is higher of its value in use and its fair value less cost to sell) and its carrying value and recognises the amount in the consolidated statement of profit or loss account. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount but limited to the carrying amount that would have been determined, if no impairment loss had been recognized. A reversal of impairment is recognized in the consolidated statement of statement of profit or loss account.

Upon loss of significant influence over the associate, the Holding Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated statement of profit or loss account.

Translation of the financial statements of wholly owned foreign subsidiary

The financial statements of wholly owned foreign subsidiary of which the functional currency is different from that used in the preparing the consolidated financial statements are translated in functional currency of the consolidated financial statements. Statement of financial positions items are translated at the exchange rate at the reporting date and profit or loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange translation reserve. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified into consolidated statement of profit or loss account as part of gain or loss on disposal. If the Holding Company disposes off part of its interest in a subsidiary but retains control, then the relevant portion of the cumulative amount is reattributed to non-controlling interest.

4.2 Changes in significant accounting policies

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' has been adopted for the purposes of the consolidated financial statements with effect 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:

4.2.1 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.

Upon adoption of IFRS 15 the modified retrospective method has been applied, 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 consolidated statement of financial position and / or profit or loss acoount for the reasons described below. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 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 group entities' 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 Group 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, net of sales commission and excludes amounts collected on behalf of third parties.

The Group entities contract with customers for the sale of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes & fittings, cold rolled, galvanized and colour coated steel coils and sheets which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is upon the delivery of goods. Delivery occurs when the products have been shipped to the specific location and the risks of loss have been transferred to the customers. The transfer can be either in the form of acceptance by the customer of products as per the sales contract or lapse of acceptance provision or the Group has objective evidence that all criteria for acceptance have been satisfied.

Invoices are generated at the point in time when control of the asset is transferred and revenue is recognised at that point in time. Receivable is also 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 Subsidiary Company in the Group 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.

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

Group entities also receive short term advances from some of its customers. Prior to adoption of IFRS 15, advance consideration received from customers was included in 'Trade and other payables' which now is reclassified as 'Contract liabilities' and presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to 'Contract liabilities' for outstanding balance of advance from customers for prior year to provide comparison. The amount of contract liabilities includes advance consideration received from customers amounting to Rs.1,136.4 million as at the beginning of the period which has been recognized as revenue for the year ended 30 June 2019.

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

The Group entities do 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 Group entities do not adjust any of transaction prices for the time value of money. As required for the consoldiated financial statements, the revenue recognised from contracts with customers has been disaggregated into primary geographical markets and major product lines.

4.2.2 **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 consolidated statement of profit or loss account or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group 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 Group 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 Group accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 4.5 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 Group financial assets as at 30 June 2018:

As at 30 June 2018	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
			------ Rupees in '000 ------	
Long term deposits	Loans and receivables	Amortized cost	63,094	63,094
Trade debts - considered good	Loans and receivables	Amortized cost	2,700,318	2,700,318
Advances and trade deposits	Loans and receivables	Amortized cost	1,111,795	1,111,795
Receivable from K-Electric Limited (KE) - unsecured, considered good	Loans and receivables	Amortized cost	52,628	52,628
Other receivables	Loans and receivables	Amortized cost	11,290	11,290
Sales tax receivable	Loans and receivables	Amortized cost	2,003,799	2,003,799
Cash and bank balances	Loans and receivables	Amortized cost	473,671	473,671
Total financial assets			6,416,595	6,416,595

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 loss model, rather than the current incurred loss model, when assessing the impairment of financial asset 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 Group entities except the wholly owned foreign subsidiary have applied the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all trade debts. Impairment losses related to trade debts are presented separately in the statement of profit or loss account. Trade debts 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 experience of group entities collection history and 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 group entities.

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.

4.3 Property, plant and equipment

4.3.1 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 group entities and the cost of such item can be measured reliably.

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

Measurement

Property, plant and equipment (except freehold and leasehold land and buildings) 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 value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals. The costs of Property, plant and equipment include:

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

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

(c) Borrowing costs, if any.

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

Subsequent expenditure

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

Depreciation

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

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

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

Revaluation surplus

Revaluation of land and building 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 land and building is recognized, net of tax, in the consolidated 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 the consolidated statement of profit or loss account, in which case the increase is first recognized in the consolidated statement of profit or loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to the consolidated statement of profit or loss account. The revaluation reserve is not available for distribution to the shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss account 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 consolidated statement of profit or loss account, and the related revaluation surplus on property, plant and equipment, if any, is transferred directly to unappropriated profit.

4.3.2 Capital work-in-progress

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

4.4 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 group entities 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 6).

c) Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed-off.

4.5 Financial Instruments

Initial measurement of financial asset

Financial assets are classified into 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 consolidated statement of profit or loss account. 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 consolidated statement of profit or loss account.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of profit or loss account 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 consolidated statement of profit or loss account.
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 the consolidated statement of profit or loss account.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the consolidtaed statement of profit or loss account.

4.5.1 Non-derivative Financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which group entities become 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. Group entities derecognise the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

4.5.2 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.

4.5.3 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 investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term borrowings availed by group entities, which are repayable on demand and form an integral part of the group entities' cash management.

4.5.4 Financial Liabilities

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

4.5.5 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 consolidated statement of profit or loss account over the period of the borrowings using the effective interest method.

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

4.5.6 Trade and other payables

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

4.5.7 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 the consolidated statement of profit or loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5.8 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 consolidated statement of other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in the consolidated statement of profit or loss account. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

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

4.5.9 Offsetting of financial assets and financial liabilities

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

4.6 Stores and spares

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

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

4.7 **Stock-in-trade**

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

4.8 **Taxation**

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

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 group entities, other than the wholly owned foreign subsidiary 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 recognized using the 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 realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

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

4.9 **Staff retirement benefits**

Defined benefit plan

The Holding Company and Subsidiary Company (herein after refererd to as “Companies” in this note) provide gratuity benefit to all their respective permanent employees who have completed their minimum qualifying period of service i.e. three years (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 1 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 1 month’s gross salary less conditional allowances (eligible salary) for each completed year of service.

Companies’ obligations are determined through actuarial valuations carried out under the “Projected Unit Credit Method”. Remesaurements which comprise actuarial gains or losses and the return on plan assets (exluding interest) are recognised immediately in other comprehensive income in the consolidated financial statements.

Companies determine their respective net interest expenses (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 liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognised in the consolidated statement of profit or loss account. The latest actuarial valuations were conducted at the balance sheet date by qualified professional firms of actuaries.

Defined contribution plan

Companies provide provident fund to all its officers. Equal contributions are made, both by the Companies and their emloyees, at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the consolidated statement of profit or loss account.

Compensated absences

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

4.10 **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 consolidated statement of profit or loss account currently.

4.11 **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.
- Dividend income is recognised when the right to receive payment is established.
- Gains / losses arising on sale of investments are included in the consolidated statement of profit or loss account in the period in which they arise.
- Service income is recognized when services are rendered.
- Rental income is recognized on straight line basis over the term of the respective lease agreement.

4.12 **Income on bank deposits and finance cost**

Finance income and finance cost includes interest income and interest expense. Interest income or expense is recognized using the effective interest method.

4.13 Impairment

4.13.1 Financial assets

Loss allowances for Expected Credit Losses (ECLs) are recognised in respect of financial assets measured at amortised cost.

Loss allowances are measured 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, group entities consider 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 group entities historical experience and informed credit assessment and including forward-looking information.

Credit risk on a financial asset is assumed to have 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 group entities are 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 group entities have no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. Group entities individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Group entities 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 group entities 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.

4.13.2 Non-Financial assets

The carrying amounts of 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 consolidated statement of profit or loss account.

4.14 Provisions

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

4.15 Contingent liabilities

A contingent liability is disclosed when an group entities have 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 group entities or the group entities has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The operating results are monitored separately for each product category (i.e. Steel Coils and Sheets, Steel Pipes and Plastic Pipes) for the purposes of making decisions regarding resource allocation and performance assessment.

Sale of electricity to KE is not considered as separate reportable segment as the power plants of the entities are installed primarily to supply power to their production facilities and currently any excess electricity is sold to KE.

4.17 Dividend and appropriation to / from reserves

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

5. PROPERTY, PLANT AND EQUIPMENT	Note	2019	2018
		-------- Rupees in '000 --------	
Operating assets	5.1	26,510,066	20,315,242
Capital work-in-progress (CWIP)	5.6	682,778	3,697,427
Store and spares held for capital expenditure - at cost		30,953	18,937
		27,223,797	24,031,606

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and	Furniture,	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land	machinery**	fixtures and office equipment		
	(Rupees in '000)							
Balance as at 1 July 2018								
Cost / revalued amount	1,989,041	1,782,743	1,744,747	1,130,212	20,022,489	192,269	272,424	27,133,925
Accumulated depreciation	-	-	(201,405)	(193,386)	(6,165,222)	(136,071)	(122,599)	(6,818,683)
Net Book value (NBV)	1,989,041	1,782,743	1,543,342	936,826	13,857,267	56,198	149,825	20,315,242
Additions / transfer from CWIP	-	48,336	1,011,132	310,010	5,228,265	53,091	88,505	6,739,339
Surplus on revaluation	234,885	197,316	371,913	273,968	-	-	-	1,078,082
Translation reserve	-	-	-	-	-	197	-	197
Disposals								
- Cost	-	-	-	(24,664)	(194,546)	(7,933)	(61,686)	(288,829)
- Accumulated depreciation	-	-	-	12,763	140,619	7,534	45,546	206,462
	-	-	-	(11,901)	(53,927)	(399)	(16,140)	(82,367)
Transfer upon merger								
Depreciation charge	-	-	(112,546)	(94,131)	(1,260,172)	(17,892)	(55,686)	(1,540,427)
Balance as at 30 June 2019 (NBV)	2,223,926	2,028,395	2,813,841	1,414,772	17,771,433	91,195	166,504	26,510,066
Gross carrying value as at 30 June 2019								
Cost / revalued amount	2,223,926	2,028,395	2,813,841	1,414,772	25,056,208	237,624	299,243	34,074,009
Accumulated depreciation	-	-	-	-	(7,284,775)	(146,429)	(132,739)	(7,563,943)
Net book value	2,223,926	2,028,395	2,813,841	1,414,772	17,771,433	91,195	166,504	26,510,066
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2017								
Cost / revalued amount	1,989,041	1,501,234	1,732,297	969,726	16,701,148	177,256	231,863	23,302,565
Accumulated depreciation	-	-	(99,761)	(111,697)	(5,222,141)	(125,365)	(108,143)	(5,667,107)
Net Book value (NBV)	1,989,041	1,501,234	1,632,536	858,029	11,479,007	51,891	123,720	17,635,458
Additions / transfer from CWIP	-	281,509	12,717	161,882	3,378,213	19,757	88,080	3,942,158
Surplus on revaluation	-	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	123	-	123
Disposals								
- Cost	-	-	(267)	(1,396)	(56,872)	(4,867)	(47,519)	(110,921)
- Accumulated depreciation	-	-	50	136	53,201	4,737	33,038	91,162
			(217)	(1,260)	(3,671)	(130)	(14,481)	(19,759)
Depreciation charge	-	-	(101,694)	(81,825)	(996,282)	(15,443)	(47,494)	(1,242,738)
Balance as at 30 June 2018 (NBV)	1,989,041	1,782,743	1,543,342	936,826	13,857,267	56,198	149,825	20,315,242
Gross carrying value as at 30 June 2018								
Cost / revalued amount	1,989,041	1,782,743	1,744,747	1,130,212	20,022,489	192,269	272,424	27,133,925
Accumulated depreciation *	-	-	(201,405)	(193,386)	(6,165,222)	(136,071)	(122,599)	(6,818,683)
Net book value	1,989,041	1,782,743	1,543,342	936,826	13,857,267	56,198	149,825	20,315,242
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

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

** This 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).

5.1.1 Additions to plant and machinery include borrowing cost capitalized incurred 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% per annum (2018: 6.56% to 7.12%).

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

	Note	2019	2018
		-------- Rupees in '000 --------	
Cost of sales	23	1,393,363	1,116,413
Selling and distribution expenses	24	23,157	18,211
Administrative expenses	25	17,760	20,019
Income from power generation	28.1	106,147	88,095
		1,540,427	1,242,738

5.3 The revaluation of the freehold land, leasehold land and buildings thereon of the Holding Company and Subsidiary Company was carried out as of 30 June 2019 by MYK Associates (Private) Limited (an independent valuer) 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. The revaluation resulted in a surplus amounting to Rs.1,078 million which was incorporated in the books of the Holding and Subsidiary Company as at 30 June 2019.

The Holding Company has carried out valuation of freehold land, leasehold land and buildings during the years ended / periods 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007, 30 June 2013, 30 June 2016 and 30 June 2019.

The resulting revaluation surplus has been disclosed in notes 5 and 16 to the consolidated financial statements and has been credited to revaluation surplus account net of related tax effect.

The carrying amount of the above mentioned 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	623,893	-	623,893
Leasehold land	711,182	-	711,182
Buildings	3,494,679	(856,940)	2,637,739
As at 30 June 2019	4,829,754	(856,940)	3,972,814
As at 30 June 2018	3,485,056	(755,073)	2,729,983

5.4 Particulars of immovable property (i.e. land and building) in the name of the Group and related Forced Sales Value (FSV) are as follows:

Particulars	Location	Area of Land (acres)	Covered Area (Sq Ft)	FSV (Rs in '000)
Leasehold Land (Manufacturing plant)	Plot no.LX15-16, HX-7/4 Landhi Industrial Estate Karachi	25.59	791,614	1,706,091
Leasehold Land (Manufacturing plant)	22 KM Sheikhupura Road, Mouza Khanpur Nabipur Tehsil Ferozpur District Sheikhupura.	31.05	366,032	849,011
Freehold Land (Manufacturing plant)	Survey Nos.399-405-406, Deh Sharabi, Landhi Town, City District Government, Karachi	42.45	377,538	3,944,817
Office Premises	Office No.101-105, 1st Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	Not applicable	13,676	164,107
Office Premises	Office No.203,2nd Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	Not applicable	1,794	21,532
Sales Office Premises	Chinoy House, 2nd and 3rd Floor Off Thornton Road, Hadbast Mouza Khas District Lahore	Not applicable	4,906	35,323
Sales Godown	Plot bearing No.NEIR-61 Khasra No.3303 - 3308, Hadbast Mouza Naulakha GT Road Lahore	0.17	6,295	39,488
Sales Godown	Plot bearing No.47, Khasra Nos.298/1, 2978/1 Ghoray Shah Road, Hadbast Mouza Khoi Meran District Lahore	0.18	6,215	45,530
		99.44	1,568,070	6,805,899

5.5 Details of property, plant and equipment disposed off / scrapped having book value each in excess of Rs.5 million each are as follows:

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer	Relationship with buyer
	----------	----------	(Rupees in '000)	----------	----------			
Buildings	7,966	1,569	6,397	5,866	(531)	Negotiation	M/s. Arshad Bros.	None
Plant and Machinery Backup Rolls	52,126	12,649	39,477	4,320	(35,157)	Negotiation	M/s. Alliance Traders	None
	60,092	14,218	45,874	10,186	(35,688)			

5.6 Capital work-in-progress (CWIP)

	Cost			
	As at 01 July 2018	**Additions / Adjustments**	**(Transfers) / Adjustments**	**As at 30 June 2019**
	----------	(Rupees in '000)	----------	
Freehold land	**61,250**	**463,830**	**(61,250)**	**463,830**
Leasehold land	**-**	**48,336**	**(48,336)**	**-**
Buildings on freehold land	**708,486**	**354,092**	**(1,011,132)**	**51,446**
Buildings on leasehold land	**74,804**	**240,090**	**(310,010)**	**4,884**
Plant and machinery	**2,840,549**	**2,411,074**	**(5,112,897)**	**138,726**
Furniture, fixtures and office equipments	**8,885**	**65,076**	**(50,069)**	**23,892**
Vehicles	**3,453**	**85,052**	**(88,505)**	**-**
	3,697,427	**3,667,550**	**(6,682,199)**	**682,778**

	Cost			
	As at 1 July 2017	Additions / Adjustments	(Transfers) / Adjustments	As at 30 June 2018
	----------	(Rupees in '000)	----------	
Freehold land	-	61,250	-	61,250
Leasehold land	-	281,509	(281,509)	-
Buildings on freehold land	961	719,564	(12,039)	708,486
Buildings on leasehold land	5,555	231,809	(162,560)	74,804
Plant and machinery	1,155,772	4,799,060	(3,114,283)	2,840,549
Furniture, fixtures and office equipment	2,965	25,677	(19,757)	8,885
Vehicles	7,772	83,761	(88,080)	3,453
	1,173,025	6,202,630	(3,678,228)	3,697,427

5.6.1 Additions to plant and machinery include borrowing cost capitalized incurred on loan obtained for expansion project amounting to Rs. 238 million (2018: Rs.82.6 million). Rate of mark-up capitalisation ranges from 6.56% to 11.36% per annum (2018: 6.56% to 7.12%).

