



**INTERNATIONAL
STEELS LIMITED**

The background of the cover is a high-resolution aerial photograph of the Earth, showing the Americas, Europe, and parts of Africa. A bright sun flare is visible on the left side, casting a golden glow over the continent of North America.

CREATING VALUE

ANNUAL REPORT 2020



ANNUAL REPORT
2020

CREATING VALUE





Since its inception, International Steels Limited has been driven by its vision to promote industrial development in Pakistan. From investing in state of the art technology to redefining what it is to be **“Made in Pakistan”**, ISL has been determined to transform the industrial landscape of the country and at the same time, remain conscious of the society at large. For us, steel is the fabric that shapes tomorrow with sustainability and resilience.

Table of Contents

Company Introduction

Corporate Profile	08
Milestones	10
Company Information	12
Vision, Mission & Core Values	14
Strategic Objectives	16
Calendar of Major Events	18
Code of Conduct	22
Business at a Glance	24
Organization Chart	26
Mechanism for Providing Information	27

Chairman's Review

Chairman's Review	30
Chairman's Review (Urdu)	31

Directors' Report

Directors' Report	34
• Global Steel Scenario	
• Pakistan's economy	
• Manufacturing Operations	
• Sales	
• JCR-VIS Credit Rating	
• Energy Management	
• Health, Safety and Environment	
• Human Resources	
• Corporate Social Responsibility	
• Risk Management	

• Business Review	
• Financials	
• Earnings Per Share	
• Dividend	
• Recommendation of the Board Audit Committee for Appointment of Auditor	
• Appropriations	
• Contribution to National Exchequer and the Economy	
• Provident Fund & Gratuity Scheme	
• Future Prospects	
• Acknowledgement	
Directors' Report (Urdu)	41

Sustainability Report

Our Relationship with Society and Community	46
10 UNGC Principles	47
Our Stakeholders	48
Stakeholders Communication	49
Employees	52
Customers	56
Shareholders	57
Community	60

Corporate Governance

Board of Directors Profile	64
List of Other Directorships	68
Governance Framework	70

Board Committees	76	Financial Statements	
Directors Participation in Board and Sub Committee Meetings Management Team	80	Independent Auditor's Report to the Members	104
Report of the Board Audit Committee on Adherence to the Code of Corporate Governance	80	Statement of Financial Position	108
Statement of Compliance with Listed Companies (Code Of Corporate Governance) Regulations, 2019	81	Statement of Profit or Loss	109
Review Report on Statement of Compliance Contained in Listed Companies (Code Of Corporate Governance) Regulations, 2019	83	Statement of Comprehensive Income	110
		Statement of Cash Flows	111
		Statement of Changes in Equity	112
		Notes to the Financial Statements	113
		Stakeholders information	
Financial Summary		Ownership	160
Financial Highlights	85	Pattern of Shareholding	161
Analysis of Financial Statements		Categories of Shareholders	162
• Statement of Financial Position	88	Key Shareholding	162
• Statement of Profit or Loss	89	Shareholders Composition	163
• Statement of Cash Flows	90	Share Price Trend vs Volume Traded	163
Key Financial Indicators	91	Notice of Annual General Meeting	164
Six Years at a Glance	93	Notice of Annual General Meeting (Urdu)	174
Du Point Analysis	95	Forms	
Quarterly Performance Analysis	98	Consent of Annual Report through Emails	175
Statement of Value Addition	99	E-Dividend Mandate Form	177
Statement of Cash Flows	100	Proxy Form	179
Free Cash Flow	101	Proxy Form (Urdu)	180
	102		

CORPORATE PROFILE



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

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

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

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



MILESTONES

2007

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

2008-9

Civil works and plant installation
in process

2010-11

Cold Rolling and Galvanizing complex is
commissioned

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

ISL gets listed on
Pakistan Stock Exchange Certifications
acquired:

ISO 9001
Quality Management System

ISO 14001
Environmental Management

ISO 18001
Occupational Health & Safety Management
Systems

2015

Production exceeds 280,000 MT

Sales exceed 257,000 MT

Net turnover exceeds PKR 21
Billion

2016

Second Galvanizing plant is
commissioned and starts commercial
production Galvanizing capacity
increased to 450,000 MT from
150,000 MT

Pakistan's first Color Coating line is
established at ISL Color Coating capacity
84,000 MT

A new electrolysis plant is installed to
produce Hydrogen

Second strand on the 4-Hi Reversing
Mill is commissioned, converting it into a
Continuous Compact Mill "CCM"

Production exceeds 238,000 MT

Sales volume exceeds 239,000 MT Net
turnover exceeds PKR 17.5 Billion

2017

Commercial production of the enhanced
4-Hi Continuous Compact Mill commences,

Cold Rolled capacity increases to 500,000
MT from 250,000 MT

Production exceeds 370,000 MT

Sales volume exceeds 364,000 MT

Net turnover exceeds PKR 20 Billion

2012

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

ISL gets listed on Pakistan Stock Exchange

Certifications acquired:

ISO 9001
Quality Management System

ISO 14001
Environmental Management

ISO 18001
Occupational Health & Safety Management Systems

2013

Production exceeds 166,000 MT

Sales exceed 161,000 MT

Net turnover exceeds PKR 13 Billion

2014

Production exceeds 220,000 MT

Sales exceed 217,000 MT

Net turnover exceeds PKR 17 Billion

2018

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

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

Second Continuous Compact Mill "CCM-2" is commissioned

SNI certification of Indonesia is acquired

Production exceeds 465,000 MT

Sales volume exceeds 490,000 MT

Net turnover exceeds PKR 33 Billion

2019

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

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

New continuous pickling line is commissioned and starts commercial production Capacity of new continuous pickling line 1,000,000 MT

Production exceeds 470,000 MT

Sales volume exceeds 539,000 MT

Sales value exceeds PKR 47 Billion

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

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

ISL wins Management Association of Pakistan (MAP) Corporate Excellence Award 2019

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

2020

ISL Service Center commences operations The state of the art service center is envisioned to provide value added services to the customers.