6. INTANGIBLE ASSETS

	Note	2019	2018
		-------- Rupees in '000	--------
Operating intangible assets	6.1	**5,007**	10,120
Capital work-in-progress (CWIP)	6.2	**1,080**	1,080
		6,087	11,200

		Note	2019	2018
6.1	Net book value as at 01 July		**10,120**	18,814
	Additions / Adjustments		**1,561**	-
	Amortisation	6.1.2	**(6,674)**	(8,694)
	Net book value as at 30 June		**5,007**	10,120
	Gross carrying value as at 30 June			
	Cost		**98,207**	96,646
	Accumulated amortisation		**(93,200)**	(86,526)
	Net book value		**5,007**	10,120
			(Percent)	
	Amortization rate (per annum)		**33.33**	33.33

6.1.1 Intangible assets comprise of computer software and licenses.

6.1.2 The amortization expense for the year has been allocated as follows:

	Note	2019	2018
		-------- Rupees in '000	--------
Cost of sales	23	**1,390**	4,748
Selling and distribution expenses	24	**-**	1,829
Administrative expenses	25	**5,284**	2,117
		6,674	8,694

6.2 This represents advance provided to ERP consultant on account of upgradation of ERP system.

7. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

2019	2018		2019	2018
(Number of shares)			-------- Rupees in '000	--------
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associated company	**1,014,685**	1,004,132

7.1 This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 17.124% of effective share of interest in PCL due to crossholding.

7.2 The Chief Executive Officer of PCL was Mr. Kamal A. Chinoy upto 30 June 2019. Subsequently Mr. Fahad K. Chinoy has been appointed as Chief Executive Officer of PCL. The market value as at 30 June 2019 was Rs. 856.114 million (30 June 2018 Rs. 1,138.987 million) and is categorised as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on unaudited condensed interim financial information as at 31 March 2019 as the latest financial statements as at 30 June 2019 are not presently available.

The summarized financial information of the associate and reconciliation with the carrying amount of the investment in these consolidated financial statements are set out below:

		Note	2019	2018
7.3	**Movement during the year**		-------- Rupees in '000 --------	
	Investment at the beginning of the year		1,004,132	299,504
	Investment during the year		-	684,571
	Share of profit from associate - before tax		49,906	41,931
	Related tax	29	(5,341)	(6,709)
	Share of profit from associate - net of tax		44,565	35,222
	Share of OCI		(3,461)	2,943
	Surplus on revaluation		(88)	(1,071)
	Dividends received		(30,463)	(17,037)
	Closing balance		1,014,685	1,004,132
			(Number)	
	Number of shares held		6,092,470	6,092,470
			-------- Rupees in '000 --------	
	Cost of investment		817,553	817,553
	Ownership interest		17.12%	17.12%

		2019	2018
7.4	**Summarized statement of financial position of associate**	-------- Rupees in '000 --------	
	Current assets	4,653,487	4,875,412
	Non-current assets	2,741,781	2,295,622
	Total assets	7,395,268	7,171,034
	Current liabilities	(2,174,928)	(2,993,366)
	Non-current liabilities	(810,908)	(419,671)
	Total liabilities	(2,985,836)	(3,413,037)
	Net assets	4,409,432	3,757,997

		For the period from April 1, 2018 to March 31, 2019	For the period from April 1, 2017 to March 31, 2018
7.5	**Summarized statement of profit or loss account of associate**	-------- Rupees in '000 --------	
	Turnover - net	9,983,358	8,693,466
	Cost of sales	(8,830,353)	(7,503,411)
	Gross profit	1,153,005	1,190,055
	General and administration expenses	(931,364)	(829,852)
	Other income	69,794	105,584
	Profit before tax for the period	291,435	465,787
	Taxation	(31,193)	(74,542)
	Profit after tax for the period	260,242	391,245
	Other comprehensive income for the period	(30,764)	22,592
	Total comprehensive income for the period	229,478	413,837

7.6 Reconciliation of the above summarized financial information to the carrying amount of the interest in associate recognized in these consolidated financial statements is as follows:

	For the period from April 1, 2018 to March 31, 2019	For the period from April 1, 2017 to March 31, 2018
	-------- Rupees in '000 --------	
Opening net assets	3,397,314	3,111,558
Total comprehensive income for the period	229,478	413,837
Dividend distributed during the period	(177,890)	(128,081)
Net assets of the associate	3,448,902	3,397,314
Proportion of Company's interest in associate	17.12%	17.12%
Share of net assets of associate	590,590	581,756
Goodwill & Others	424,095	422,376
		-
Carrying amount of the Company's interest in associate	1,014,685	1,004,132

7.7 The market value of PCL shares as at 30 June 2019 was Rs. 140.52 per share (2018: Rs. 186.95 per share).

		2019	2018
8.	**STORES AND SPARES**	-------- Rupees in '000 --------	
	Stores	316,868	263,824
	Spares	497,889	316,660
	Loose tools	11,745	10,812
		826,502	591,296
9.	**STOCK-IN-TRADE**		
	Raw material - in hand	6,948,424	10,219,889
	- in transit	6,532,832	5,294,294
		13,481,256	15,514,183
	Work-in-process	3,458,783	2,597,105
	Finished goods	8,446,608	4,922,892
	By-products	51,394	24,655
	Scrap material	147,528	105,273
		25,585,569	23,164,108

9.1 Raw material of Holding Company amounting to Rs. 4.9 million (2018: Rs. 3.8 million) is held at a vendor's premises for the production of pipe caps.

10. TRADE DEBTS

	Note	2019	2018
		-------- Rupees in '000 --------	
Considered good - secured	10.1	238,086	258,223
- unsecured		3,283,540	2,442,095
		3,521,626	2,700,318
Considered doubtful		158,267	152,649
		3,679,893	2,852,967
Provision for impairment on trade debts	10.3	(158,267)	(152,649)
		3,521,626	2,700,318

10.1 This represents trade debts arising on account of export sales of Rs.132.27 million (2018: Rs.203.398 million) which are secured by way of Export Letters of Credit and Rs.105.82 million (2018: Rs.54.822 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

10.2 Related parties from whom trade debts are due are as under:

	2019	2018
	-------- Rupees in '000 --------	
Sumitomo Corporation	-	43,320
Pakistan Cables Limited	9,695	-
	9,695	43,320

10.3 Provision for impairment on trade debts

	2019	2018
Balance as at 01 July	152,649	163,579
Impairment (loss) / reversal on trade debts	38,774	15,566
Recoveries during the year	(33,156)	(26,496)
	5,618	(10,930)
Balance as at 30 June	158,267	152,649

10.4 The maximum aggregate amount due from the related parties at any time during the year calculated by reference to month-end balances is Rs.692 million

10.4.1 The ageing of the trade debts receivable from related parties as at the reporting date are as under:

	2019	2018
Not yet due	1,331	43,230
Past due 1-60 days	8,364	-
Total	9,695	43,230

11. ADVANCES, TRADE DEPOSITS AND SHORT - TERM PREPAYMENTS

	2019	2018
Considered good		
- Suppliers	105,521	1,072,496
- Employees for business related expenses	440	993
Trade deposits	18,969	24,357
Margin against shipping guarantee	16,255	13,949
Short term prepayments	26,968	21,758
	168,153	1,133,553

11.1 These advances and trade deposits are non interest bearing.

12. OTHER RECEIVABLES

	Note	2019	2018
		-------- Rupees in '000 --------	
Considered good			
Insurance claim		9,341	46
Others		8,430	11,244
		17,771	11,290
Considered doubtful			
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
		43,711	37,230
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Welfare Fund in earlier periods		(25,940)	(25,940)
		17,771	11,290

13. TAXATION - NET

	Note	2019	2018
Tax receivable as at 1 July		260,145	588,108
Tax payments / adjustment made during the year		1,541,692	1,333,941
		1,801,837	1,922,049
Less: Provision for tax	29	(906,195)	(1,661,904)
Tax (payable) / receivable as at 30 June		895,642	260,145

14. CASH AND BANK BALANCES

	Note	2019	2018
Cash in hand		-	10
Current accounts		301,700	269,603
Profit and loss sharing accounts	14.1	457,843	204,058
		759,543	473,671

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

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
(Number of shares)			-------- Rupees in '000 --------	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

15.1 Associated companies, due to common directors, held 576,000 (2018 : 576,000) ordinary shares of Rs. 10 each at the year end.

16. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		-------- Rupees in '000 --------	
Freehold land			
Balance as at 01 July		1,365,148	1,365,148
Surplus on revaluation of freehold land	5.1	234,885	-
Balance as at 30 June		1,600,033	1,365,148
Leasehold land			
Balance as at 01 July		1,119,897	1,119,897
Surplus on revaluation of leasehold land	5.1	197,316	-
Balance as at 30 June		1,317,213	1,119,897
Buildings			
Balance as at 01 July		1,043,642	1,138,007
Surplus on revaluation of buildings		83,414	-
Disposal of buildings		(9,420)	(1,007)
Transferred to retained earnings (Un-appropriated Profit) in respect of incremental depreciation charged during the year		(83,104)	(93,358)
		1,034,532	1,043,642
Related deferred tax liability	16.2	(420,554)	(273,504)
Balance as at 30 June - net of deferred tax		613,978	770,138
		3,531,224	3,255,183
Proportionate share of surplus on revaluation of property, plant and equipment of equity accounted investee		93,120	93,208
		3,624,344	3,348,391

16.1 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.

16.2 Movement in related deferred tax liability

	2019	2018
Balance as at 01 July	273,504	292,758
Surplus on revaluation of buildings	86,721	-
Effect of change in tax rate	84,129	9,821
Tax effect on disposal	(2,281)	(242)
Tax effect on incremental depreciation transferred to retained earnings	(21,519)	(28,833)
Deferred tax liability as at 30 June	420,554	273,504

17. LONG TERM FINANCING - secured

	Note	2019	2018
Long-term finances utilised under mark-up arrangements	17.1	9,270,171	10,119,413
Current portion of long term finances shown under current liabilities		(1,200,856)	(1,382,598)
		8,069,315	8,736,815

17.1 Long term finances utilised under mark-up arrangements

		Sale price	Purchase price	Number of instalments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2019	2018
		(Rupees in '000)					------- Rupees in '000 -------	
	CONVENTIONAL							
i)	**MCB Bank Limited** **Financing under Long term** Finance Facility for Plant and Machinery (note 17.1.1)	550,000	906,963	34 quarterly 29-Oct-16	28-Mar-24 to 20 Nov 25	SBP+0.70% (fixed rate)	411,134	473,803
ii)	**MCB Bank Limited** Finance Facility for Plant and Machinery (note 17.1.1)	800,000	1,164,316	11 half yearly 30 June 2019	28 Dec 2024	0.1 % over 6 months KIBOR	800,000	800,000
iii)	**MCB Bank Limited** Finance Facility for Plant and Machinery (note 17.1.1)	100,000	149,976	34 quarterly 31 May 2019	31 Aug 2027	SBP+0.50% (fixed rate)	98,422	103,037
iv)	**MCB Bank Limited** Finance Facility for Plant and Machinery (note 17.1.1)	100,000	147,862	34 quarterly 30 Jan 2020	30 June 2028	SBP+0.50% (fixed rate)	92,623	68,069
v)	**Long term finance** Local currency assistance for plant and machinery (note 17.1.2)	1,000,000	4,675,000	32 quarterly 16-Oct-16	11-Nov-26	1.00% over SBP Refinance rate (fixed rate)	740,441	865,442
vi)	**Long term finance** Local currency assistance for plant and machinery (note 17.1.2)	1,000,000	2,501,562	16 half yearly 12-Dec-16	28-Nov-26	1.00% over SBP Refinance rate (fixed rate)	719,977	843,405
vii)	**Long term finance** Local currency assistance for plant and machinery (note 17.1.2)	800,000	1,112,512	18 half yearly 30-Jun-16	1-Sep-20	1.00% over 6 months KIBOR	266,666	444,445
viii)	**Long term finance** Local currency assistance for plant and machinery (note 17.1.2)	1,000,000	1,610,411	60 equal monthly 28-Jul-16	28-Jun-21	0.15% over 3 months KIBOR	-	100,000
	ISLAMIC							
i)	**Meezan Bank Limited** Diminishing Musharakah of Rs.500 million for plant and machinery (Refer note 17.1.3)	500,000	950,361	10 half yearly 30-Jun-18	30-Jun-23	0.1 % over 6 months KIBOR	363,635	454,545
ii)	**Long term finance** Local currency assistance for plant and machinery (note 17.1.2)	1,000,000	1,743,300	8 half yearly 26-Dec-16	26-Jun-20	0.20% over 6 months KIBOR	-	416,667
iii)	**Meezan Bank Limited** Diminishing Musharakah of Rs.250 million for plant and machinery (Refer note 17.1.3)	250,000	279,978	11 half yearly 30-Jun-19	30-Jun-24	0.1 % over 6 months KIBOR	227,273	250,000
iv)	**Meezan Bank Limited** Diminishing Musharakah of Rs.750 million for plant and machinery (Refer note 17.1.2)	1,000,000	1,098,867	36 equal monthly 31-Oct-16	1-Sep-19	0.20 % over 1 months KIBOR	250,000	500,000
v)	**Habib Bank Limited** Diminishing Musharakah of Rs.4,300 million for plant and machinery (Refer note 17.1.2)	4,300,000	5,640,228	10 half yearly 28-Feb-20	24-Feb-25	0.10 % over 6 months KIBOR	4,900,000	4,300,000
vi)	**Meezan Bank Limited** Diminishing Musharakah of Rs.4,300 million for plant and machinery (Refer note 17.1.2)	500,000	575,512	30 equal monthly 28-Dec-18	28-Jun-21	0.15 % over 3 months KIBOR	400,000	500,000
							9,270,171	10,119,413

17.1.1 The Holding Company has an approved financing facility under Long Term Finance Facility of an amount aggregating Rs. 550 million, and Rs. 800 million, Rs. 100 million and Rs. 100 million which were obtained during the year. As at 30 June 2019 the Holding Company has withdrawn Rs. 1,402.179 million (2018: Rs. 1,444.91 million) from a commercial bank. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.

17.1.2 These finance are obtained by Subsidiary Company (ISL) and are secured against joint pari passu charge over fixed assets of the Subsidiary Company (such as. land, building, plant and machinery etc) with aggregate carrying amount of Rs.14,400 million

17.1.3 The above long term financing utilised under mark-up arrangement is secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey no. 405, 405-406, Dehsharabi, Landhi Town, Karachi.

17.1.4 In relation to above borrowings, the Group need 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.

18. DEFERRED TAXATION - NET

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

	Note	2019	2018
		-------- Rupees in '000 --------	
Taxable temporary differences			
Accelerated tax depreciation		2,564,679	1,967,039
Share of profit from equity accounted investee		25,120	18,435
Surplus on revaluation of buildings		420,554	273,504
Deductible temporary differences			
Provision for infrastructure cess		(323,204)	(225,456)
Provision for doubtful debts		(40,551)	(40,600)
Unrealised exchange losses		(17,517)	5,784
Provision for obsolescence against stores and spares		(4,112)	(5,170)
Staff retirement benefits		-	(2,425)
Provision for compensated absences		(4,885)	(41,372)
Alternate Corporate Taxation		(28,567)	-
		2,591,517	1,949,739

19. TRADE AND OTHER PAYABLES

	Note	2019	2018
Trade creditors	19.1	2,734,738	2,240,120
Bills payable		1,003,235	17,293
Sales Commission payable		-	60,868
Accrued expenses		2,752,115	2,496,774
Provision for Infrastructure Cess	19.2 & 21.1.2	1,535,752	1,176,189
Provision for Government Levies	19.3	329	230
Short term compensated absences		18,837	22,004
Workers' Profit Participation Fund	19.4	22,195	23,860
Workers' Welfare Fund		340,421	367,299
Others		66,326	320,903
		8,473,948	6,725,540

19.1 This includes an amount of Rs. Nil payable to associated companies by Subsidiary Company (ISL) (2018: Rs. 1,072.8 million).

19.2 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 21.1.2).

	Note	2019	2018
Provision for Infrastructure Cess		-------- Rupees in '000 --------	
Balance as at 01 July		1,176,189	841,741
Charge for the year		359,563	334,448
Balance as at 30 June		1,535,752	1,176,189
19.3 Provision for Government levies			
Balance as at 01 July		230	257
Accrual		350	-
Payment / adjustment during the year		(251)	(27)
Balance as at 30 June		329	230
19.4 Workers' Profit Participation Fund			
Balance as at 01 July		23,860	2,576
Interest on funds utilised in the Company's business	26	1,053	4,337
		24,913	6,913
Allocation for the year	27	248,556	393,915
		273,469	400,828
Payments made during the year		(251,274)	(376,968)
Balance as at 30 June		22,195	23,860

19.5 Advance from customers includes Rs. 0.17 million received from a related party by the Subsidiary Company (ISL) (2018: Rs. 0.18 million).

20. SHORT TERM BORROWINGS - secured

	Note	2019	2018
		-------- Rupees in '000 --------	
CONVENTIONAL			
Running finance under mark-up arrangement from banks	20.1	7,249,569	5,125,229
Short term borrowing under Money Market Scheme			
- maturing after 3 months		500,000	3,716,854
- maturing within 3 months		4,216,850	-
	20.2	4,716,850	3,716,854
Short term borrowing under Export Refinance Scheme	20.3	4,160,265	3,806,175
ISLAMIC			
Short term borrowing under running Musharakah	20.4	609,665	2,698,456
Short term finance under term Murabaha	20.5	2,880,000	-
Short term finance under term Musharakah	20.6	-	1,425,153
		19,616,349	16,771,867

20.1 The facilities for running finance available from various commercial banks amounted to Rs. 16,507 million (2018: Rs. 9,958 million). The rates of mark-up on these finances obtained by the Holding Company ranges from 11.44 % to 13.04% per annum (2018: 6.53% to 8.17% per annum). The rates of mark-up on these finances obtained by the Subsidiary Company ranges from 7.12% to 13.90% (2018:6.62% to 8.42%) per annum). Unavailed facility as at the year end amounted to Rs.8,959 million (2018: Rs.4,430 million)

20.2 The facilities for short term borrowing under Money Market Scheme financing available to the Holding Company from various commercial banks under mark-up arrangement amounted to Rs. 5,270 million (2018: Rs. 5,140 million). Unavailed facilities as at year-end amounted to Rs. 553.1 million (2018: Rs.1,423.1 million).The rate of mark-up on these finances range from 11.04% to 13.06 % per annum (2018: 6.43% to 7.02% per annum).

20.3 The Group has obtained short term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 4,160.2 million (2018: Rs. 3,855 million). The rates of mark-up on this facility range from 2.10% to 3.00% per annum (2018: 2.1% to 2.20% per annum).

20.4 The facilities for running musharikah available form various banks amounted to Rs.6,728 (2018: Rs.4,575 million). The rate of profit on these finances availed by the Holding Company is 13.10% per annum (2018: 6.63%) per annum and for facilities availed by the Subsidiary Company range from 7.12% to 13.10% (2018: 6.34% to 6.63%) per annum. Unavailed facilities as at year end amounted to Rs. 6,118 million (2018: Rs.3,082 million).

20.5 During the year, new loans have been obtained by the Holding Company & the Subsidiary Company from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 18 million equivalent to fixed amount of Rs.2,880 million for meeting working capital requirement. The tenor of the loan is six months i.e. from 26 June 2019 to 26 December 2019 for the Holding Company and from 20 June 2019 to 19 December 2019 for Subsidiary Company. The price of loan is six months KIBOR minus 0.28% for Holding Company and six month KIBOR minus 0.08% for Subsidiary Company. As per the terms of agreement, Standard Chartered Bank (Pakistan) has obtained forward cover on behalf of the Holding Company & Subsidiary Company to hedge foreign currency risk.

20.6 The Subsidiary Company has facilities for short term finance under Term Musharakah amounting to Rs. Nil (2018: 1,425 million). The rate of profit on these facilities range from 6.99% to 11.05% (2018: 6.09% to 6.47%) per annum. Unavailed facility as at the year end amounted to Rs. Nil (2018: Rs.1,425 million)

20.7 All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

	Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
	Holding Company and the Subsidiary Company (collectively referred as "Companies")			
21.1.1	The Gas Infrastructure Development Cess (GIDC) Act, 2011 was passed by the National Assembly on 25th November, 2011 as a Money Bill pursuant to Article 73 of the constitution of Pakistan 1973 for raising funds for development of infrastructure related to transnational gas pipelines and Liquefied Natural Gas (LNG) projects, which was challenged before the courts. The Act of 2011 was declared as ultra vires to the Constitution of Pakistan, 1973. The Federal Government filed an appeal in the Supreme Court of Pakistan which in its judgment dated 22.08.2014, held that since GIDC is a fee and not a 'Tax' and alternatively GIDC is also not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts it could not have been introduced through a money bill and the same was therefore not validly levied in accordance with the Constitution of Pakistan, 1973. On September 24, 2014, the government promulgated the GIDC Ordinance, 2014, however, this was also challenged in various courts of law. The government, with the approval of Parliament, in May, 2015 promulgated GIDC Act, 2015 after addressing the lacuna pointed out by the Honorable Supreme Court of Pakistan ('SCP') with specific reference to the laying of a bill under Article 70 of the Constitution of Pakistan 1973. Section 8 of the GIDC Act, 2015 provides validation of Cess levied, charged, collected or realized under the GIDC, Act, 2011 and GIDC Ordinance, 2014. By virtue of GIDC Act, 2015, all prior enactments have been declared infructuous and 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. Based on the recommendations of a special committee constituted by the senate , the GIDC Amendment Act, 2018 was approved by the Parliament in May, 2018. However the amendment was also challenged in various courts of Law by a specified sector. The Companies have obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Companies are confident of favourable outcome and therefore have not recorded, to the extent of self consumption, a provision of Rs. 475.9 million (from 01 July 2011 till 22 May 2015) in these consolidated financial statements. However, the Companies have made a provision of GIDC to the extent of their self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of aforementioned developments, the Companies on prudent basis, continue to recognise provision after the passage of the Act.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	01-Aug-2012

	Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
	Further, the Companies have not recognized GIDC amounting to Rs. 1,024.65 million (2018: Rs.917.97 million) pertaining to period from 01 July 2011 to 30 June 2019 with respect to their captive power plants from which excess power generation is supplied to K-Electric Limited. The Companies consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).			
21.1.2	The Holding Company filed a Suit before Honorable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Holding Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Holding Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The Court decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honorable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice. Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Subsidiary Company, also joined the proceedings subsequent to its incorporation. Bank guarantees amounting to Rs. 1,707 million (2018: Rs. 1,307 million) issued on behalf of the Companies which includes afore-mentioned bank guarantees of Rs. 115 million issued by the Holding Company are outstanding as at 30 June 2019. As a matter of prudence, the Companies are making provisions for the balance amount, which as at 30 June 2019 amounts to Rs. 1,535.8 million (2018: 1,176.2 million) as disclosed in note 19.1.	Sindh High Court	Secretary Excise & Taxation / Federation of Pakistan	28-Oct-2002

	Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
21.1.3	Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- per MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Companies have filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Companies have issued cheques amounting to Rs.524.3 million (2018: Rs. 428.5) in favour of Nazir of the court upto 30 September 2018. The Companies, on a prudent basis, have also accrued this amount in these consolidated financial statements. OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Companies have filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Companies are settling the bills at the revised rate.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19-Jan-2017
21.1.4	Sindh Revenue Board (SRB) issued notices to the Companies for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Companies filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Companies are trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Companies by declaring exemption on the basis that the Companies being a trans-provincial establishment are paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a seprate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement with a conflicting view.	Sindh High Court	SRB / Government of Sindh	09-Jun-2017
21.1.5	Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Companies amounted to Rs. 499.6 million (2018: Rs.340.74 million) as a security for supply of gas.			
21.1.6	Guarantee issued in favour of Pakistan State Oil Company Limited by banks on behalf of the Companies amounted to Rs. 112 million (2018: Rs.12 million) for supply of fuel and lubricants.			

Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
Holding Company			
21.1.7 Customs duties amounting to Rs. 40.5 million as at 30 June 2019 (2018: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.	Sindh High Court	Collector of Customs / Federation of Pakistan	2005
21.1.8 An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.	Sindh High Court	Collector of Customs / Federation of Pakistan	15-Jan-2010
21.1.9 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.	Sindh High Court	Collector of Customs / Federation of Pakistan	30-Aug-2007
21.1.10 The Company has filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay order against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which the Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court of Pakistan in which the Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing Application for release of pledged shares is in process. On a separate application challenging the chargeability of tax on inter corporate dividend, stay order is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	01-Nov-2016

21.1.11 The Company's share of contingent liabilities of its associated company is Rs. 66.9 million (2018: Rs. 40.3 million).

21.1.12 Guarantees issued in favour of Sui Nothern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 299.42 million (2018: Rs. 524.14 million) as performance security for goods to be supplied by the Company.

21.1.13 Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 97.36 million (2018: Rs. 53.74 Million) as performance security for goods to be supplied by the Company.

21.1.14 Standby letter of credit issued in favour of Sui Nothern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2018: Rs.59.57 million) as a security for supply of Regasified Liquified Natural Gas (RLNG).

21.1.15 Guarantees issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2018: Rs. 5.83 million) as a security for supply of electricity.

21.1.16 Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs. 2.00 million (2018: Rs.9.35 million) as performance security for goods to be supplied by the Company.

21.1.17 Guarantee issued in favour of Small Industries Development Board by bank on behalf of the Company amounted to Rs. Nil (2018: Rs. 24.57 million) as performance security for goods to be supplied by the Company.

21.1.18 Guarantee issued in favour of Mechanical Engineer Mansehra by bank on behalf of the Company amounted to Rs. Nil (2018: Rs.3.60 million) as performance security for goods to be supplied by the Company.

21.1.19 Guarantees issued in favour of Collector of Customs by bank on behalf of the Company for differential of duty on imported Hot Rolled Coils amounted to Rs. Nil (2018: Rs.259.86 million)

21.1.20 Guarantees issued in favour of Sui Nothern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs. 22.00 m (2018: Nil) as security for holding the bids (bid bond) submitted in tenders

21.1.21 Guarantees issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 0.81 m (2018: 6.52m) as security for holding the bids (bid bond) submitted in tenders

21.1.22 Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2018:Rs.0.83 million) as performance security for goods to be supplied by the Company.

Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
Subsidiary Company			
21.1.23 The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% sales tax a Constitutional Petition in the Sindh High Court (SHC) has been filed on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 were implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The Court granted a stay order by allowing Company's exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (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.	Sindh High Court	Model Collectorate of Customs, Peshawar	01-Oct-2015

21.1.24 Guarantees issued in favour of Wah Industries by bank on behalf of the Company amounted to Rs. 59.11 million (2018: Rs. 21.8 million)

21.1.25 Guarantees issued in favour of Collector of Custom by bank on behalf of the Company amounted to Rs. 4.39 million (2018: Rs. 4.61 million)

21.1.26 Guarantees issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 8.67 million (2018:Rs.8.67 million)

21.2 Commitments

Holding Company and the Subsidiary Company

21.2.1 Capital expenditure commitments outstanding as at 30 June 2019 amounted to Rs. 470 million (2018: Rs. 671 million).

21.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2019 amounted to Rs. 12,719 million (2018: Rs. 11,639 million).

21.2.3 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 19,258 million (2018: Rs. 14,657 million) and Rs. 1,846 million (2018: Rs. 553 million) respectively.

Holding Company

21.2.4 Commitments under purchase contracts as at 30 June 2019 amounted to Rs. 243.5 million (2018: Rs.190.5 million).

21.2.5 Posdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 3,107.93 million (2018:Rs. 2,093.93 million)

21.2.6 Posdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs. 14.3 million (2018:Rs. nil)

21.2.7 Posdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs. 166.83 million (2018: Rs. 166.83 million)

22. NET SALES

	2019	2018
	-------- Rupees in '000 --------	
Local	80,642,288	69,757,083
Export	8,452,443	8,883,272
	89,094,731	78,640,355
Sales tax	(11,912,710)	(10,134,297)
Trade discounts	(1,110,512)	(895,604)
Export commission	(684,065)	(607,487)
	(13,707,287)	(11,637,388)
	75,387,444	67,002,967

22.1 DISAGGREGATION OF REVENUE

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

Primary geographical markets:	2019	2018
	-------- Rupees in '000 --------	
Local	66,961,184	58,172,342
Asia	3,208,256	2,978,804
Europe	709,240	312,167
Australia	1,545,913	1,556,806
Africas	423,877	655,108
Americas	2,538,974	3,327,740
	75,387,444	67,002,967
Major Product Lines:		
Steel products	72,996,697	64,794,119
Polymer products	2,390,747	2,208,848
	75,387,444	67,002,967

23. COST OF SALES

	Note	2019	2018
		-------- Rupees in '000 --------	
Raw material consumed			
Opening stock of raw material		10,219,889	6,765,072
Purchases		62,055,988	55,043,952
		72,275,877	61,809,024
Closing stock of raw material	9	(6,948,424)	(10,219,889)
		65,327,453	51,589,135
Manufacturing overheads			
Salaries, wages and benefits	23.1	1,516,398	1,480,036
Rent, rates and taxes		2,025	3,650
Electricity, gas and water		1,740,599	1,373,671
Insurance		36,883	25,781
Security and janitorial		62,292	50,272
Depreciation and amortisation	5.2 & 6.1.2	1,394,753	1,121,161
Operational supplies and consumables		224,602	202,218
Repairs and maintenance		244,124	239,511
Postage, telephone and stationery		28,877	22,517
Vehicle, travel and conveyance		60,051	32,271
Internal material handling		73,948	69,489
Toll manufacturing expenses		-	12,937
Environment controlling expense		2,586	2,005
Sundries		24,621	44,504
Provision for obsolescence against spares		15,278	19,553
		5,427,037	4,699,576
		70,754,490	56,288,711
Work-in-process			
Opening stock		2,597,105	2,188,580
Closing stock	9	(3,458,783)	(2,597,105)
Cost of goods manufactured		(861,678)	(408,525)
		69,892,812	55,880,186
Finished goods by-products and scrap			
Opening stock		5,052,820	5,355,462
Closing stock	9	(8,645,530)	(5,052,820)
		(3,592,710)	302,642
		66,300,102	56,182,828

23.1 Salaries, wages and benefits include Rs. 75.95 million (2018: Rs. 75.41 million) in respect of staff retirement benefits

24. SELLING AND DISTRIBUTION EXPENSES

	Note	2019	2018
		-------- Rupees in '000 --------	
Freight and forwarding expense		1,008,659	1,026,655
Salaries, wages and benefits	24.1	276,192	265,159
Rent, rates and taxes		8,050	5,128
Electricity, gas and water		10,222	9,787
Insurance		10,793	10,185
Depreciation and amortisation	5.2 & 6.1.2	23,157	20,040
Repairs and maintenance		979	864
Advertising and sales promotion		197,562	186,023
Postage, telephone and stationery		10,951	10,099
Office supplies		135	476
Vehicle, travel and conveyance		52,881	43,946
Trade Debts written off		994	-
Certification and registration charges		3,982	1,966
Others		23,906	21,608
		1,628,463	1,601,936

24.1 Salaries, wages and benefits include Rs. 17.29 million (2018: Rs. 14.35 million) in respect of staff retirement benefits.

25. ADMINISTRATIVE EXPENSES

	Note	2019	2018
		-------- Rupees in '000 --------	
Salaries, wages and benefits	25.1	371,943	418,272
Rent, rates and taxes		5,771	5,829
Electricity, gas and water		4,799	4,413
Insurance		4,139	3,900
Depreciation and amortisation	5.2 & 6.1.2	23,044	22,136
Repairs and maintenance		1,646	2,231
Postage, telephone and stationery		16,794	20,948
Office supplies		590	275
Vehicle, travel and conveyance		23,253	16,866
Legal and professional charges		101,746	58,987
Certification and registration charges		9,959	10,257
Others		41,420	32,460
		605,104	596,574

25.1 Salaries, wages and benefits include Rs. 25.22 million (2018: Rs. 22.13 million) in respect of staff retirement benefits.

26. FINANCE COST

	Note	2019	2018
		-------- Rupees in '000 --------	
Mark-up on:			
- long term financing		220,291	178,372
- short term borrowings		1,322,209	507,733
- running musharakah		190,356	64,521
- term musharakah		102,652	43,878
- diminishing musharakah		340,490	154,614
- term murhabaha		8,628	-
Exchange loss and others		-	3,074
Interest on Workers' Profit Participation Fund	19.4	1,053	4,337
Bank charges		27,971	24,395
		2,213,650	980,924

27. OTHER OPERATING CHARGES

	Note	2019	2018
		-------- Rupees in '000 --------	
Auditors' remuneration	27.1	5,917	5,119
Donations	27.2	62,722	93,910
Exchange loss - net		225,227	158,225
Workers' Profit Participation Fund	19.4	248,556	393,915
Workers' Welfare Fund		82,485	157,566
Business development expenses		7,258	25,397
		632,165	834,132

27.1 Auditors' remuneration

	2019	2018
Audit fee	3,254	3,086
Half yearly review	909	867
Out of pocket expenses	293	276
	4,456	4,229
Non-audit services		
Certifications for regulatory purposes	1,461	890
	5,917	5,119

27.1.1 These amounts are inclusive of sales tax.

27.2 Donations

27.2.1 Donations to the following organization exceed 10 % of total donations by the Group or Rs. 1 miliion which ever is higher.

	2019	2018
	-------- Rupees in '000 --------	
SINA Health, Education and Welfare Trust (IIL Clinic)	12,000	11,500
The Citizen Foundation (IIL Campus)	15,100	14,600
Amir Sultan Chinoy Foundation	8,320	9,500
Sindh Institute of Urology and Transplantation (SIUT)	10,000	6,000
	45,420	41,600

27.3 None of the other donations were made to any donee in which a director or his spouse had any interest at any time during the year. Mr. Riaz T. Chinoy's interest in The Citizen Foundation is limited to the extent of his involvement as a director.