ISL bags 1st award at the 7th Employer of the year award in the Medium National Category.

ISL received 43rd FPCCI Best Export Performance Awards 2018-19

International Steels Limited (ISL) wins the prestigious Top 25 Performing Companies award conferred by the Pakistan Stock exchange

ISL wins Management Association of Pakistan (MAP) Corporate Excellence Award 2020 for the second consecutive year

COMPANY INFORMATION



Chairman (Non-Executive)

Mr. Towfiq H. Chinoy

Independent Directors

Dr. Amjad Waheed

Ms. Nausheen Ahmad

Mr. Nihal Cassim

Mr. Zakaullah Khan

Non-Executive Directors

Mr. Fuad Azim Hashimi

Mr. Kamal A. Chinoy

Mr. Koji Fukushima

Mr. Mustapha A. Chinoy

Director & Chief Executive Officer

Mr. Yousuf H. Mirza

Director & Chief Operating Officer

Mr. Samir M. Chinoy

Chief Financial Officer

Mr. Mujtaba Hussain

Company Secretary

Mr. Mohammad Irfan Bhatti

Chief Internal Auditor

Mrs. Asema Tapal

External Auditors

M/s KPMG Taseer Hadi & Co.

Legal Advisor(s)

Mrs. Sana Shaikh Fikree

Investor Relations Contact

Shares Registrar

THK Associates (Pvt.) Ltd

40-C, Block-6, P.E.C.H.S,

Off: Shahrah-e-Faisal, Karachi

Phone: +9221-111-000-322 Fax:

+9221-34168271

Email: info@thk.com.pk

Registered Office

101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530

Telephone Nos: +9221-35680045-54, UAN: 021-111-019-019

Fax: +9221-35680373, E-mail: irfan.bhatti@isl.com.pk

Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000

Telephone Nos:+9242-37229752-55, UAN:+9242-111-019-019

Fax: 9242-37249755 E-Mail: lahore@isl.com.pk

Islamabad Office

Office No.303-A, 3rd Floor Evacuee Trust Complex

Sector F-5/1 Agha Khan Road, Islamabad.

Telephone Nos: +9251-2823041 - 2 Fax: 051-28230413

Multan Office

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

Abdali Road, Multan

Telephone Nos: +9261-4570571

Factory

399 - 404, Rehri Road, Landhi, Karachi.

Telephone Nos: +9221-35013104 - 5

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

Service Center

Plot# LE-73-79, 102-103, 112-118, 125-129

Survey # Nc.98, Near Arabian Country Club,

National Industrial Park, Bin Qasim, Karachi

Website

www.isl.com.pk

Bankers

Allied Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial and Commercial Bank of China Limited

MCB Bank Limited

MCB Islamic Bank Limited

Meezan Bank Limited

Samba Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

VISION MISSION CORE VALUES



To be the premium manufacturer of flat steel products in Pakistan.

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

We incorporate the following core values in our organization culture:

Integrity

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

Diversity

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

Respect for People

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

Fairness

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

STRATEGIC OBJECTIVES



Creating Shared Value

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

Investing in Human Capital

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

Investing in Technology

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

Reducing Waste

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

Ensuring Sustainability

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

Calendar of Major Events



25 October

ISL bags 1st award at the 7th Employer of the year award in the Medium National Category. Mr. Mujtaba Hussain, CFO ISL received the award from Information Minister Sindh, Mr. Saeed Ghani

15 November

ISL received 43rd FPCCI Best Export Performance Awards 2018-19 held at Governor House Sindh. Mr. Yousuf Mirza, CEO ISL received the award from the President of Pakistan, His Excellence Mr. Arif Alvi



27 December

International Steels Limited (ISL) wins the prestigious Top 25 Performing Companies award conferred by the Pakistan Stock exchange. Mr. Towfiq H. Chinoy, Chairman ISL, received the Award from the Prime Minister of Pakistan, His Excellence Mr. Imran Khan



02 February

International Steels Limited (ISL) participated in the Citizen's Archive of Pakistan's (CAP) Family carnival 2020 with fun filled activities for children to raise awareness about environmental consciousness

19 February

ISL employees and management participated in a team building activity based tree plantation drive to promote environment conservation and to foster team spirit among the participants.



16 June

ISL Service Center Commences operations. The state of the art service center is envisioned to provide value added services to the customers.



CREATING OPPORTUNITIES

Since its inception, the company has consistently invested in enhancing its production capacity and developing new products to serve a wide range of customers.

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

Code of Conduct

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

(a) Business Ethics

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

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

(e) Regulatory Compliance

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

(f) Personal Conduct

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

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

(g) Miscellaneous

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

Business at a Glance

Cold Rolled Steel



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

Hot Dip Galvanized Steel



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

Color Coated Steel



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

Service Center

ISL has established a fully equipped state of the art service center, located close to various major industries and the port. The facility will provide value added services such as cutting, slitting and profiling of steel as per customer's requirement, increasing the usability and application of steel for various industrial and commercial applications.