28. OTHER INCOME

	Note	2019	2018
		-------- Rupees in '000 --------	
Income / return on financial assets			
Income on bank deposits - conventional		10,483	3,989
Exchange gain		472,531	161,720
Income from non-financial assets			
Income from power generation	28.1	8,656	36,081
Rental income		1,948	1,975
Gain on disposal of property, plant and equipment		79,516	81,021
Others		44,554	53,166
		617,688	337,952

28.1 Income from power generation

	Notes	2019	2018
		-------- Rupees in '000 --------	
Net sales		509,222	514,894
Cost of electricity produced:			
Salaries, wages and benefits	28.1.1	(27,354)	(27,716)
Electricity, gas and water		(1,097,115)	(895,233)
Depreciation	5.2	(106,147)	(88,095)
Stores and spares consumed		(28,278)	(23,507)
Repairs and maintenance		(52,156)	(35,810)
Sundries		(4,167)	(1,661)
		(1,315,217)	(1,072,022)
Self consumption		814,651	593,209
Income from power generation		8,656	36,081

28.1.1 Salaries, wages and benefits include Rs. 1.37 million (2018: Rs. 1.67 million) in respect of staff retirement benefits.

28.1.2 The Holding Company has 4MW electricity power generation facility at its premises and power generated in excess of its requirements was supplied to K-Electric Limited under an agreement. The agreement is valid for period up to 3 years commencing from 18 April 2017 and ending on 17 April, 2020

28.1.3 The Subsidiary Company (ISL) has 18MW electricity power generation facilities at its premises and power generated in excess of its requirements was supplied to K-Electric Limited under an agreement. The agreement is valid for period upto 20 years commnecing from 31st August 2007 and ending on 30 August, 2027

29. TAXATION

	2019	2018
	-------- Rupees in '000 --------	
Current		
- for the year	906,195	1,482,154
- for prior years	-	179,750
	906,195	1,661,904
- for the year related to share of profit in equity accounted investee	5,341	6,709
	911,536	1,668,613
Deferred	469,508	260,367
	1,381,044	1,928,980

29.1 Relationship between income tax expense and accounting profit

	2019	2018	2019	2018
	Effective tax rate (%)		------ Rupees in '000 ------	
Profit before taxation			4,669,936	7,197,386
Tax at the enacted rate applicable in Pakistan	29.00	30.00	1,354,281	2,159,216
Tax effect of :				
Income subject to final tax regime	(4.83)	(2.40)	(225,710)	(172,785)
Minimum tax	5.37	0.60	250,777	43,170
Tax credits	(5.65)	(4.54)	(264,008)	(326,736)
Super tax	1.69	2.88	79,090	207,113
Permanent differences	0.40	0.44	18,893	31,532
Prior year	-	2.50	-	179,750
Change in tax rate on opening deferred tax	(0.74)	0.18	(34,683)	12,763
Adjustments on account of change in rates & proportionate etc,	4.33	(3.73)	202,426	(268,311)
Others	(0.19)	0.11	(8,924)	7,939
Consolidation adjustments	0.19	0.77	8,902	55,329
	29.57	26.81	1,381,044	1,928,980

29.2 The provision for current year tax represents tax on taxable income at the rate of 29% (2018: 30%) per annum for Pakistan based Group entities. The rate of tax imposed on the taxable income of a Pakistani company for the tax year 2019 and onwards is 29%. Tax on taxable income of wholly owned foreign subsidiary have been accounted for at rates applicable according to the tax laws of Australia. The Group 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.

29.3 Under section 5A of Income Tax Ordinance, 2001 [as amended vide Finance Supplemnetary (Second Amendment) Act, 2019], for tax years 2017 to 2019, a tax shall be imposed at the rate of 5% of the accounting profit before tax on the every Pakistani 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 of Pakistan based Group Entities in their meetings held on 19 and 21 August 2019 have recommended sufficient cash dividend for the year ended 30 June 2019 for the consideration and approval of the shareholders of the Group 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 consolidated financial statements for the year ended 30 June 2019.

30. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2019	2018
		-------- Rupees in '000 --------	
Profit after taxation for the year		2,189,614	3,447,458
		(Number)	
Weighted average number of ordinary shares in issue during the year	15	119,892,619	119,892,619
		(Rupees)	
Earnings per share		18.26	28.75

30.1 There is no dilutive impact on Earnings per share

31. CHANGES IN WORKING CAPITAL

	2019	2018
	-------- Rupees in '000 --------	
Decrease / (increase) in current assets:		
Stores and spares	(250,484)	4,228
Stock-in-trade	(2,421,461)	(5,677,689)
Trade debts	(830,924)	(145,336)
Advances, trade deposit and short term prepayments	965,400	(989,106)
Receivable from K-Electric Limited	(16,493)	8,461
Other receivables	(6,481)	(4,157)
Sale tax receivables	(593,833)	(593,816)
	(3,154,276)	(7,397,415)
(Decrease) / increase in current liabilities:		
Trade and other payables	1,764,746	(1,283,493)
Contract liabilities	351,490	574,013
	(1,038,040)	(8,106,895)

32. STAFF RETIREMENT BENEFITS

32.1 Defined Contribution Plan

32.1.1 Employees Provident Funds

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.

32.2 Defined Benefit Schemes Employees Gratuity Funds

The actuarial valuation of gratuity funds was carried out at 30 June 2019 under projected unit credit method using the following significant assumptions:

	2019	2018
a) Financial assumptions		
Holding Company	(% per annum)	
Rate of discount	14.25 %	9.00%
Salary increase rate - First year	10.85 %	8.00%
Salary increase rate - Long term	12.25 %	8.00%
Subsidiary Company		
Rate of discount	14.25 %	10.00%
Expected rate of salary increase	13.25 %	9.00%
b) Demographic assumptions		
Holding Company		
Mortality rate	SLIC 2001-05-1	SLIC 2001-05-1
Rates of employee turnover	Heavy	Heavy
Retirement assumption	Age 60 years	Age 60 years
Subsidiary Company		
Mortality rate	SLIC 2001-05-1	SLIC 2001-05-1
Rates of employee turnover	Moderate	Moderate
Retirement assumption	Age 60 years	Age 60 years

c) The amount recognised in the consolidated statement of financial position is as follows:

	2019	2018
	-------- Rupees in '000 --------	
Present value of defined benefit obligation - beginning of the year	705,547	688,409
Fair value of plan assets	(587,138)	(542,156)
Liability as at 30 June	118,409	146,253
Movement in the net defined liability / (asset)		
Opening balance	146,253	108,699
Re-measurements recognized in other comprehensive income during the year	541	70,564
Expense chargeable to profit & loss account	66,681	52,892
Contribution paid during the year	(95,066)	(85,902)
Closing balance	118,409	146,253

d) **Defined Benefits Cost for the period**

	2019	2018
Cost recognised in P&L for the period		
Service cost		
- Current service cost	55,240	46,281
- Interest cost on defined benefits obligation	61,288	45,504
- Interest income on plan assets	(49,847)	(38,893)
	11,441	6,611
Cost recognised in P&L for the period	66,681	52,892
Re-measurements recognised in OCI during the period		
Actuarial (gain) / loss on obligation	(59,280)	43,037
Actuarial (gain) / loss on plan assets	59,821	27,527
Total re-measurements recognised in OCI	541	70,564
Total defined benefit cost recognised in P&L and OCI	67,222	123,456

e) **Movement in the present value of defined benefit obligation**

	2019	2018
Present value of defined benefit obligation - beginning of the year	688,409	582,246
Current service cost	55,240	46,281
Interest cost	61,288	45,504
Re-measurement : Actuarial losses/ (gain) on obligation	(15,626)	43,037
Benefits paid	(83,764)	(28,659)
Present value of defined benefit obligation - closing date	705,547	688,409

f) **Movement in the fair value of plan assets**

	2019	2018
Fair value of plan assets at beginning of the period	542,156	473,547
Interest income on plan assets	49,847	38,893
Re-measurement : acturial gain / loss on plan assets	(59,821)	(27,527)
Actual benefits paid / payable from the Fund	(40,111)	(28,659)
Actual contribution by the employer to the Fund	95,067	85,902
Fair value of plan assets at the end of period	587,138	542,156

g) **Disaggregation of fair value of plan assets**

	2019	2018
	------ Rupees in '000 ------	
Cash and cash equivalents (after adjusting current liabilities)	37,971	21,302
Equity instruments	154,387	155,054
Debt instruments:		
Pakistan Investment Bonds	146,627	241,773
National Saving Bonds	216,390	81,057
Defence Saving Certificates	31,763	42,970
	587,138	542,156

h) **Remeasurements recognised in Other Comprehensive Expense/(Income) for the period**

	2019	2018
Re-measurements : Actuarial (gain) / loss on obligation		
i) (Gain) / Loss due to change in financial assumptions	(19,938)	3,697
ii) (Gain) / Loss due to change in experience adjustments	(39,342)	39,340
Total actuarial (gain) / loss on obligation	(59,280)	43,037
Re-measurements: Actuarial (gain) / loss on plan assets		
i) Actual return on plan assets	(5,400)	17,517
ii) Interest income on plan assets	57,082	35,528
iii) Opening difference	2,661	(9,516)
Total actuarial (gain) / loss on plan assets = (ii) - (i) - (iii)	59,821	27,527
	541	70,564

i) **Maturity profile of the defined benefit obligation**

	2019	2018
	----------- Years -----------	
Weighted average duration of the DBO		
Holding Company	5.97	6.72
Subsidiary Company	11.00	10.00

Distribution of timing of benefit payments (time in the periods)

	2019			2018		
	Holding Company	Subsidiary Company	Total	Holding Company	Subsidiary Company	Total
	(Rupees in '000)					
1	55,864	9,853	65,717	60,012	8,071	68,083
2	59,460	12,395	71,855	56,789	8,712	65,501
3	79,436	12,314	91,750	57,206	10,640	67,846
4	110,438	14,327	124,765	71,295	9,885	81,180
5	91,250	17,137	108,387	97,543	12,858	110,401
5-10	643,631	137,187	780,818	515,734	107,093	622,827

j) Sensitivity Analysis Of Significant Actuarial Assumptions On Present Value Of DBO

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the present value of DBO by the amounts shown below:

	2019			2018		
	Holding Company	Subsidiary Company	Total	Holding Company	Subsidiary Company	Total
	(Rupees in '000)					
Discount rate + 1%	524,948	133,914	658,862	528,246	112,512	640,758
Discount rate - 1%	591,001	167,787	758,788	602,215	140,745	742,960
Long Term Salary increase + 1%	588,710	168,074	756,784	604,996	140,989	745,985
Long Term Salary increase - 1%	526,503	133,406	659,909	525,186	112,079	637,265

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

33. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	Chief Executives		Directors		Executives	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Managerial Remuneration	63,478	55,612	36,616	67,403	307,288	325,648
Bonus	25,159	21,899	3,000	4,628	-	53,744
Variable performance pay	-	14,774	-	-	97,925	103,705
Retirement benefits	6,418	5,510	1,124	933	26,232	23,076
Rent, utilities etc	32,518	28,202	18,307	4,591	156,823	166,952
Directors' fee	-	-	12,445	10,350	-	-
	127,573	125,997	71,492	87,905	588,268	673,125
Number of persons	2	2	11	10	89	87

33.1 In addition to the above, the Chief Executives, directors and certain executives are provided with free use of Company maintained vehicles & Chief Executive of Holding Company is provided with security guards in accordance with the respective policies.

33.2 Reimbursement of Holding Company's chairman expense was Rs. 7.2 million (2018: Rs. 6.0 million).

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a) Financial risk management

The Boards of respective group entities have overall responsibility for the establishment and oversight of the risk management framework for the respective group entity. Each group entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

b) Risk management framework

The Boards of respective group entities meet frequently throughout the year for developing and monitoring the risk management of the respective group entity.The risk management policies are established for each group entity to identify and analyse the risks faced by the respective entity, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the resepctive group entity's activities. Each group entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

34.1 Credit risk

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

a) Exposure to credit risk

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

	2019	2018
	Rupees in '000	
- Long term deposit	3,619	63,094
- Trade debts - net of provision	3,521,626	2,700,318
- Trade deposits	18,969	24,357
- Other receivable	17,771	11,290
- Receivable from K-Electric Limited	69,121	52,628
- Bank balances	759,543	473,661
	4,390,649	3,325,348

The group entities do not take into consideration the value of collateral while testing financial assets for impairment. The group entities consider the credit worthiness of counter parties as part of their risk management.

b) *Long term deposits*

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. No credit exposure is foreseen there against as the amounts are paid to counter parties as per the agreement and are refundable on termination of agreement with respective counterparties.

c) *Trade debts- net of provision*

The exposure to credit risk of each group entity arising from trade debtors is mainly influenced by the individual characteristics of each customer. None of the group entity has major concentration of credit risk with any single customer. The majority of the customers of respective group entity have been transacting with them for several years. The Holding Company has computed allowance for impairment on the basis of expected loss model estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

d) *Trade* deposits

These represent deposits placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss there against.

e) Other Receivable & Receivable from K-Electric Limited

This represents receivable from KE on account of electricity provided to it from the 4 MW and 18 MW plant located at factory sites of the Holding Company and Subsidiary Company respectively under an agreement. The Group does not expect to incur credit loss there against.

Analysis of amounts receivable from KE and from local and foreign trade debtors are as follows:

	2019	2018
	-------- Rupees in '000 --------	
Domestic	2,129,446	1,411,310
Export	1,619,568	1,494,285
	3,749,014	2,905,595

The majority of export debtors of the Group are situated in Americas, Australia & Asia.

f) Impairment losses

The aging of trade debtors and amounts receivable from K-Electric Limited at the reporting date was as follows:

	2019		2018	
	Gross	Impairment	Gross	Impairment
	------------------------- (Rupees in '000) -------------------------			
0-30 Days	3,221,231	18,339	2,597,300	19,954
31-60 Days	248,167	2,851	85,417	1,688
61-90 Days	50,528	992	20,976	1,109
91-120 Days	14,599	426	33,164	339
121-150 Days	19,475	598	11,304	651
151-180 Days	8,991	430	9,848	549
181-210 Days	31,839	2,483	10,769	530
211-240 Days	18,691	1,986	7,009	316
241-270 Days	3,085	400	874	194
271-300 Days	3,124	1,250	(113)	-
301-330 Days	962	539	3,491	1,763
331-360 Days	1,067	718	1,132	1,132
Over 1 year	127,255	127,255	124,424	124,424
Total	3,749,014	158,267	2,905,595	152,649

Based on an assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances. Movement in provision has been stated elsewhere in these consolidated financial statements.

g) *Balances with bank*

The group entities places their surplus funds with banks carrying good credit standing assessed by reputable credit agencies. Funds as at 30 June 2019 are placed with banks having credit ratings as follows:

	Rating Agency	Short term	Long term
Habib Bank Limited	VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
Faysal Bank Limited	PACRA / VIS	A-1+	AA
Bank AL Habib Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
Bank Al Falah Limited	PACRA / VIS	A-1+	AA+
Allied Bank Limited	PACRA	A-1+	AA+
Askari Bank Limited	PACRA	A-1+	AA+
Samba Bank Limited	VIS	A-1	AA
Soneri Bank Limited	PACRA	A-1+	AA-
Dubai Islamic Bank Limited	VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
MCB Islamic Bank Limited	PACRA	A1	AAA
Industrial & Commercial Bank of China	S&P	-	A
Industrial & Commercial Bank of China	Moody's	-	A-1
Commonwealth Bank of Australia	Fitch	F1+	AA-

h) *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 a group entities' performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

34.2 Liquidity risk

Liquidity risk is the risk that a group entity 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 group entity could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The approach of group entities to managing liquidity is to ensure, as far as possible, that they 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 entity's or group's reputation. The group entities ensure that they have sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	2019						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	9,270,171	-	(12,071,436)	(1,011,528)	(1,059,852)	(8,428,826)	(1,571,231)
Trade and other payables	6,606,105	-	(6,606,105)	(6,606,105)	-	-	-
Accrued mark-up	448,173	-	(448,173)	(448,173)	-	-	-
Short-term borrowings	19,616,349	(19,616,349)	-	-	-	-	-
Contract liability	1,494,346	(1,494,346)	-	-	-	-	-
Unpaid dividend	6,642	(6,642)	-	-	-	-	-
Unclaimed dividend	43,049	(43,049)	-	-	-	-	-
	37,484,835	(21,160,386)	(19,125,714)	(8,065,806)	(1,059,852)	(8,428,826)	(1,571,231)

	2018						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	10,119,413	-	(11,395,739)	(920,590)	(936,954)	(7,807,501)	(1,730,694)
Trade and other payables	5,186,487	-	(5,186,487)	(5,186,487)	-	-	-
Accrued mark-up	235,161	-	(235,161)	(235,161)	-	-	-
Short-term borrowings	16,771,867	(16,771,867)	-	-	-	-	-
Contract liability	1,136,378	(1,136,378)	-	-	-	-	-
Unpaid dividend	23,758	(23,758)	-	-	-	-	-
Unclaimed dividend	26,771	(26,771)	-	-	-	-	-
	33,499,835	(17,958,774)	(16,817,387)	(6,342,238)	(936,954)	(7,807,501)	(1,730,694)

34.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in notes 17.1 and 20 to these consolidated financial statements.

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

34.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect a group entity'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. Group entities are exposed to currency risk and interest rate risk only.

34.3.1 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.

a) Exposure to currency risk

The Group entities are exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accrued mark-up that are denominated in a currency other than the functional currency of the Holding Company. The aggregate exposure of group entities to foreign currency risk is as follows:

	2019			2018		
	Rupees	US Dollars	AUD	Rupees	US Dollars	AUD
	(In '000)					
Financial assets						
Bank Balance	702,946	4,316	922	464,313	2,901	1,249
Trade debts	1,618,954	11,917	2,436	1,028,447	4,630	5,198
Financial liabilities						
Trade and other payables	(3,317,176)	(9,194)	(53)	(3,938,871)	(32,333)	(67)
Net exposure	(995,276)	7,039	3,305	(2,446,111)	(24,802)	6,380

The following significant exchange rates were applicable during the year:

	Rate as at reporting date	
	2019	2018
	Buying/Selling	Buying/Selling
US Dollars to PKR	162.87 / 163.24	121.45 / 121.63
Australian Dollars to PKR	114.20 / 114.47	89.68 / 89.81

b) Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased equity / profit and loss after tax as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for both the years by applying the corporate tax rates enacted in Pakistan on Consolidated amounts

	Effect on profit and loss	
	2019	2018
	Rupees in '000	
As at 30 June		
Effect - US Dollars	75,475	(208,156)
Effect - Australian Dollars	24,917	39,536

34.3.2 Interest rate risk

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

At the reporting date the interest rate profile of the group entity's interest-bearing financial instrument is:

	Carrying amount	
	2019	2018
	Rupees in '000	
Fixed rate instruments		
Financial liabilities	(5,578,506)	(5,589,865)
Variable rate instruments		
Financial liabilities	(23,308,014)	(21,301,415)

a) **Fair value sensitivity analysis for fixed rate instruments**

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

b) **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss account by Rs.200 million (2018: Rs. 117 million) with corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for both the years by applying corporate tax rates enacted in Pakistan on consolidated amounts

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

	2019				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July	11,540,539	5,346,081	10,239,821	6,170,136	33,296,577
Changes from financing cash flows					
Repayment of long term loan	-	-	(1,473,795)	-	(1,473,795)
Proceeds from long term loan	-	-	624,553	-	624,553
Dividend paid	-	-	-	(1,934,622)	(1,934,622)
Total changes from financing activities	-	-	(849,242)	(1,934,622)	(2,783,864)
Other changes - interest cost					
Interest expense	-	1,652,869	560,781	-	2,213,650
Interest paid	-	(1,513,968)	(486,670)	-	(2,000,638)
Changes in short term borrowings	535,545	2,308,937	-	-	2,844,482
Total equity related other changes	535,545	2,447,838	74,111	-	3,057,494
Total equity related other changes	-	-	-	3,108,258	3,108,258
Balance as at 30 June	12,076,084	7,793,919	9,464,690	7,343,772	36,678,465

	2018				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July	2,958,103	8,066,695	6,151,955	3,196,534	20,373,287
Changes from financing cash flows					
Repayment of long term loan	-	-	(1,258,092)	-	(1,258,092)
Proceeds from long term loan	-	-	5,271,106	-	5,271,106
Dividend paid	-	-	-	(1,443,024)	(1,443,024)
Total changes from financing activities	-	-	4,013,014	(1,443,024)	2,569,990
Other changes - interest cost					
Interest expense	-	647,938	332,986	-	980,924
Interest paid	-	(619,340)	(258,134)	-	(877,474)
Captialized borrowing cost		-	-	-	-
Changes in short term borrowings	8,582,436	(2,749,212)	-	-	5,833,224
Total equity related other changes	8,582,436	(2,720,614)	74,852	-	5,936,674
Total equity related other changes	-	-	-	4,416,626	4,416,626
Balance as at 30 June	11,540,539	5,346,081	10,239,821	6,170,136	33,296,577

34.4.1 During the year, Rs. 238.2 million (2018: Rs. 82.6 million) has been capitalized as borrowing cost as diclosed in note 5.1.1 to these consolidated financial statements and the related amount is not yet due for payment.

34.5 Other price risks

At present the group entities is not exposed to any other price risks.

34.6 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the balance sheet approximate their fair values.

34.7 Financial instruments by categories

	Note	2019	2018
		-------- Rupees in '000 --------	
Financial assets			
Loans and receivables			
- Long term deposit		3,619	63,094
- Trade debts - net of provision	10.	3,521,626	2,700,318
- Trade deposits		18,969	24,357
- Receivable from K-Electric Limited		69,121	52,628
- Other receivable	12	17,771	11,290
- Bank balances	14	759,543	473,661
		4,390,649	3,325,348
Financial liabilities			
Financial liabilities at amortized cost			
- Long term financing	17	9,270,171	10,119,413
- Trade and other payables	19	6,606,105	5,186,487
- Accrued mark-up		448,173	235,161
- Short-term borrowings	20	19,616,349	16,771,867
- Contract liabilities		1,494,346	1,136,378
- Unpaid dividend		6,642	23,758
- Unclaimed dividend		43,049	26,771
		37,484,835	33,499,835

34.8 None of the financial assets and liabilities are offset in the consolidated statement of financial position.

35. CAPITAL MANAGEMENT

The objective of group entities when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The group entities manage respective capital structure by monitoring return on net assets and making adjustments to it in the light of changes in economic conditions.

36. MEASUREMENT OF FAIR VALUES

A number of the accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

An independent external expert / valuer is engaged with sufficient regularity to carry out valuation of group entities non-financial assets (i.e. Land and Building) and rates are obatined from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by managements of the group entities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, an enity 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 consolidated financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

	30 June 2019					
	Carrying amount			Fair Value		
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)					
Financial assets not measured at fair value						
Long term deposits	3,619	-	3,619	-	-	-
Trade debts - net of provision	3,521,626	-	3,521,626	-	-	-
Trade deposits	18,969	-	18,969	-	-	-
Receivable from K-Electric Limited	69,121	-	69,121	-	-	-
Other receivables	17,771	-	17,771	-	-	-
Cash and bank balances	759,543	-	759,543	-	-	-
Total	4,390,649	-	4,390,649	-	-	-
Financial liabilities not measured at fair value						
- Long term financing	-	9,270,171	9,270,171	-	-	-
- Trade and other payables	-	6,606,105	6,606,105	-	-	-
- Accrued mark-up	-	448,173	448,173	-	-	-
- Short term borrowings	-	19,616,349	19,616,349	-	-	-
- Contract Liabilities	-	1,494,346	1,494,346	-	-	-
- Unpaid dividend	-	6,642	6,642	-	-	-
- Unclaimed dividend	-	43,049	43,049	-	-	-
Total	-	37,484,835	37,484,835	-	-	-

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

	30 June 2018					
	Carrying amount			Fair Value		
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)					
Financial assets not measured at fair value						
Long term deposits	63,094	-	63,094			-
Trade debts - net of provision	2,700,318	-	2,700,318			-
Trade deposits	24,357	-	24,357			-
Receivable from K-Electric Limited	52,628	-	52,628			-
Other receivables	11,290	-	11,290			-
Cash and bank balances	473,661	-	473,661			-
Total	3,325,348	-	3,325,348	-	-	-
Financial liabilities not measured at fair value						
- Long term financing	-	10,119,413	10,119,413			-
- Trade and other payables	-	5,186,487	5,186,487			-
- Accrued mark-up	-	235,161	235,161			-
- Short term borrowings	-	16,771,867	16,771,867			-
- Contract Liabilities	-	1,136,378	1,136,378			-
- Unpaid dividend	-	23,758	23,758			-
- Unclaimed dividend	-	26,771	26,771			-
Total	-	33,499,835	33,499,835	-	-	-

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

Assets measured at fair value	Dates of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment			
- Land and Building	30 June 2016	The valuation model is based on price per unit of area for land and price per unit of constructed area and current replacement cost method adjusted for depreciationfactor for existing asset in use.	The fair value are subject to change owing to changes in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.
	30 June 2019	In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, 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.	

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables,accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair value of investment in equity accounted investee is disclosed in note 7.2 to these financial statements.

37. ANNUAL PRODUCTION CAPACITY

	2019	2018
	(Metric tones)	
Actual production capacity at the year end was as follows:		
Holding company		
Steel pipe	585,000	515,000
GI pipe	150,000	150,000
Cold rolled steel strip	50,000	50,000
Polymer pipes & fittings	30,000	25,000
Stainless steel - pipe	2,400	1,200
Subsidiary company - International Steels Limited		
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:		
Holding company		
Steel pipe	192,936	241,268
GI pipe	75,454	82,683
Polymer pipes & fittings	10,071	11,089
Stainless steel - pipe	771	673
Subsidiary company - International Steels Limited		
Galvanising	330,350	330,259
Cold rolled steel strip	584,408	470,841
Colour coated	15,789	19,846

Actual production during the year was sufficient to meet the market demand.

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

38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the group entities , key management employees and staff retirement funds. The group entities continue to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contribution to Provident Fund of the group entities, wherever applicable, are made as per the terms of employment and contribution to the group entities defined benefit plan (Gratuity Fund), wherever applicable are in accordance with actuarial advice. Remuneration of key management personnel are in accordance with their terms of employment and policy of respective group entities.

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements, are as follows:

	2019	2018
	-------- Rupees in '000 --------	
Associated companies		
Sales	472,890	1,177,238
Purchases	35,808,119	27,272,666
Insurance premium expense	3,469	3,288
Insurance claim	6,247	-
Rent income	1,948	1,942
Right shares at premium	-	194,959
Dividend paid	182,833	100,998
Dividend received	30,463	17,037
Registration and training	3,380	3,891
Services	57,784	49,019
Reimbursement of expenses	5,092	481
Donation	5,100	-
Key management personnel		
Remuneration	539,887	517,688
Non executive directors		
Directors' fee	11,775	10,350
Reimbursement of Chairman's expenses	7,200	6,000
Staff retirement funds		
Contributions paid	148,358	151,365

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

Name of the Related Party	Relationship and percentage of Shareholding
IIL Australia Pty Limited	Wholly owned Subsidiary Company
Pakistan Cables Limited	Associated Company holds 17.124% (2018:17.124%)
Jubilee Life Insurance Company Limited	Associated Company by nature of common directorship
Pakistan Institute of Corporate Governance	Associated Company by nature of common directorship
Sumitomo Corporation	Associated Company holds 9% (2018:9%)
Intermark (Private) Limited	Associated Company due to significant influence.
Jubilee General Insurance Company Limited	Associated Company by nature of common directorship
KSB Pumps Limited	Associated Company by nature of common directorship
Cherat Cement Company Limited	Associated Company by nature of common directorship
Bulleh Shah Packaging (Pvt) Ltd	Associated Company by nature of common directorship
The Pakistan Business Council	Associated Company by nature of common directorship
The Citizens Foundation	Associated Company by nature of common directorship
Newbury Café	Associated Company by nature of common directorship

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

39. SEGMENT REPORTING

Performance is measured based on respective segment results. Information regarding the reportable segments specified in note 4.16 is presented below.

39.1 **Segment revenue and results**

	2019				
	Steel coils & sheets segment	**Steel pipes segment**	**Polymer segment**	**Investment segment**	**Total**
	------------ (Rupees in '000) ------------				
For the year ended 30 June 2019					
Sales	46,955,070	26,041,627	2,390,747	-	75,387,444
Cost of sales	(41,455,520)	(22,673,840)	(2,170,742)	-	(66,300,102)
Gross profit	5,499,550	3,367,787	220,005	-	9,087,342
Selling and distribution expenses	(673,840)	(862,947)	(91,676)	-	(1,628,463)
Administrative expenses	(284,404)	(302,082)	(18,618)	-	(605,104)
Impairment loss on trade debts	-	(4,713)	(905)		(5,618)
	(958,244)	(1,169,742)	(111,199)	-	(2,239,185)
Finance cost	(1,289,315)	(834,927)	(89,408)	-	(2,213,650)
Other operating charges	(533,801)	(96,609)	(1,755)	-	(632,165)
	(1,823,116)	(931,536)	(91,163)	-	(2,845,815)
Other income	27,241	590,447	-	-	617,688
Share of profit in equity accounted investee	-	-	-	49,906	49,906
Profit before taxation	2,745,431	1,856,956	17,643	49,906	4,669,936
Taxation					(1,381,044)
Profit after taxation					3,288,892

	2018				
	Steel coils & sheets segment	Steel pipes segment	Polymer segment	Investment segment	Total
	(Rupees in '000)				
For the year ended 30 June 2018					
Sales	39,653,410	25,140,709	2,208,848	-	67,002,967
Cost of sales	(33,347,380)	(20,842,494)	(1,992,954)	-	(56,182,828)
Gross profit	6,306,030	4,298,215	215,894	-	10,820,139
Selling and distribution expenses	(426,216)	(1,045,063)	(130,657)	-	(1,601,936)
Administrative expenses	(285,397)	(284,096)	(27,081)	-	(596,574)
Impairment reversal on trade debts	-	10,930	-	-	10,930
	(711,613)	(1,318,229)	(157,738)	-	(2,187,580)
Finance cost	(539,116)	(400,764)	(41,044)	-	(980,924)
Other operating charges	(661,595)	(171,432)	(1,105)	-	(834,132)
	(1,200,711)	(572,196)	(42,149)	-	(1,815,056)
Other income	93,036	244,916	-	-	337,952
Share of profit in equity accounted investee	-	-	-	41,931	41,931
Profit before taxation	4,486,742	2,652,706	16,007	41,931	7,197,386
Taxation					(1,928,980)
Profit after taxation					5,268,406

39.2 Segment assets and liabilities

	Steel coils & sheets segment	Steel pipes segment	Polymer segment	Investment segment	Total
	(Rupees in '000)				
As at 30 June 2019					
Segment assets	**35,124,694**	**18,725,225**	**2,139,907**	**1,014,685**	**57,004,511**
Segment liabilities	**24,604,478**	**11,699,298**	**1,226,029**	**-**	**37,529,805**
As at 30 June 2018					
Segment assets	32,802,945	14,495,749	2,255,417	1,004,132	50,558,243
Segment liabilities	22,343,525	9,753,426	1,182,477	-	33,279,428

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance Sheet is as follows:

	2019	2018
	Rupees in '000	
Total for reportable segments assets	**57,004,511**	50,558,243
Unallocated assets	**5,683,702**	4,942,597
Total assets as per balance sheet	**62,688,213**	55,500,840
Total for reportable segments liabilities	**37,529,805**	33,279,428
Unallocated liabilities	**4,532,799**	3,856,986
Total liabilities as per balance sheet	**42,062,604**	37,136,414

39.3 Segment revenues reported above are revenues generated from external customers.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 1,112 million (2018: Rs. 2,717 million), where as in the Steel segment was Rs. Nil (2018: 1,157 million) whose revenue accounts for more than 10% of segment's revenue.

39.6 Geographical information

The consolidated net revenue is from external customers by geographical location is disclosed in note 22.1

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

39.8 As at 30 June 2019, all consolidated non current assets are located in Pakistan with an exception of assets of wholly owned foreign subsidiary which are not material for the consolidated financial statements and therefore have not been disclosed.

40. INTERESTS IN OTHER ENTITIES

40.1 Non-controlling interests

Set out below is summarised financial information of Subsidiary Company (ISL) which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	2019	2018
	Rupees in '000	
NCI Percentage (%)	**43.67%**	43.67%
Non-current assets	**19,865,138**	18,265,275
Current assets	**19,896,904**	17,327,314
Non-current liabilities	**8,597,759**	8,476,513
Current Liabilities	**18,286,013**	15,291,068
Net assets attributable to non-controlling interests	**5,623,348**	5,163,437
Revenue	**57,484,354**	47,620,719
Expenses	**54,819,981**	43,255,761
Profit after taxation for the year	**2,664,373**	4,364,958
Profit attributable to non-controlling interests	**1,163,409**	1,905,976
Other comprehensive loss attributable to non-controlling interests	**151,252**	(2,924)
Total comprehensive income attributable to non-controlling interests	**1,314,661**	1,903,052
Net cash inflow from operating activities	**3,486,111**	293,548
Net cash outflow from investing activities	**(2,257,935)**	(5,470,778)
Net cash outflow from financing activities	**(2,384,558)**	2,479,575

40.2 Associates

Details about the Holding Company's investment in associated company and summarised financial information are disclosed in notes 7.3 to 7.6 of these consolidated financials statements.

41. NUMBER OF EMPLOYEES

	2019	2018
	(Number)	
Holding company		
Average number of employees during the year	1,060	1,055
Number of employees as at 30 June	1,090	1,079
Subsidiary companies		
Average number of employees during the year	708	633
Number of employees as at 30 June	724	673

42. 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. Further, recovery from scrap has been reclassified as revenue instead of offsetting it against conversion cost for accurate reporting of revenue and expenses. 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)
Advance from customers	Trade and other payables	Contract Liabilities on the face of statement of financial position	1,136,378
Sales commission payable	Trade and other payables	Contract Liabilities (presented on face of statement of financial position)	60,868
Scrap sales	Cost of Goods Sold	Net Sales	3,457,733

			2018 (Rupees in '000)
Scrap sales	Cost of Goods Sold	Net Sales	2,461,088

43. Non Adjusting events after balance sheet date

The Board of Directors of the Holding Company in their meeting held on 21 August 2019 has proposed a final cash dividend of Rs. 3.00 per share amounting to Rs. 359.68 million (2018: Rs.6.50 per share amounting to Rs. 779.3 million) and 10% bonus shares i.e. one ordinary share for each 10 ordinary shares held, amounting to Rs.119.89 million (2018:nil) for the year ended 30 June 2019. The approval of the members of the Holding Company for the dividend and the bonus shares shall be obtained at the Annual General Meeting to be held on 30 September 2019.