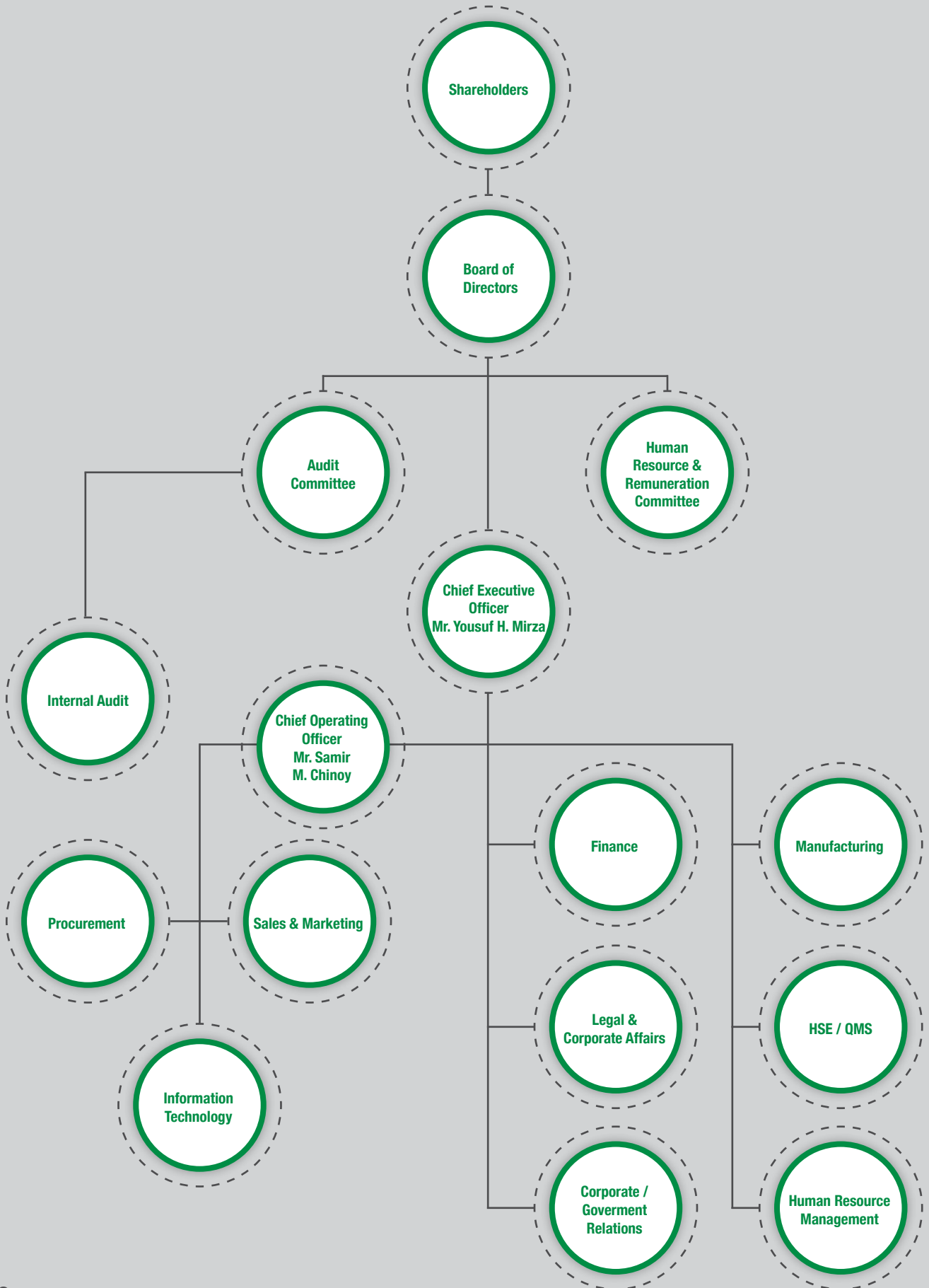
Regional Network



Global Footprint



Organization Chart



Mechanism for Providing Information

Formal Reporting Line

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

Employees

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

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

The CEO also meets the entire Managing Committee at least once every quarter through which they are provided an opportunity to express their concerns and suggestions directly to the CEO. These meetings 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 persons for general and specific queries on its website.



CREATING DIFFERENCE

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



Chairman's Review

Pakistan with a steel consumption at just above 40kgs per capita is amongst the lowest in the world. As the country develops, we will see an accelerated consumption of steel. With our recently enhanced capacity of almost one million tons per annum, we are confident that your company will be well placed to meet the rapidly expanding consumption.

As a leading steel manufacturer of the country, we continually look to innovate value-added steel solutions. Aligned with this goal, in June 2020 your company commissioned, on fifteen acres of land in National Industrial Park, Bin Qasim, a Service Centre catering to the auto industry, the white goods industry, and other consumers.

In September 2019, the previous Board completed its tenure and a new Board was elected for three years. I would like to thank the retiring Board members Messrs Kemal Shoaib, Tariq Iqbal Khan, Kamran Y. Mirza, Syed Salim Raza, and Riyaz T. Chinoy for their contribution. The outgoing directors have been replaced by Dr. Amjad Waheed, Ms. Nausheen Ahmed, Mr. Nihal Cassim, Mr. Zakaullah Khan, and Mr. Fuad Azim Hashimi. During the year, Mr. Kazuteru Mihara resigned from the Board and the Board appointed Mr. Koji Fukushima to fill the casual vacancy within the statutory period.

The financial year under report faced severe pressure due to the external business environment. The first half of the fiscal year was negatively impacted by austerity measures due to fiscal reforms, higher interest rates, and lower demand. The second half of the year was affected by the COVID-19 pandemic. We concentrated on increasing exports to offset the drop in domestic sales. During FY 2019-20 our exports were 84,000 MT valuing USD 57 million. June 2020 saw an abrupt resumption of business activity which has continued into the current quarter. The economic and fiscal measures introduced by the government to stimulate the economy have proved effective and your company has succeeded in increasing its overall market share.

The financial results for the year reflect a negative trend. This has been further accentuated by our having to make a provision against the reversal of a judgment by the Supreme Court. This reversal validated the GIDC

Act, 2015, and allowed the gas companies to recover arrears.

The Board recognizes that well defined corporate governance processes are vital to enhancing accountability. We are committed to ensuring high standards of corporate governance to maintain stakeholder value. The Company has an independent Internal Audit department and follows a risk-based audit methodology. Apart from the Board Audit Committee (BAC) and Board Human Resource Committee (HRRC) meetings, the Board met six times during the year. Four of these meetings were for review and approval of operational and financial results, and two were for the endorsement of the strategy and budget. The Board has been diligent and has contributed effectively in guiding ISL in all its strategic affairs.

The Board is aware of the challenges ahead, but our belief in Pakistan remains unshakeable as we focus our effort towards sustainable growth in an industry which is one of the prime indicators of economic progress.

The company's business is built on ethics, hard work, and concern for others. Our group firmly believes that contribution to our community has, and always will be, a matrix of our success. We remain dedicated to our core values and strive to maintain long-term relationships with all stakeholders. With an experienced Board of Directors and committed Management Team, we remain equipped to meet the continuing challenges.