The Board of Directors of the Subsidiary Company (International Steels Limited) in their meeting held on 19 August 2019 has proposed a final cash dividend of Rs. 1.50 per share amounting to Rs. 652.50 million (2018: Rs.3.00 per share amounting to Rs. 1,305 million) for the year ended 30 June 2019 of which the proportionate share of the owners of the Holding Company and Non-controlling interest amounts to Rs. 367.58 million (2018:735.17 million) and Rs.284.92 million (2018: 569.83 million) respectively.

The Board of Directors of the equity accounted investee company (Pakistan Cables Limited) in their meeting held on 9 August 2019 has proposed a final cash dividend of Rs. 1.00 per share amounting to Rs.35.58million (2018: 3.50 per share amounting to Rs.124.52million) of which the proportionate share of the Holding Company's amounts to Rs. 6.09 million (2018: 21.32 million).

The consolidated financial statements for the year ended 30 June 2019 do not include the effect of the aforementioned proposed dividends and bonus shares, which will be accounted for in the consolidated financial statements for the year ending 30 June 2020.

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 21 August 2019 by the Board of Directors.

Ehsan A. Malik	**Muhammad Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

STAKEHOLDERS INFORMATION

STAKEHOLDERS INFORMATION

OWNERSHIP

On June 30th, 2019 there were 3,467 members on the record of the Company's Ordinary Shares.

DIVIDEND AND BONUS SHARES

The Board of Directors of the Company has recommended 30% Final Cash Dividend and 10% Bonus Shares in proportion to 1 Ordinary Share for every 10 Ordinary Shares for the year ended June 30th, 2019. The proposal shall be placed before the Shareholders of the Company in the Annual General Meeting for their consideration and approval on September 30th, 2019. The Final Cash Dividend and Bonus Shares if approved by the Shareholders, shall be directly credited to their designated banks account and allotment of Bonus Shares to the Shareholders listed in the Company's share register at the close of business on September 15th, 2019 and shall be subject to the Zakat and Tax deductions as per applicable law.

FINANCIAL CALENDAR

RESULTS

First quarter ended September 30th, 2018	Approved and Announced on October 18th, 2018
Half year ended December 31st, 2018	Approved and Announced on January 30th, 2019
Third quarter ended March 31st, 2019	Approved and Announced on April 18th, 2019
Year ended June 30th, 2019	Approved and Announced on August 21st, 2019

DIVIDENDS

Final – Cash (2017-18)	Approved on August 17th, 2018 Entitlement date September 28th, 2018 Statutory limit up to which payable October 18th, 2018 Paid on October 8th, 2018
1st Interim – Cash (2018-19)	Approved on January 30th, 2019 Entitlement date March 14th, 2019 Statutory limit up to which payable April 3rd, 2019 Paid on April 2nd, 2019
LATEST ANNUAL REPORT	Issued on September 6th, 2019
71TH ANNUAL GENERAL MEETING	To be held on September 30th, 2019

TENTATIVE DATES OF FINANCIAL RESULTS OF 2019-2020

First quarter ended September 30th, 2019	October 18th, 2019
Half year ended December 31st, 2019	January 30th, 2020
Third quarter ended March 31st, 2020	April 16th, 2020
Year ended June 30th, 2020	August 20th, 2020

PATTERN OF SHAREHOLDING

As at June 30th, 2019

NO. OF SHAREHOLDERS	HAVING SHARES FROM	TO	SHARES HELD	PERCENTAGE
858	1	100	31,160	0.026
753	101	500	243,456	0.203
430	501	1,000	365,931	0.305
746	1,001	5,000	1,934,938	1.614
218	5,001	10,000	1,702,397	1.420
86	10,001	15,000	1,084,696	0.905
60	15,001	20,000	1,074,479	0.896
41	20,001	25,000	951,339	0.793
27	25,001	30,000	757,221	0.632
18	30,001	35,000	596,207	0.497
15	35,001	40,000	586,363	0.489
10	40,001	45,000	432,142	0.360
18	45,001	50,000	868,899	0.725
12	50,001	55,000	628,985	0.525
7	55,001	60,000	402,692	0.336
5	60,001	65,000	312,096	0.260
10	65,001	70,000	676,258	0.564
9	70,001	75,000	659,600	0.550
7	75,001	80,000	549,855	0.459
10	80,001	90,000	853,830	0.712
13	90,001	100,000	1,265,769	1.056
15	100,001	120,000	1,662,848	1.387
16	120,001	150,000	2,162,825	1.804
16	150,001	200,000	2,825,353	2.357
11	200,001	250,000	2,420,063	2.019
6	250,001	300,000	1,643,476	1.371
7	300,001	400,000	2,550,466	2.127
5	400,001	500,000	2,208,316	1.842
4	500,001	600,000	2,163,825	1.805
5	600,001	700,000	3,258,519	2.718
1	700,001	800,000	775,000	0.646
7	800,001	1,000,000	6,315,551	5.268
1	1,000,001	1,100,000	1,097,400	0.915
3	1,100,001	1,200,000	3,365,976	2.807
1	1,200,001	1,300,000	1,242,240	1.036
1	1,300,001	1,380,000	1,370,080	1.143
1	1,380,001	1,400,000	1,400,000	1.168
1	1,400,001	1,440,000	1,438,567	1.200
1	1,440,001	1,442,000	1,441,776	1.203
1	1,442,001	1,446,000	1,445,713	1.206
1	1,446,001	1,500,000	1,446,036	1.206
1	1,500,001	1,600,000	1,568,650	1.308
1	1,600,001	2,000,000	1,772,700	1.479
1	2,000,001	3,000,000	2,928,100	2.442
1	3,000,001	4,000,000	3,797,560	3.167
1	4,000,001	5,000,000	4,983,803	4.157
1	5,000,001	5,500,000	5,379,347	4.487
1	5,500,001	6,000,000	5,542,017	4.622
1	6,000,001	10,000,000	6,938,533	5.787
1	10,000,001	13,000,000	12,911,446	10.769
1	13,000,001	16,000,000	15,858,120	13.227
3467			119,892,619	100.000

CATEGORIES OF SHAREHOLDERS

As at June 30th, 2019

PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE
Directors, CEO, Sponsors and Family Members	22	59,430,315	49.5696
Associated Companies	3	1,353,325	1.1208
Government Institutions	9	11,845,890	9.8804
Banks, DFI, NBFI and Insurance Companies	18	5,500,444	4.5818
Mutual Funds	53	6,681,105	5.5726
Foreign Companies	4	499,968	0.4170
Public and Private Companies	101	6,139,479	5.1208
Welfare Trusts/Provident Funds/Others	25	1,289,764	1.0758
General Public	3,232	27,152,329	22.6472
TOTAL	3,467	119,892,619	100.000

KEY SHAREHOLDING

As at June 30th, 2019

Information on shareholding required under reporting framework is as follows:

	No. of Shares	Percentage
Directors and Spouses	**37,181,576**	**31.0124**
Executives	**183,105**	**0.1527**
Associated Companies	**1,353,325**	**1.1288**
Pakistan Cables Limited	576,000	0.4804
Pakistan Cables Limited Employees Provident Fund	544,725	0.4543
Pakistan Cables Limited Management Staff Pension Fund	232,600	0.1940
Government Institutions	**11,845,470**	**9.8801**
National Investment (Unit) Trust	6,938,533	5.7873
National Bank of Pakistan	2,928,100	2.4423
National Bank of Pakistan Employees Pension Fund	1,115,976	0.9308
State Life Insurance Corporations of Pakistan	656,019	0.5472
National Investment Trust Limited - Administration Fund	160,023	0.1335
National Bank of Pakistan Emp Benevolent Fund Trust	39,159	0.0327
National Bank of Pakistan	6,855	0.0057
IDBL (ICP Unit)	805	0.0007
Investment Corporations of Pakistan	420	0.0004

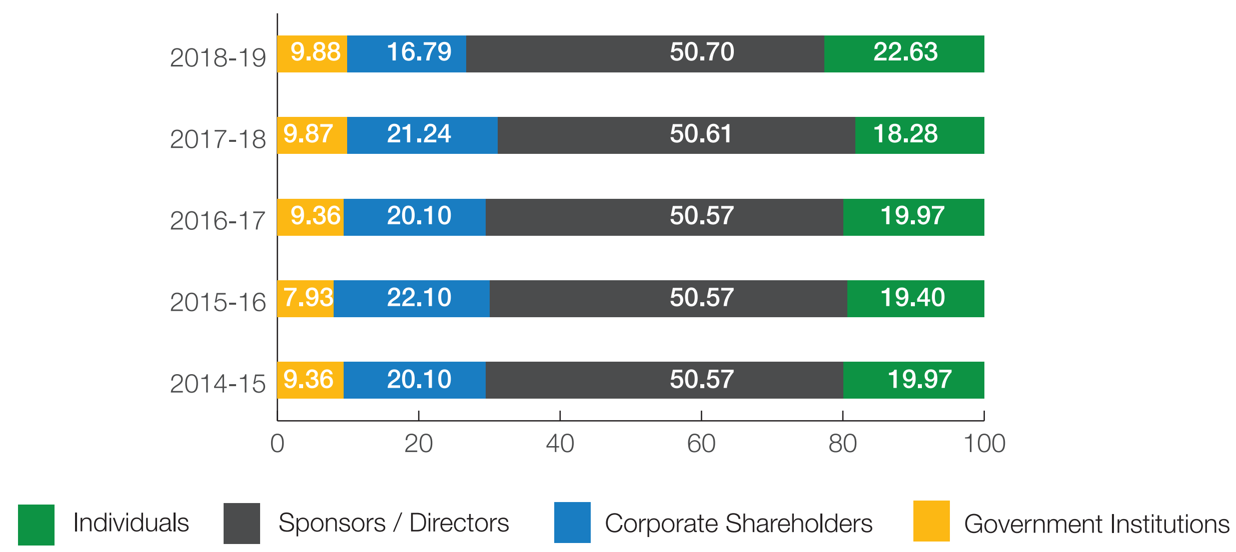
MEMBERS HAVING 5%

or more of voting rights

Name of Shareholder	Shares Held	Percentage
Mr. Mustapha A. Chinoy	15,858,120	13.2269
Mr. Kamal A. Chinoy	12,911,446	10.7692
CDC - Trustee National Investment (Unit) Trust	6,938,533	5.7873

No shares of International Industries Limited, were traded by Directors and Executives during the financial year July 1st, 2018 to June 30th, 2019.

SHAREHOLDERS COMPOSITION



NOTICE OF ANNUAL GENERAL MEETING

For the year ended June 30, 2019

Notice is hereby given to the members that the 71st Annual General Meeting of the Company will be held on September 30th, 2019 at 11:00 a.m. at the Jasmin, Beach Luxury Hotel, off M.T. Khan Road, Karachi to transact the following business:

Ordinary business

1. To receive, consider and adopt the Audited Accounts (consolidated and unconsolidated) of the Company for the year ended June 30th, 2019, together with the Reports of the Directors and Auditors thereon.
2. To appoint Auditors for a term ending at the conclusion of the next Annual General Meeting and fix their remuneration. The retiring Auditors, KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.
3. To approve payment of a Final Cash Dividend of Rs. 3.00 per share, i.e. 30%, as recommended by the Directors to Shareholders as at close of business on September 15th, 2019, which, Final Cash Dividend is in addition to the 25% Interim Cash Dividend (i.e. Rs. 2.50 per share) already paid.
4. To authorize the issuance of Bonus Shares in proportion of 1 ordinary share for every 10 ordinary shares held, that is at the rate of 10%, to Shareholder whose names appear in the Register of Members at close of business on September 15th, 2019 and to approve the disposal of fractional shares and to pass the following Resolution as an Ordinary Resolution for Bonus Shares.

   (i) Resolved that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Company whose names appear on the Register of Members as at the close of the business on September 15, 2019 in the proportion of 1 Bonus Share for every 10 Shares then held, that is, at the rate of 10%, and that such Bonus Shares shall rank pari passu as regards dividends and in all other respects with the existing Ordinary Shares of the Company.

   (ii) In the event of any Member becoming entitled to a fraction of a share, the Directors be and are hereby authorized to consolidate all such fractions and sell the shares so constituted on the Stock Market and to pay the proceeds thereof to the Members entitled to the fraction in proportion to their respective entitlements and to add the value of such fractional entitlements to the dividend amount payable to each such Member.

   (iii) For the purpose of giving effect to the foregoing, the Directors be and are hereby authorized to do and cause to be done all acts, deeds and things that may be necessary and to settle any question or difficulties that may arise in regard to the allotment and the distribution of the said Bonus Shares and in regard to fractional entitlements and the sale of the consolidated shares and the distribution of the sale proceeds of the consolidated shares to those entitled to fractional entitlements, as they think fit.

5. To elect 9 Directors of the Company, as fixed by the Board under the provisions of section 159 of the Companies Act, 2017 for a period of 3 years commencing from October 1st, 2019. The names of the retiring Directors are:

   i. Mr. Mustapha A. Chinoy
   ii. Mr. Adnan Afridi
   iii. Mr. Kamal A. Chinoy
   iv. Mr. Azam Faruque
   v. Mr. Fuad Azim Hashimi
   vi. Mr. Tariq Ikram
   vii. Mr. Ehsan A. Malik
   viii. Mr. Jehangir Shah
   ix. Mr. Riyaz T. Chinoy

Special business

6. 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:

   <u>Adoption of revised and updated set of Articles of Association as per the Companies Act, 2017</u>

   "RESOLVED THAT, as and by way of Special Resolution, the regulations contained in the printed 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.

   FURTHER RESOLVED THAT the Chief Executive Officer and/or Company Secretary of the Company be and is hereby authorized to, singly, do all acts, deeds, and things, take any and all necessary steps, to fulfill the legal, corporate and procedural formalities and file all necessary documents/returns as deemed necessary on this behalf and the matters ancillary thereto to fully achieve the object of the aforesaid resolution."

Any Other Business

To consider any other business with the permission of the Chair.

The information as required under section 134(3) and 166(3) of the Companies Act, 2017, is being provided along with the Notice of the Annual General Meeting being sent to the Shareholders.

By Order of the Board

August 21st, 2019
Karachi

Sunaib Barkat
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books will be closed from September 16th, 2019, to September 30th, 2019 (both days inclusive) for the purpose of the Annual General Meeting.
2. Only those persons whose names appear in the Register of Members of the Company as at September 15th, 2019 are entitled to attend and vote at the Annual General Meeting.
3. A Member entitled to attend and vote at the Annual General Meeting may appoint another Member as his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a Member but is duly authorized by the corporation. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Annual General Meeting.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
5. Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2018 withholding tax on dividend income will be deducted for shareholder appearing and not appearing on Active Taxpayers List at 15% and 30% respectively. According to the Federal Board of Revenue (FBR), withholding tax in case of joint accounts will be determined separately based on the 'shareholders appearing / not appearing on Active Taxpayers List' status of the principal shareholder as well as the status of the joint holder(s) based on their shareholding proportions. Members that hold shares with joint shareholders are requested to provide the shareholding proportions of the principal shareholder and the joint holder(s) in respect of shares held by them to our Share Registrar, M/s. CDC Share Registrar Services Limited in writing. In case the required information is not provided to our Registrar it will be assumed that the shares are held in equal proportion by the principal shareholder and the joint holder(s).

A. Requirements for attending the Annual General Meeting:

(i) In the case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting.

(ii) In case of a corporate entity, the Board of Directors' resolution/power of attorney, with specimen signature of the nominee, shall be presented at the time of the Annual General Meeting, unless it has been provided earlier.

B. Requirements for appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of the CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.

(iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney, with specimen signature of the nominee, shall be submitted to the Company along with the proxy form unless the same has been provided earlier.

(v) The proxy shall present his/her original CNIC or original passport at the time of the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

For the year ended June 30, 2019

C. Electronic dividend mandate:

Under the Section 242 of Companies Act, 2017, it is mandatory for all listed companies to pay cash dividend to its shareholders through electronic mode directly in to the bank account designated by the entitled shareholders. In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available on the Company's website and send it duly signed along with a copy of CNIC to the Share Registrar, M/s. CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi - 74400, in case of physical shares.

In case of shares held in CDC then Electronic Dividend Mandate Form must be directly submitted to shareholder's brokers / participant / CDC account services.

In case of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

D. Submission of valid CNIC (Mandatory):

As per SECP directives the dividend of shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Share Registrar, M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi - 74400 without any further delay.

E. Unclaimed bonus shares and dividend:

As per the provision of section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company which have remained unclaimed / unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued, and dividend declared by the Company which have remained due for more than three years was sent to shareholders. Shareholders are requested to ensure that their claims for unclaimed dividend and shares are lodged promptly. In case, no claim is lodged with the Company in the given time, the Company shall after giving notice in the newspaper proceed to deposit the unclaimed / unpaid amount and shares with the Federal Government pursuant to the provision of Section 244(2) of Companies Act, 2017.

F. Electronic voting:

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

G. Consent for Video Conference facility:

Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location 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 in that city subject to availability of such facility in that city.