The Board would like to thank all stakeholders for their support and loyalty. Your faith in these challenging times has allowed us to perform and show positive results in a difficult business environment.

We continue to pray to Allah for the continued success of your Company and the benefit of all stakeholders, as well as for Pakistan in general.



Towfiq H. Chinoy

Chairman

Karachi 25 August 2020

چیئر مین کا جائزہ

سال کیلئے مالیاتی نتائج ایک منفی رجحان کی نشاندہی کرتے ہیں۔ جس میں مزید اضافہ سپریم کورٹ کی جانب سے (GIDC کے فیصلے) کے نتیجے میں 2015 GIDC Act موثر ہو گیا اور اس کے تحت گیس کمپنیز کو بقایا جات وصول کرنے کی اجازت مل گئی۔

بورڈ کا ماننا ہے کہ کارپوریٹ گورننس کے واضح طریقہ کار کا احتساب کے عمل کو بڑھانے کیلئے ہم ہوتے ہیں۔ ہم اسٹیک ہولڈرز کی قدر برقرار رکھنے کی خاطر کارپوریٹ گورننس کے اعلیٰ معیارات کی پیروی کیلئے پرعزم ہیں۔ کمپنی کا اپنا خود مختار اندرونی آڈٹ پارٹمنٹ ہے جو رسک پر مبنی آڈٹ کے طریقہ کار پر عمل پیرا ہے۔ بورڈ آڈٹ کمیٹی (BAC) اور بورڈ ہیومن ریسورس کمیٹی (HRRC) کی میٹنگز کے علاوہ بورڈ نے سال میں چھ میٹنگز کیں۔ ان میں سے چار میٹنگز آپریشنل اور فنانشل نتائج کے جائزے اور منظوری کیلئے تھیں اور دو حکمت عملی اور بجٹ کی توثیق کیلئے تھیں۔ بورڈ نے بڑی جانفشانی سے کام کیا اور ISL کو حکمت عملی کے تمام امور میں موثر رہنمائی فراہم کی۔

بورڈ آنے والے چیلنجز سے آگاہ ہے لیکن پاکستان پر ہمارا یقین غیر متزلزل ہے لہذا ہم اپنی تمام کوششوں کو صنعت کی پائیدار ترقی پر مرکوز رکھتے ہیں جو معاشی ترقی کا اہم ترین اشاریہ ہے۔

کمپنی کا کاروبار اخلاقیات، سخت محنت اور دوسروں کا خیال رکھنے پر مبنی ہے۔ ہمارے گروپ کا پختہ یقین ہے کہ اپنے معاشرے کی خدمت ہماری کامیابی کا منبع ہے اور رہے گا۔ ہم اپنی بنیادی اقدار کا پاس رکھنے اور اپنے اسٹیک ہولڈرز کے ساتھ طویل المدت تعلقات قائم رکھنے کا عزم رکھتے ہیں۔ تجربہ کار بورڈ آف ڈائریکٹرز اور پرعزم انتظامیہ ٹیم کے ساتھ ہم مسلسل چیلنجز کا مقابلہ کرنے کیلئے پوری طرح تیار ہیں۔

بورڈ تمام اسٹیک ہولڈرز کے تعاون اور خلوص کا شکریہ ادا ہے۔ ان مشکل گھڑیوں میں آپ کا اعتماد ہماری کارکردگی میں بہتری لانے اور مشکل کاروباری ماحول میں مثبت نتائج پیدا کرنے کا سبب ہے۔

ہم اللہ سے دعا گو ہیں کہ وہ آپ کی کمپنی کی مسلسل کامیابیوں اور اسٹیک ہولڈرز کے فائدے اور پاکستانی کی ترقی کیلئے ہمارا حامی و مددگار ہو۔ آمین۔



توفیق الحق چنائے

کراچی، 25 اگست 2020

چیئر مین

پاکستان میں اسٹیل کا استعمال 40kgs per capita سے کچھ زیادہ ہے جو دنیا میں کم ترین سطح میں شمار ہوتی ہے۔ جب ملک ترقی کرتا ہے تو اسٹیل کی کھپت میں بھی اضافہ ہوتا ہے۔ حال ہی میں ہماری گنجائش میں تقریباً ایک ملین ٹن سالانہ کا اضافہ ہوا ہے اور ہمیں بھروسہ ہے کہ آپ کی کمپنی تیزی سے بڑھتی ہوئی کھپت کو پورا کرنے میں بڑی حد تک قابل ہو سکے گی۔

ملک کے صف اول کے اسٹیل مینوفیکچرر ہونے کے ناطے ہم بہتر سے بہتر اسٹیل کے استعمالات پیش کرنے کیلئے جدت کو اپنانے میں مسلسل کوشاں رہتے ہیں۔ اپنے اس ہدف کے مطابق، جون 2020 میں آپ کی کمپنی نے نیشنل انڈسٹریل پارک، بن قاسم میں پندرہ ایکڑ زمین پر ایک سروس سینٹر کا آغاز کیا ہے جو آٹو انڈسٹری، وہاٹ گڈز انڈسٹری اور دیگر صارفین کو خدمات مہیا کرے گا۔