To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi – 74400 and email: info@cdcsrsl.com

I/We, of being a member of International Industries Limited holder of Ordinary Share(s) as per Register Folio No. ____________ hereby opt for video conference facility at (Please insert name of the City).

____

Signature of the member

H. Electronic transmission of Financial Statements and Notices:

Pursuant to Notification vide SRO 787(I)/2014 dated September 8th, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving annual financial statements and notice of annual/extraordinary general meeting through electronic mail system (Email). The Company is pleased to offer this facility to our valued members who desire to receive annual financial statements and notices through email in future.

In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company's website. Further, if a shareholder, in addition to above, also requests for the hard copy of Annual Financial Statements, then the same shall be provided free of cost within seven (7) days of receipt of such request.

Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of member(s) to timely update the share registrar of any changes in his/her/its/their registered email address at the address of Company's Registrar.

ڈیویڈنڈ اور شیئرز کا کلیم یقینی طور پر داخل کردیں۔ اگر مقررہ وقت کے اندر کمپنی کے پاس کلیم داخل نہ کیا گیا تو کمپنی اخبارات میں نوٹس جاری کرنے کے بعد کمپنیز ایکٹ 2017 کے سیکشن (2)244 کے پروویژن کی رو سے غیر کلیم شدہ/غیر ادا شدہ رقم اور شیئرز حکومت کے پاس جمع کرادے گی۔

F. الیکٹرونک ذریعہ سے ووٹنگ

ممبران ووٹ دینے کیلئے اپنے اس حق کا مطالبہ کرسکتے ہیں جو کمپنیز ایکٹ 2017 کے سیکشن 145-143 میں اجلاس کی شرائط اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کی لاگو شقوں سے مشروط ہے۔

G. ویڈیو لنک کی سہولت حاصل کرنے کیلئے رضامندی

SECP سرکلر نمبر 10 آف 2014 مورخہ 21 مئی 2014 کی رو سے اگر کمپنی کو 10% یا اس سے زیادہ کے شیئرز کے حامل ممبران کی جانب سے، جو کسی ایک جغرافیائی حدود میں رہتے ہوں، سالانہ اجلاس عام کی تاریخ سے کم از کم 7 دن پہلے اجلاس میں ویڈیو لنک کے ذریعہ شرکت کرنے کی درخواست موصول ہوجائے تو کمپنی اس شہر میں سہولت کی دستیابی سے مشروط ویڈیو لنک کا انتظام کرسکتی ہے۔

اس سہولت کے حصول کیلئے برائے مہربانی درج ذیل معلومات کمپنی کے شیئر رجسٹرار کے دفتر یعنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، 99-B بلاک B، سندھی مسلم کوآپریٹو ہاؤسنگ سوسائٹی (S.M.C.H.S) شارع فیصل کراچی 74400 کو پہنچادیں یا ای میل کریں (info@cdcsrsl.com)

میں/ہم ــــــــــــــــــــــــــــــ بحیثیت ممبر انٹرنیشنل انڈسٹریز لمیٹڈ، رجسٹرڈ فولیو نمبر ـــــ کے تحت ـــــ عمومی شیئر(ز) کے حامل، ــــــــــــ (شہر کا نام لکھیں) پر ویڈیو لنک کی سہولت حاصل کرنا چاہتا ہوں/چاہتے ہیں۔

____

دستخط ممبر

H. مالیاتی اسٹیٹمنٹس اور نوٹسز کی الیکٹرونک ذریعہ سے ترسیل SECP نے نوٹیفکیشن بذریعہ 2014/ (1)787 SRO مورخہ 8 ستمبر 2014 کمپنیز کو ہدایت کی ہے کہ اپنے ممبران کو سالانہ مالیاتی اسٹیٹمنٹس اور سالانہ اجلاس عام کی اطلاع الیکٹرونک میل سسٹم (Email) کے ذریعہ حاصل کرنے کی سہولت فراہم کریں۔ کمپنی بمسرت اپنے ممبران کو جو سالانہ مالیاتی اسٹیٹمنٹس اور سالانہ اجلاس عام کی اطلاع الیکٹرونک میل سسٹم (Email) کے ذریعہ حاصل کرنے کے خواہشمند ہیں، آئندہ کیلئے یہ سہولت پیش کرتی ہے۔

لہٰذا اس سہولت کے خواہشمند ممبران سے درخواست ہے کہ وہ معیاری درخواست فارم پر اپنی رضامندی سے مطلع کریں جو کمپنی کی ویب سائٹ پر دستیاب ہے۔ نیز اگر کوئی ممبر درج بالا کے علاوہ سالانہ مالیاتی اسٹیٹمنٹس کی ہارڈ کاپی کی درخواست کرتا ہے تو وہ درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کردی جائے گی۔

برائے مہربانی اس بات کا اطمینان کرلیں کہ ایسی ای میل وصول کرنے کیلئے آپ کے ای میل اکاؤنٹ میں مناسب حقوق اور جگہ دستیاب ہے جو 1MB سے زیادہ ہونی چاہیئے۔ اس کے علاوہ یہ ممبر(ز) کی ذمہ داری ہے کہ وہ اپنے رجسٹرڈ ای میل کے پتہ میں کسی بھی تبدیلی کے بارے میں تازہ ترین معلومات کمپنی کے رجسٹرار کے پتہ پر فراہم کریں۔

(vi) جناب طارق اکرام

(vii) جناب احسان اے ملک

(viii) جناب جہانگیر شاہ

(ix) جناب ریاض ٹی چنائے

خصوصی امور:

٦۔ درج ذیل قراردار کو بطور خصوصی قرارداد پاس کرانے کیلئے آرٹیکلز آف ایسوسی ایشن کے تبدیل شدہ اوراپ ڈیٹڈ سیٹ کی منظوری دینا اوراس کو اختیار کرنا:

کمپنیز ایکٹ 2017 کے مطابق آرٹیکلز آف ایسوسی ایشن کے تبدیل شدہ اوراپ ڈیٹڈ سیٹ کو اختیار کرنا

طے پایا کہ خصوصی قرارداد کے طور پر اوراس کے ذریعہ اس اجلاس میں جمع کرائی گئی شائع شدہ دستاویزات میں درج ضوابط اور چیئرمین کے اس پر متفق ہونے کی شناخت کی غرض سے، اس کو کمپنی کے آرٹیکلز آف ایسوسی ایشن کے طور پر منظور کیا جاتا ہے۔ اوراختیار کیا جاتا ہے جو تمام موجودہ آرٹیکلز کی جگہ ہوگا اور وہ خارج سمجھے جائیں گے۔

مزید طے پایا کہ کمپنی کے چیف ایگزیکٹو آفیسر اور/یا کمپنی سکریٹری اس بات کے مجاز ہیں اور ہوں گے کہ مذکورہ قرارداد کے مقاصد کے مکمل حصول کے لئے فرد واحد کے طور پر تمام امور، کوششیں اور عوامل انجام دیں، کوئی ایک یا تمام ضروری قدم اٹھائیں، قانونی، کارپوریٹ اور طریقہء کار کی کارروائیاں پوری کریں اور تمام ضروری دستاویز/ریٹرنز فائل کریں جو اس سلسلے میں یا اس سے متعلق معاملات کیلئے ضروری سمجھے جائیں۔

کوئی دیگر امور:

چیئرمین کی اجازت سے کسی دیگر امور پر غور کرنا۔

کمپنیز ایکٹ 2017 کے سیکشن (3)134 اور سیکشن (3)166 کے تحت مطلوبہ معلومات اس نوٹس کے ساتھ منسلک ہیں۔

بحکم بورڈ آف ڈائریکٹرز

سنیب برکت

کمپنی سیکرٹری

کراچی 21 اگست 2019

نوٹس:

١۔ ممبران کا رجسٹر اور شیئر ٹرانسفر بکس 16 ستمبر 2019 تا 30 ستمبر 2019 (بشمول دونوں ایام) سالانہ اجلاس عام کے سلسلے میں بند رہیں گے۔

٢۔ صرف وہ افراد سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کے اہل ہوں گے جن کے نام کمپنی کے ممبران کے رجسٹر میں مورخہ 15 ستمبر 2019 کو موجود ہوں گے۔

٣۔ کمپنی کا کوئی ممبر جو سالانہ اجلاس عام میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل ہے، وہ اپنی جگہ کسی دوسرے ممبر کو شرکت کرنے بولنے اور ووٹ دینے کیلئے اپنا پراکسی مقرر کرسکتا/سکتی ہے البتہ کارپوریشن ایسے شخص کو بھی پراکسی مقرر کرسکتی ہے جو ممبر نہ ہو مگر اسے کارپوریشن کی جانب سے مجاز قرار دیا جائے۔ پراکسیز کیلئے لازمی ہے کہ وہ اجلاس کے شروع ہونے سے کم از کم 48 گھنٹے پہلے کمپنی کے رجسٹرڈ دفتر میں موصول ہو جائے۔

٤۔ CDC اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ سرکلر نمبر 1 مورخہ 26 جنوری 2000 میں درج رہنما ہدایات پر بھی عمل کرنا ہوگا۔

٥۔ انکم ٹیکس آرڈیننس، 2001 کے سیکشن 150 اور فنانس ایکٹ 2018 کے مطابق منافع منقسمہ کی رقم سے ودہولڈنگ ٹیکس کی کٹوتی فعال ٹیکس گزاروں کی فہرست میں شامل اور نہ شامل شیئر ہولڈرز سے بالترتیب 15% اور 30% کے حساب سے کی جائے گی۔

فیڈرل بورڈ آف ریونیو (FBR) کی جانب سے موصول ہونے والی وضاحت کے مطابق جوائنٹ اکاؤنٹس ہونے کی صورت میں ودہولڈنگ ٹیکس کی کٹوتی 'فائلر/نان فائلر' ہونے کی بنیاد پر پرنسپل شیئر ہولڈر اور جوائنٹ ہولڈر(ز) کے پاس موجود شیئرز کے تناسب سے کی جائے گی۔ اس سلسلے میں جوائنٹ شیئر ہولڈنگ رکھنے والے ممبران سے درخواست ہے کہ وہ پرنسپل شیئر ہولڈر اور جوائنٹ شیئر ہولڈر(ز) کے پاس موجود شیئرز کی تفصیلات ہمارے شیئر رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ کے پاس تحریری طور پر جمع کرائیں۔

ہمارے شیئر رجسٹرار کو مطلوبہ معلومات فراہم نہ کرنے کی صورت میں یہ تصور کیا جائے گا کہ پرنسپل شیئر ہولڈر اور جوائنٹ شیئر ہولڈر(ز) کے پاس برابر برابر کے تناسب سے شیئرز موجود ہیں۔

A. سالانہ اجلاس عام میں شرکت کی شرائط

(i) انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کے رجسٹریشن کی تفصیلات سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے ضوابط کے مطابق اپ لوڈ ہیں، ان کو اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کے لئے اپنا اصل کمپیوٹرائز قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ پیش کرنا ہوگا۔

(ii) کارپوریٹ اکائی ہونے کی صورت میں اجلاس میں شرکت کے وقت بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد کردہ فرد کے نمونہ کے دستخط (اگر پہلے سے فراہم نہ کئے گئے ہوں) فراہم کرنا ہوں گے۔

B. پراکسیز کے تقرر کی شرائط:

(i) انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کے رجسٹریشن کی تفصیلات سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے ضوابط کے مطابق اپ لوڈ ہیں، ان کو درج بالا شرائط کے مطابق پراکسی فارم جمع کرانا ہوگا۔

(ii) پراکسی فارم پر دو گواہوں کے دستخط ہونا لازمی ہیں جن کے نام، پتے اور CNIC نمبر فارم پر درج ہوں۔

(iii) پراکسی فارم کے ساتھ بینیفیشیل اونر(ز) اور پراکسی کے CNIC یا اصل پاسپورٹ کی تصدیق شدہ کاپیاں منسلک ہونا چاہیئے۔

(iv) کارپوریٹ اکائی ہونے کی صورت میں پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد کردہ فرد کے نمونہ کے دستخط (اگر پہلے سے فراہم نہ کئے گئے ہوں) کمپنی کو فراہم کرنا ہوں گے۔

(v) پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

C. منافع منقسمہ کی الیکٹرونک ذریعہ سے ادائیگی

کمپنیز ایکٹ 2017 کے سیکشن 242 کے تحت تمام لسٹڈ کمپنیز کیلئے لازم ہے کہ وہ نقد منافع منقسمہ کی ادائیگی الیکٹرونک ذریعہ سے براہ راست اہل شیئر ہولڈرز کے مقرر کردہ بینک اکاؤنٹ میں کریں۔ شیئر ہولڈرز سے درخواست ہے کہ وہ منافع منقسمہ کی اپنے بینک اکاؤنٹ میں براہ راست وصولی کیلئے کمپنی کی ویب سائٹ پر موجود بینک مینڈیٹ فارم برائے الیکٹرونک کریڈٹ آف کیش ڈیویڈنڈ (اگر پہلے نہ فراہم کیا گیا ہو) پُر کرکے اور اس پر دستخط کرکے CNIC کی کاپی کے ہمراہ شیئر رجسٹرار، میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، B-99 بلاک B، سندھی مسلم کوآپریٹو ہاؤسنگ سوسائٹی (S.M.C.H.S)، شارع فیصل کراچی 74400 میں پہنچادیں۔ (اگر شیئر فزیکل صورت میں ہیں)

CDC میں شیئر ہونے کی صورت میں الیکٹرونک ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئر ہولڈر کے بروکرز/شراکت دار/CDC اکاؤنٹس سروسز میں جمع کرائیں۔

معلومات فراہم نہ کئے جانے کی صورت میں، کمپنی شیئر ہولڈرز کے منافع منقسمہ کی ادائیگی روک لے گی۔

D. کارآمد CNIC جمع کرانا (لازمی)

SECP کی ہدایات کے مطابق جن شیئر ہولڈرز کے CNICs شیئر رجسٹرار کے پاس دستیاب نہیں ہوں گے، ان کے منافع منقسمہ کی ادائیگی روک لی جائے گی۔ لہٰذا ان تمام شیئر ہولڈرز سے جن کے پاس شیئر فزیکل صورت میں موجود ہیں، درخواست ہے کہ وہ اپنے کارآمد CNIC کی فوٹو کاپی (اگر پہلے فراہم نہ کی گئی ہو) فوری طور پر شیئر رجسٹرار، میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، B-99 بلاک B، سندھی مسلم کوآپریٹو ہاؤسنگ سوسائٹی (S.M.C.H.S) شارع فیصل کراچی 74400 کو پہنچادیں۔

E. غیر کلیم شدہ نقد منافع منقسمہ اور بونس شیئر

کمپنیز ایکٹ 2017 کے سیکشن 244 کی شرائط کی پیروی میں کمپنی کی جانب سے جاری کردہ شیئرز یا اعلان کردہ منافع منقسمہ، جو اجراء کی تاریخ سے تین سال یا اس سے زیادہ گزر جانے کے باوجود غیر کلیم شدہ/غیر ادا شدہ ہیں، جو واجب اور قابل ادائیگی ہیں، سیکورٹی اینڈ ایکسچینج کمیشن آف پاکستان کے پاس جمع کرادیئے جائیں گے تاکہ وہ شیئر ہولڈرز کو اپنے کلیم داخل کرانے کے نوٹس جاری کرنے کے بعد وفاقی حکومت کے پاس جمع کرادے۔ جاری کردہ شیئرز یا اعلان کردہ منافع منقسمہ کی تفصیلات جو تین سال سے زیادہ گزر جانے کے باوجود واجب ہیں، شیئر ہولڈرز کو بھجوادی گئی تھیں۔ ان شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے غیر کلیم شدہ

اطلاع برائے سالانہ اجلاس عام

برائے سال مختتمہ 30 جون 2019

بذریعہ ہذا ممبران کو مطلع کیا جاتا ہے کہ کمپنی کا 71 واں سالانہ اجلاسِ عام مورخہ 30 ستمبر 2019 صبح 11.00 بجے، درج ذیل امور کی انجام دہی کیلئے بمقام جیسمین، پیچ لگژری ہوٹل آف ایم ٹی خان روڈ، کراچی میں منعقد ہوگا۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس (اجتماعی اور انفرادی) برائے سال مختتمہ 30 جون 2019 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، ان پر غور کرنا اور ان کو اختیار کرنا۔

۲۔ اگلے سالانہ اجلاسِ عام کے اختتام تک کی مدت کیلئے آڈیٹرز کا تقرر کرنا اور ان کا مشاہرہ طے کرنا۔ KPMG نے خود کو دوبارہ تقرری کے لیے دستیاب کیا ہے۔

۳۔ ڈائریکٹرز کی سفارشات کے مطابق مالی سال مختتمہ 30 جون 2019 کے لئے حتمی نقد منافع بحساب 3.00 روپے فی شیئر یعنی 30% کی ان شیئر ہولڈرز کو ادائیگی پر غور کرنا اور منظوری دینا جو 15 ستمبر 2019 کو کاروباری اوقات کے اختتام تک موجود تھے اور یہ حتمی نقد منافع پہلے سے ادا شدہ عبوری نقد منافع بحساب 25% (2.50 روپے فی شیئر) کے علاوہ ہے۔