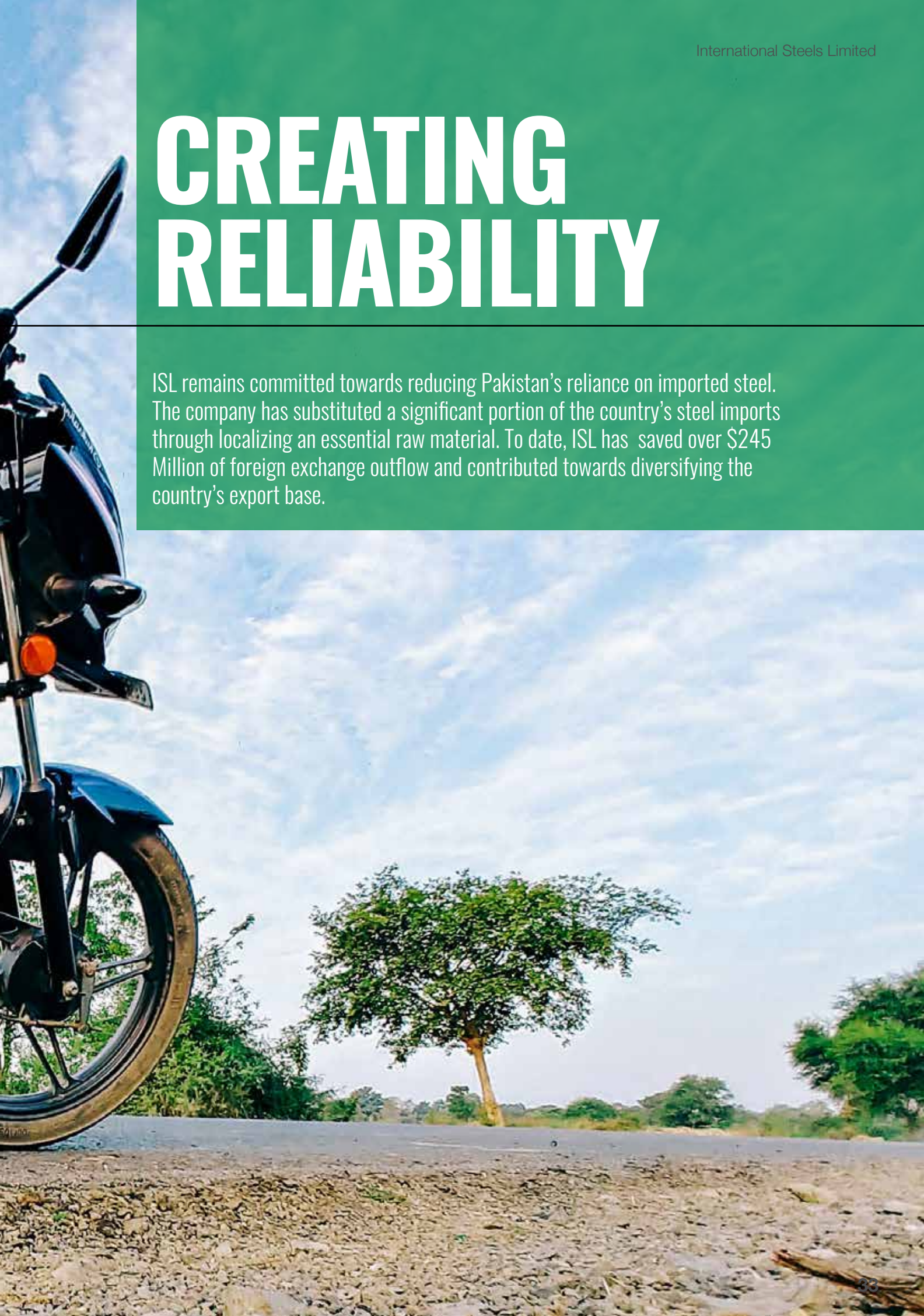
ستمبر 2019 میں گزشتہ بورڈ نے اپنی مدت مکمل کی اور تین سال کی مدت کیلئے نیا بورڈ منتخب کیا گیا۔ میں ریٹائر ہونے والے بورڈ ممبرز میسرز کمال شعیب، طارق اقبال خان، کامران وائی مرزا، سید سلیم رضا اور ریاضی چنائے کی خدمات کا شکریہ ادا کرتا ہوں۔ رخصت ہونے والے ڈائریکٹرز کی جگہ ڈاکٹر امجد وحید، مس نوشین احمد، جناب نہال قاسم، جناب ذکا اللہ خان اور جناب فواد عظیم ہاشمی نے ذمہ داریاں سنبھالی ہیں۔ سال کے دوران میں جناب کا زو میرومہارا (Kazuteru Mihara) نے بورڈ سے استعفیٰ دے دیا اور بورڈ نے مقررہ مدت میں عارضی اسامی کو پورا کرنے کیلئے جناب کوچی فوکوشیما (Koji Fukushima) کا تقرر کیا۔

زیر جائزہ مالی سال میں کاروبار کے بیرونی ماحول کے باعث ہمیں شدید دباؤ کا سامنا رہا۔ مالی سال کے پہلے نصف حصے کے دوران میں مالیاتی اصلاحات کے تحت سادگی اپنانے کے لئے اٹھائے گئے اقدامات، زیادہ شرح سود اور طلب میں کمی سے منفی اثرات مرتب ہوئے۔ سال کے دوسرے نصف حصے میں COVID-19 کی عالمی وبا نے بری طرح متاثر کیا۔ ہم نے ملکی سیلز میں کمی کے ازالے کیلئے برآمدات بڑھانے پر توجہ مرکوز کی۔ مالی سال 2019-20 میں ہماری برآمدات 84,000 MT کی ہوئیں جس کی مالیت 57 ملین یو ایس ڈالر تھی۔ جون 2020 میں کاروباری سرگرمیاں دوبارہ شروع ہو گئیں جو موجودہ سہ ماہی میں بھی جاری ہیں۔ حکومت کی جانب سے معیشت کو سہارا دینے کیلئے متعارف کروائے گئے معاشی اور مالیاتی اقدامات موثر ثابت ہوئے اور آپ کی کمپنی اپنے مجموعی مارکیٹ شیئر میں اضافہ کرنے میں کامیاب ہوئی۔



CREATING RELIABILITY

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



Directors' Report

The Directors of International Steels Limited are pleased to present the 13th Annual Report accompanied by the audited financial statements for the year ended June 30, 2020.

Boards Composition & Remuneration

Composition of the Board and the names of Members of Board Sub-committees may be referred at Page No. 64 & 76. The company has a formal policy and transparent procedures for remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The remuneration, including the Directors fee for attending the board meetings paid to the Directors and Chief Executive Officer is disclosed on Page 147 (Note 32 financial statements).

Global Steel Scenario

World crude steel production declined slightly by 2% to remain at 1.8 billion metric tons during the year, as compared to the last year's production of 1.83 billion metric tons. China continued to dominate the global steel market by increasing its share in the global output from 53% in 2019 to around 56% in 2020.

The outbreak of COVID-19, novel coronavirus, in the last quarter of the FY 2020 impacted almost all industries and sectors worldwide; two of the most impacted ones were manufacturing and travel & transportation. The major steel producing countries were already persisting with their protectionist measures. Foremost being the United States continuing with 25% duty on steel imports from around the world. Despite the decline in the global steel production, Chinese steel production grew by 3.4% crossing the 1 billion metric tons mark for the first time. China's surging production is largely due to its capacity replacement program though its pace slowed down in the FY 2020 as compared to the last year. Growth in real estate sector and infrastructure stimulated the overall increase in consumption of steel products. However, the outbreak of novel coronavirus affected the steel demand in China since December 2019.

EU steel demand suffered a contraction of 5.6% in

FY2020 due to the sustained manufacturing recession. US is also witnessing a sharp manufacturing recession amidst COVID-19. Surging unemployment, reduced income and confidence have impaired residential construction, which will have a further damaging effect on the steel demand.

The developing economies are less equipped to tackle COVID-19 making their recovery and return to normalization more difficult. Limited fiscal space to support the economy, a fall in commodity prices, capital flight and currency depreciation render the decline of steel demand in some developing countries as severe as that in developed economies.

Pakistan's Economy

The business environment in the FY 2020 was generally unfavorable. The first half of the fiscal year was marred by inflationary pressure, depressed spending power due to higher policy rates and austerity measures on account of fiscal reforms, leading to suppressed economic activity. The large-scale manufacturing was down by 10.2% as compared to last year leading to significantly reduced business activity across all segments of the economy. The situation was further exacerbated by the COVID-19 pandemic. The complete lockdown brought the whole economy to a standstill and with the same lockdown across the globe, international trade, travel and business activity declined significantly.

Pakistan managed to contain the devastating effects of the COVID-19 through its lockdown strategy. The State Bank of Pakistan (SBP) responded to the crisis by cutting the policy rate by a cumulative 625 basis points to 7.0 percent since March 2020. However, the rate remained as high as 13.25% for better part of the year.

The GDP growth rate went into negative by 0.4%. Exchange rate further depreciated by 2.6% during FY2020 on the back of a cumulative depreciation of 34% during FY2019. Headline inflation recorded at 11.22% during Jul-Apr FY2020 as against 6.51% during the same period last year. Rose to as high as 14.6% in January 2020 but fell to 8.5% in April 2020. However, some positive results of the Government's macro-economic reforms, particularly in the Current Account Deficit, which narrowed 77.9% to \$2.97 billion

in July-June FY2020 from \$13.43 billion in the previous year, equivalent to 1.1% of GDP as compared to 4.8% of GDP during the last year. Remittances have also increased supporting the foreign exchange reserves.

Steel demand in the country contracted from a further decline of 36.5% in automobile production along with international price dynamics. At the same time, cuts in development spending and a general slowdown in economic activities coupled with COVID-19 outbreak reduced the demand for iron and steel urging the local steel industry to curtail their production. All these factors contributed to the negative growth of 8% in iron and steel industry. Nevertheless, the COVID-19 pandemic is presenting a fair few short-term challenges to the steel industry. The quickening recovery in the country indicates that the industry should be able to weather this storm.

Manufacturing Operations

Current year production was 412,000 tons, reflecting a decrease of 26% over the previous year based on subdued demand and shutdowns relating to gas shortages in winter months and COVID-19 pandemic.

Sales

To counter the domestic weak demand, your company carried out aggressive market development activities, focusing on new, untapped and emergent opportunities, in wake of global socioeconomic conditions and changing global trade dynamics due to growing protectionism against traditional suppliers. As a result, the company managed to achieve 1.3 times higher export sales as compared to last year. However, the overall sales value declined by 16% at Rs. 48.1 billion as compared to the last year's sales of Rs. 57.5 billion.

The gross margin remained under pressure due to fluctuations in exchange rate and volatility in international steel prices. The finance cost for the year increased sharply mainly due to extremely high interest rates in the first 9 months of the year.

Effected by economic slow-down and COVID-19 pandemic, the Company saw a dip in its overall sales

volumes mainly witnessed in the Galvanized sales which decreased by 23% whereas the sales volumes of Cold Rolled Products decreased by 17%. The total sales volumes of the prime product remained at 418,000 metric tons comprising 237,500 metric tons of Galvanized and 180,500 metric tons of Cold Rolled Products. The Company continued to consolidate and leverage its nation-wide dealer network, however special focus has remained on exploring and developing the export markets.

JCR-VIS Credit Rating

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

Energy Management

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

Health, Safety & Environment

Company believes in and is fully committed to improve Health, Safety and Environment standards to achieve sustainable HSE performance. Process Safety & Behavior Based Safety across the organization is ensured through HSE Management System integrated with the company's organization scheme and the Company is on track of continuous improvement with focus to achieve & sustain leading levels. The Company conducts training and awareness sessions on behavior based safety to create a sustainable and safe working environment for our people, customers and contractors.

Your Company was quick to implement the Standard Operating Procedures (SOPs) to combat COVID-19. The Company continued its operations during the pandemic with strict adherence to the SOPs. 77 staff members were tested showing symptoms of COVID-19 out of which 25 came positive. The Company provided full medical and financial assistance to them and they have completely recovered.

Implementation of focused safety programs, environmental standards and strong visible leadership

resulted yet another year without any major incidents. Your company continued to comply with National Environmental Quality Standards including best practices for air emissions, noise, portable water and industrial effluent.

Human Resources

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

The Company has formulated a firm succession plan, which includes performance evaluation and appropriate training requirements for development of potential future leaders. The Company continued to enhance capabilities of employees by providing them development opportunities internationally as well as at prestigious institutions like LUMS, IBA, ICAP and Management Association of Pakistan.

The Company successfully continued its operations with an optimal headcount of 692. Despite facing the COVID-19 crisis with less encouraging financial results this year, the Company did not lay off any of its employees.