۴۔ بونس شیئرز کے اجراء کا اختیار دینا جو ہر 10 عمومی شیئرز کے حامل کیلئے 1 عمومی شیئر یعنی 10% کی شرح سے ان شیئر ہولڈرز کو دیئے جائیں گے جن کے نام کمپنی کے ممبران کے رجسٹر میں مورخہ 15 ستمبر 2019 کو کاروباری اوقات کے اختتام پر موجود ہوں گے اور جزوی شیئرز کے ڈسپوزل کی منظوری دینا اور بونس شیئرز کیلئے درج ذیل قرارداد کو بطور خصوصی قرارداد پاس کرنا:

i) طے پایا کہ -/10 روپے والا ہر عمومی شیئر بطور بونس شیئر جاری کیا جائے گا اور مذکورہ شیئرز بطور مکمل ادا شدہ عمومی شیئر کی حیثیت سے ہر 10 عمومی شیئرز کے حامل کیلئے 1 عمومی شیئر کی نسبت یعنی 10% کی شرح سے کمپنی کے ان ممبران کو الاٹ کئے جائیں گے جن کے نام کمپنی کے ممبران کے رجسٹر میں مورخہ 15 ستمبر 2019 کو کاروباری اوقات کے اختتام پر موجود ہوں گے۔ نیز ایسے بونس شیئرز ڈیویڈنڈ اور دیگر ہر لحاظ سے کمپنی کے موجودہ عمومی شیئرز کے مطابق ہوں گے۔

ii) اگر کوئی ممبر شیئر کے ایک جزو کا حقدار ہے تو ڈائریکٹرز کو اختیار ہے اور ہوگا کہ ایسے تمام جزو کو یکجا کرلے اور اس یکجا تعداد کے شیئرز کو اسٹاک مارکیٹ میں فروخت کردے اور ہر جزو کے حامل ممبرز کو ان کی اہلیت کے لحاظ سے کمپنی کے موجودہ شیئرز کے مطابق ادائیگی کرے۔

iii) مذکورہ بالا کارروائی کو موثر کرنے کیلئے ڈائرکٹرز کو اختیار ہے اور ہوگا کہ اس سلسلے میں تمام امور، کوششیں اور عوامل انجام دیں جو ضروری ہیں اور الاٹمنٹ سے متعلق کسی مسئلے یا مشکلات کو حل کریں اور مذکورہ بونس شیئر کی تقسیم کریں۔

نیز شیئرز کے جزو کی اہلیت اور جمع شدہ شیئرز کی فروخت اور اجتماعی شیئرز کی فروخت کی کارروائی اور جزو کی اہلیت کے حامل افراد میں تقسیم کریں، جس کو وہ مناسب خیال کریں۔

۵۔ بورڈ آف ڈائریکٹرز کی جانب سے کمپنیز ایکٹ 2017 کے سیکشن 159 کے تحت مقرر کردہ تعداد کے مطابق 3 سال کی مدت کیلئے جو یکم اکتوبر 2019 سے شروع ہوگی، کمپنی کے نو (9) ڈائریکٹرز کا انتخاب کرنا۔ ریٹائر ہونے والے ڈائرکٹرز کے نام ہیں:

i) جناب مصطفےٰ اے چنائے
ii) جناب عدنان آفریدی
iii) جناب کمال اے چنائے
iv) جناب اعظم فاروق
v) جناب فواد عظیم ہاشمی

STATEMENT OF MATERIAL FACTS

Under Section 166(3) of the Companies Act, 2017

Ordinary Business

Agenda Item 5 – Election of Directors

The term of office of the present Directors of the Company will expire on September 30th, 2019. In terms of Section 159(1) of the Companies Act, 2017 ("Act"), the directors have fixed the number of elected directors at 9 to be elected in the Annual General Meeting for a period of three years.

The present Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

Any person who seeks to contest election to the office of director 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 office address as required under SECP's SRO 634 (I)/2014 dated 10 July 2014;

(iii) A director must be a member of the Company at the time of filing of his/her consent for contesting election of directors 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.

Special Business

Agenda Item 6 – Adoption of revised and updated set of Articles of Association as per the Companies Act, 2017

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 and comparative analysis is included in the enclosed Disk.

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.

GLOSSARY

AGM Annual General Meeting
API American Petroleum Institute
ATIR Appellate Tribunal Inland Revenue
ATL Active Tax Payer List
AUD Australian Dollars
BAC Board Audit Committee
BCP Business Continuity Planning
Board/BOD Board of Directors
CBA Collective Bargaining Agreement
CCG Code of Corporate Governance
CDC Central Depository Company
CE Conformité Européene or European Conformity
CEO Chief Executive Officer
CDC Central Depository Company
CFO Chief Financial Officer
CIR Commissioner Inland Revenue
CIT Commissioner Income Tax
COLA Cost of Living Allowance
CR Cold Rolled
CRC Cold Rolled Coil
CSR Corporate Social Responsibility
CTAC Citizens Trust Against Crime
CWIP Capital Work in Progress
DBN Debottlenecking
EBIT Earnings before Interest and Taxation
EBITDA Earnings before Interest, Taxation Depreciation and Amortization
EC Executive Committee
EFP Employees Federation of Pakistan
EPS Earning Per Share
ERW Electric Resistance Weld
ETP Effluent Treatment Plant
EY Ernst Young
FBR Federal Board of Revenue
FPAP Fire Protection Association of Pakistan
FPCCI Federation of Pakistan Chambers of Commerce and Industry
FTA Free-Trade Agreement
FTO Federal Tax Ombudsman
FTR Final Tax Regime
GDP Gross Domestic Product
GI Galvanized Iron
GIDC Gas Infrastructure Development Cess
GoP Government of Pakistan
HDPE High Density Polyethylene
HoD Head of Department
HR Human Resource
HRRC Human Resource Remuneration Committee
HRC Hot Rolled Coil
HSE Health, Safety and Environment
HSS Hollow Structural Sections
IAS International Accounting Standards
IBA Institute of Business Administration
ICAP Institute of Chartered Accountants of Pakistan
ICMAP Institute of Cost and Management Accountants of Pakistan
IFC International Finance Corporation
IFRIC International Financial Reporting Interpretation Committee
IFRS International Financial Reporting Standards
IIL International Industries Limited
IPO Initial Public Offering
ISL International Steels Limited
ISO International Organization for Standardization
ISO International Standards Organization
IT Information Technology
ITAT Income Tax Appellate Tribunal
JV Joint Ventures
KE Karachi Electric
KIBOR Karachi Interbank Offer Rate
KPMG Klynveld Peat Marwick Goerdeler
LIBOR London Interbank Offered Rate
LPG Liquefied Petroleum Gas
LSM Large Scale Manufacturing
LTC Lost Time Case
LTIFR Lost Time Injury Frequency Rate
LTU Large Taxpayers Unit
LUMS Lahore University of Management Sciences
M&A Memorandum and Articles
MAP Management Association of Pakistan
MC Management Committee
MDPE Medium Density Polyethylene
MoC Ministry of Commerce
MT Metric Ton(s)
NBV Net Book Value
NFEH National Forum for Environment and Health
NOC No Objection Certificate
NRV Net Realizable Value
NTC National Tariff Commission
OHSAS Occupational Health and Safety Assessment Specification
OPEC Organization of the Petroleum Exporting Countries
PACRA Pakistan Credit Rating Agency
PAT Profit after tax
PCL Pakistan Cables Limited
PEX Cross-linked Polyethylene
PICG Pakistan Institute of Corporate Governance
PKR Pakistan Rupees
PPRC Polypropylene Random Copolymer
PSQCA Pakistan Standards and Quality Control Authority
PSX Pakistan Stock Exchange
Rs. Pakistani Rupees
SECP Securities and Exchange Commission of Pakistan
SHC Sindh High Court
SNGPL Sui Northern Gas Pipelines Limited
SS Stainless Steel
SSGC Sui Southern Gas Company Limited
TCF The Citizens Foundation
UL Underwriters Laboratories
US$/USD United States Dollar

CONSENT REQUIRED From Shareholder(s)

For Annual Reports through e-mail

INTERNATIONAL INDUSTRIES LTD.
Promising Reliability, For Now and Tomorrow

Dear Shareholder(s)

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

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

E – MAIL ADDRESS: ________________________________

CNIC NUMBER: ________________________________

FOLIO / CDS ACCOUNT # ________________________________

____

SIGNATURE OF SHAREHOLDER

Share Registrar:
CDC Share Registrar Services Limited
CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahrah-e-Faisal,
Karachi.
Customer Support Service: +92-0800-23275
Fax: +92-21-34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Yours faithfully,
For INTERNATIONAL INDUSTRIES LTD.,

Sunaib Barkat
Company Secretary

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AFFIX
STAMP
HERE

CDC SHARE REGISTRAR SERVICES LIMITED

CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi.
Telephone Nos: +92-0800-23275
FAX: +92-21-34326053
E-mail : info@cdcsrsl.com
Website: www.cdcsrsl.com

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E-DIVIDEND Mandate Letter

INTERNATIONAL INDUSTRIES LTD.
Promising Reliability, For Now and 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 Industries Limited [the "Company"], hereby, authorize the Company, to directly credit cash dividends declared by it, in my bank account as detailed below:

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

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

Yours truly,

____

Signature of Shareholder
(Please affix company stamp in case of corporate entity)

Notes:

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

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AFFIX
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CDC SHARE REGISTRAR SERVICES LIMITED

CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi.
Telephone Nos: +92-0800-23275
FAX: +92-21-34326053
E-mail : info@cdcsrsl.com
Website: www.cdcsrsl.com

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PROXY Form

International Industries Ltd.
Promising Reliability, For Now and Tomorrow

I/We____

of____

being member(s) of International Industries Limited holding ____________________

Ordinary shares hereby appoint ___________________________________

of __________ vide Folio/CDC Account no. ____________________ or failing him/her

____________________________________ of ____________ who is also

a member of International Industries Limited vide Folio/CDC Account no. ________________

as my/our proxy in my/our absence to attend, speak and vote for me/us and on my/our behalf at the 71st Annual General Meeting of the Company to be held on Monday, September 30th, 2019 at the Beach Luxury Hotel, M.T. Khan Road, Karachi and at any adjournment thereof.

As witness my/our hand/Seal this _______ day of ______________2019.

Signed by the said ____

In the presence of

1. Signature: _______________________________
   Name: _______________________________
   Address: _______________________________
   CNIC/Passport No: _______________________________
2. Signature: _______________________________
   Name: _______________________________
   Address: _______________________________
   CNIC/Passport No: _______________________________

Signature on
Revenue Stamp

Folio/CDC Account No.

This signature shall agree with the specimen signature as per the Company's record.

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, i.e., 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530, not less than 48 hours before the time of holding the Annual General Meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities

In addition to the above, the following requirements have to be met:

a. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
b. Attested copies of the CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.
c. In case of a corporate entity, the Board of Directors' resolution/power of attorney, including the specimen signature of the nominee, shall be submitted to the Company along with the proxy form unless the same has been provided earlier.
d. The proxy shall present his/her original CNIC or original passport at the time of the Annual General Meeting.

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AFFIX
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CDC SHARE REGISTRAR SERVICES LIMITED

CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi.
Telephone Nos: +92-0800-23275
FAX: +92-21-34326053
E-mail : info@cdcsrsl.com
Website: www.cdcsrsl.com

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International Industries Ltd.
Promising Reliability, For Now and Tomorrow

فارم برائے پراکسی

میں/ہم ______________________

سکنہ ______________________ بحیثیت ممبر(ز) انٹرنیشنل انڈسٹریز لمیٹڈ،

حامل ______________________ عمومی شیئرز، بذریعہ ہذا ______________________

سکنہ ______________________ کو بذریعہ فولیو/ سی ڈی سی اکاؤنٹ نمبر ______________________

یا اس کی عدم دستیابی کی صورت میں ______________________

سکنہ ______________________

جو انٹرنیشنل انڈسٹریز لمیٹڈ کا ممبر ہے بذریعہ فولیو/ سی ڈی سی اکاؤنٹ نمبر ______________________ کو اپنا/ ہمارا پراکسی مقرر کرتا ہوں/ کرتے ہیں، جو اپنی/ہماری غیر حاضری میں میری/ہماری جگہ پیر 30 ستمبر 2019 کو بیچ لگژری ہوٹل، ایم ٹی خان روڈ، کراچی میں منعقد ہونے والے کمپنی کے 71 ویں سالانہ اجلاس عام میں یا کسی ملتوی شدہ اجلاس شرکت کرنے، بولنے اور ووٹ دینے کا حقدار ہوگا/ہوں گے۔

میں/ہم نے اپنے ہاتھ/مہر سے گواہی دی بتاریخ ____________ 2019

مذکورہ شخص کے دستخط ______________________

ان افراد کی موجودگی میں

۱۔ دستخط ______________________

نام: ______________________

پتہ: ______________________

CNIC/پاسپورٹ نمبر ______________________

ریونیو اسٹمپ پر دستخط

۲۔ دستخط ______________________

نام: ______________________

پتہ: ______________________

CNIC/پاسپورٹ نمبر ______________________

فولیو/ سی ڈی سی اکاؤنٹ نمبر

یہ دستخط کمپنی کے ریکارڈ پر موجود دستخط کے مطابق ہونا چاہیئے

اہم ہدایات:

۱۔ یہ پراکسی فارم، مکمل شدہ اور دستخط شدہ، کمپنی کے رجسٹرڈ دفتر واقع 101 بیومونٹ پلازہ، 10، بیومونٹ روڈ، کراچی-75530 پر سالانہ اجلاس عام کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل لازمی طور پر وصول ہو جائے۔

۲۔ کسی ایسے شخص کو پراکسی مقرر نہیں کیا جا سکتا جو کمپنی کا/ کی ممبر نہ ہو، سوائے کارپوریشن کے، جو ممبر نہ ہونے والے فرد کو پراکسی مقرر کر سکتی ہے۔

۳۔ اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرتا ہے اور کوئی ممبر کمپنی کے پاس ایک سے زیادہ پراکسی کی دستاویز جمع کراتا ہے تو ایسی تمام دستاویزات ناقابل قبول قرار دی جائیں گی۔

CDC اکاؤنٹ ہولڈرز/ کارپوریٹ اکائی کی صورت میں:

درج بالا کے علاوہ درج ذیل شرائط بھی پورا کرنا ہوں گی:

ا۔ پراکسی فارم پر دو گواہوں کے دستخط ہونا لازمی ہے جن کے نام، پتے اور CNIC نمبر فارم پر درج ہوں۔

ب۔ بینیفیشل اونر(ز) اور پراکسی کے CNICs یا پاسپورٹس کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ فراہم کی جائیں

ج۔ کارپوریٹ اکائی ہونے کی صورت مس، بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹرنی بشمول نامزد کردہ افراد کے نمونے کے دستخط مع پراکسی فارم (اگر پہلے جمع نہ کرایا گیا ہو) کے ہمراہ کمپنی کے پاس جمع کرائے جائیں۔

د۔ پراکسی کو سالانہ اجلاس عام میں شرکت کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

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AFFIX
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CDC SHARE REGISTRAR SERVICES LIMITED

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Main Shahrah-e-Faisal, Karachi.
Telephone Nos: +92-0800-23275
FAX: +92-21-34326053
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FOLD HERE

INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

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101 Beaumont Plaza,
10 Beaumont Road,
Karachi - 75530
UAN: (92 21) 111 019 019

Lahore Office
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6-Bank Square,
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Islamabad Office
Office No. 303-A, 3rd Floor,
Evacuee Trust Complex,
Sir Agha Khan Road,
Sector F-5/1, Islamabad
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Faisalabad Office
Office No. 1/1 Wahab
Centre, Electrocity Plaza
Susan Road, Faisalabad
Tel: (92 41) 872 0037

Multan Office
1592, 2nd Floor
Quaid-e-Azam Shopping
Centre No.1 Multan Cantt, Multan
Tel: (92 61) 458 3332

Peshawar Office
Office No.1 & 2, First Floor,
Hurmaz Plaza
Opposite Airport Runway
Main University Road, Peshawar
Tel: (92 91) 5845068

Factory 1

LX 15-16,
Landhi Industrial Area,
Karachi - 75120
Tel: (92 21) 3508 0451-55

Factory 2

Survey # 405-406
Rehri Road, Landhi,
Karachi - 75160
Tel: (92 21) 3501 7027-28

Factory 3

22 KM, Sheikhupura Road
Lahore
Tel: (92 42) 3719 0492-3

Sales Inquiries

Domestic Clients: sales@iil.com.pk
International Clients: inquiries@iil.com.pk

Annual Report 2019

Group Sustainability Report 2019

Corporate Website

Scan these QR codes with your smart device to download reports and to visit our website.

THE COMPANIES ACT, 2017

ARTICLES OF ASSOCIATION

OF

INTERNATIONAL INDUSTRIES LIMITED

COMPANY LIMITED BY SHARES

(Adopted by Special Resolution passed at the Annual General Meeting of the Company held on ___________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 INDUSTRIES 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.

“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 INDUSTRIES 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.

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 INDUSTRIES LIMITED.

I .... of .... in the district of .... being a Member of

INTERNATIONAL INDUSTRIES 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 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 contact 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 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 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 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 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.