Corporate Social Responsibility

The Company believes in supporting the community and has a policy to contribute at least 1.5% of its profit after tax. Despite having low profits this year, the Company donated Rs. 19.2 million, constituting a much higher percentage of its profits to various organizations in the areas of healthcare and education including The Citizen Foundation, AAS Trust, Karachi Relief Trust, Karwan-e-Hayat, Al-Rehmat Benevolent Trust and Hunar Foundation. Major amount of this total donation was given in relation to the COVID-19 relief efforts of the Government.

Risk Management

The Risk Management Infrastructure of the company is based upon Enterprise Risk Management methodology/framework addressing the major risk categories

including Strategic, Operational, Compliance and Financial Reporting Risk.

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

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

Business Review

In 2020, the Company targeted to maintain its growth streak but saw a decline in its production and sales. The Company posted the revenue of Rs. 48.1 billion against Rs. 57.5 billion last year. The rolling production during the year was 424,300 tons against 584,400 tons last year. Whereas, the total saleable production was 412,000 tons as compared to 555,000 tons of last year. The profit margins remained under pressure due to the increased international steel prices coupled with the unprecedented volatility in the exchange rates and hike in the interest rates. The gross margin reduced to 8.8% from 11.2% last year because of Supreme Court decision on Gas Infrastructure Development Cess (GIDC) due to which Rs. 1,240 million of GIDC was recognized against the self-consumption out of which Rs. 224 million was additionally provided during the year. However, GIDC component of Rs. 737 million against K-Electric recognized as contingent liability. This amount is recoverable from the utility provider during the course of next 24 months. The Company posted profit before tax of Rs. 443 million and profit after tax of Rs. 495 million against profit before tax of Rs. 3,679 million and profit after tax of Rs. 2,664 million last year.

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

The increased focus with a well-marked strategy to target the export markets yielded positive results

increasing the Company's export sales by 1.3 times to Rs. 9 billion as compared to Rs. 3.97 billion of export sales last year. The export volumes have also gone up from last year's 34,700 tons to 84,250 tons.

Financials

The Company had witnessed negative growth in the current year's revenue collection of Rs. 48.1 billion, which is 16% lower than last year. The gross margins stood at Rs. 4,213 million compared with Rs. 6,449 million last year.

Administrative expenses reduced to Rs. 263 million as compared to the administrative expenses of last year of Rs. 284 million. Selling and freight expenses increased by 27%, due to increased focus and investment on exports and the marketing activities.

Other operating expenses reduced to Rs. 334 million as compared to the last year's expenses of Rs. 534 million. Financial charges increased by 80% and stood at Rs. 2,315 million mainly due to hike in the interest rates and massive depreciation of PKR against the USD, resulting in higher financing requirements.

Overall your Company is focused on improving working capital and cash flow management. However, the interest payments declined the net cash generated

from operations to Rs. 1,968 million, a decrease of Rs. 1,518 million from last year.

Earnings per share

Earnings per share for the year ended June 30, 2020 was Rs. 1.14 compared with Rs. 6.12 per share last year.

Dividend

Due to current economic conditions and business challenges the Company has decided to preserve cash in order to create more value for its shareholders and therefore not to pay any dividend for the year ended June 30, 2020.

Recommendation of the Board Audit Committee for appointment of auditor

The present external auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants were appointed since FY 2010-11. The Management and the Board of Directors are grateful for their services which will end on the conclusion of the 13th Annual General Meeting which will be held on September 29, 2020. Board of Directors and Board Audit Committee have recommended M/s A.F. Ferguson & Co., Chartered Accountants for appointment as statutory auditors for the year 2020-21 at the prevailing fees of retiring auditors.

Appropriations

	2020	2019
	Rupees in '000	
Profit after tax for the year	494,851	2,664,373
Interim Dividend (2020 Rs. Nil per share; 2019 Rs. 1.5 per share)	-	(652,500)
Final Dividend (2020 Rs. Nil per share; 2019 Rs. 1.5 per share)	-	(652,500)

Contribution to National Exchequer and the Economy

Your Company made a contribution of Rs. 9,914 million to the National Exchequer during the year by way of income tax, sales tax, custom duties and other levies.

Provident Fund & Gratuity Scheme

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

The values of the provident fund and the gratuity scheme at the year end were Rs. 194.7 million and Rs. 192.9 million.

Future Prospects

The company operates with 1,000,000 tons of commercial production capacity of cold rolling. The new Compact Cold Rolling Mill is complemented by a new continuous pickling line, additional annealing furnaces and acid regeneration facility. The expanded capacity will enable your company to recapture its market share in the local and international markets and be instrumental in imports substitution. A dedicated service center has also become operational at the

Port Qasim Area of Karachi. The strategic location of the center is aimed at increasing the Company's value proposition and service offerings.

Recognition

Your company won the Best Export Performance Award in the Iron and Steel Products category at the 41st & 42nd Annual Export Awards Ceremony of FPCCI. For the first time, ISL made it in the list of top 25 companies announced by the Pakistan Stock Exchange. Recognising the company's adherence to the corporate governance best practices, the company was awarded the Management Association of Pakistan Corporate Excellence Award for the second consecutive year.

Acknowledgement

The Board would like to thank all of their stakeholders, employees, customers, suppliers, shareholders, bankers and any others for their support and loyalty.

Such support is required to not only meet normal commercial challenges but also those posed by security issues and tough economic conditions. The confidence and goodwill of the stakeholders has allowed the Company to sustain and grow over the years.

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



Yousuf H. Mirza
Chief Executive Officer



Tawfiq H. Chinoy
Chairman

Karachi 25 August 2020

فروخت اور مال برداری کے اخراجات میں 27% اضافہ ہوا جس کی وجہ برآمدات اور مارکیٹنگ کی سرگرمیوں پر خصوصی توجہ دینے اور سرمایہ کاری کرنا تھی۔

دوسرے آپریشنل اخراجات گزشتہ سال کے 534 ملین روپے سے کم ہو کر 334 ملین روپے ہوئے۔ مالیاتی چارجز 80% اضافے کے ساتھ 2,315 ملین روپے ہوئے جس کی بڑی وجہ شرح سود میں اضافہ اور یو ایس ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں نمایاں کمی ہونا تھی جس کے نتیجے میں مالیاتی ضروریات بڑھ گئیں۔

مجموعی طور پر آپ کی کمپنی جاری سرمایہ کاری میں بہتری لانے اور نقد رقم کے بہاؤ کی مینجمنٹ پر توجہ دے رہی ہے۔ تاہم سود کی ادائیگی سے آپریشن سے خالص شدہ نقد رقم 1,518 ملین روپے کی کمی کے ساتھ 1968 ملین روپے رہی۔

آمدنی فی شیئر

سال ختم 30 جون 2020 کے لئے فی شیئر آمدنی 1.14 روپے رہی جب کہ گزشتہ سال فی شیئر آمدنی 6.12 روپے تھی۔

ڈیویڈنڈ

موجودہ معاشی صورتحال اور کاروباری مشکلات کے پیش نظر، اپنے شیئر ہولڈرز کے مفاد کو سامنے رکھتے ہوئے، کمپنی نے نقد کو محفوظ رکھنے کا فیصلہ کیا ہے اور اس وجہ سے 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کی جانب سے کوئی منافع ادا نہیں کیا جائے گا۔

آڈیٹر کے تقریر کیلئے بورڈ آف ڈائریکٹرز کی سفارشات

موجودہ ڈیویڈنڈ ممبرز KPMG Taseer Hadi & Co چارٹرڈ اکاؤنٹنٹس 2010-11 میں خدمات کے لئے مقرر کیا گیا تھا جو کہ 13 ویں AGM جو کہ 29 ستمبر 2020 کو اختتام پزیر ہو رہی ہیں۔ انتظامیہ اور بورڈ آف ڈائریکٹرز بشکریہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز اور بورڈ آف ڈائریکٹرز کی سفارشات کی روشنی میں میں میسرز A.F. Ferguson چارٹرڈ اکاؤنٹنٹس کو سال 2020-21 کے لئے آڈیٹرز کے طور پر موجودہ آڈیٹرز کے مساوی مشاعرہ پر تقریر کے لئے پیش کیا جا رہا ہے۔

تخصیص

2019	2020
000 روپے میں	
2,664,373	494,851
(652,500)	
(652,500)	

بعد از ٹیکس منافع

عبوری منافع (2020: Nil فی شیئر، 2019: 1.5 روپے فی شیئر)	
حتمی منافع (2020: Nil فی شیئر، 2019: 1.5 روپے فی شیئر)	

قومی خزانے اور معیشت میں حصہ

آپ کی کمپنی نے سال کے دوران میں قومی خزانے میں اکنٹیکس، سبزی ٹیکس، کسٹم ڈیویڈنڈ اور دیگر محصولات کی صورت میں 9,914 ملین روپے جمع کرائے۔

پراویڈنٹ فنڈ اور گریجویٹی اسکیم

کمپنی اپنے ملازمین کو ریٹائرمنٹ کے فوائد فراہم کرتی ہے۔ ان میں تمام ملازمین کے لئے، علاوہ اسٹاف، غیر شرکاتی فائدہ گریجویٹی اسکیم اور ایک شرکاتی پراویڈنٹ فنڈ شامل ہے۔ یہ دونوں پلان فنڈز پرمیٹی ہیں جو ٹیکس اتھارٹیز سے تسلیم شدہ ہیں۔

سال کے آخر پر پراویڈنٹ فنڈ اور گریجویٹی اسکیم کی رقم بالترتیب 194.7 ملین روپے اور 192.9 ملین روپے تھی۔

مستقبل کے امکانات

کمپنی اس وقت کولڈ رولنگ کی 1,000,000 ٹن کمرشل پروڈکشن کی گنجائش پر آپریٹ کر رہی ہے۔ نئی Compact Cold Rolling Mill نئی مسلسل pickling line اور آئرن ڈینے وال فرنسز اور ایڈجسٹرز جزیشن کی فیسلٹی کے ساتھ کام کر رہی ہے۔ اس توسیعی گنجائش سے آپ کی کمپنی کو مقامی اور بین الاقوامی مارکیٹس میں اپنا مارکیٹ شیئر دوبارہ حاصل کرنے میں مدد ملے گی اور یہ درآمدات میں کمی لانے میں معاون ہوگا۔ کراچی میں پورٹ قائم کرنے کے لیے ایک مخصوص سروس سٹیشن بھی کام کر رہا ہے۔ اس کی حکمت عملی پر مبنی لوکیشن کا مقصد کمپنی کی قدر کے تناسب اور پیش کردہ خدمات میں اضافہ کرنا ہے۔

کامیابی

آپ کی کمپنی نے FPCCI کی 41 ویں اور 42 ویں سالانہ ایکسپورٹ ایوارڈز کی تقریب میں آئرن اینڈ اسٹیل پروڈکٹس کی کیٹیگری میں Best Export Performance Award جیتا۔ ISL نے پہلی مرتبہ پاکستان اسٹاک ایکسچینج کی 25 ٹاپ کمپنیوں کی لسٹ میں اپنی جگہ بنالی۔ کمپنی کے کارپوریٹ گورننس کے بہترین معمولات کی پابندی کرنے پر مسلسل دوسرے سال میں Management Association of Pakistan Corporate Excellence Award کا ایوارڈ حاصل کیا۔

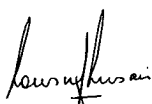
اعتراف

بورڈ اپنے تمام اسٹیک ہولڈرز، ملازمین، صارفین، سپلائرز، شیئر ہولڈرز، بینکرز اور دیگر افراد کے تعاون اور وفاداری پر ان کا شکریہ ادا کرتا ہے۔ یہ تعاون نہ صرف عام کمرشل چیلنجز سے نمٹنے بلکہ سیکورٹی کے مسائل اور سخت معاشی حالات میں بھی ضروری ہے۔ اسٹیک ہولڈرز کا اعتماد اور خلوص کمپنی کے سال بہ سال استحکام اور ترقی کا سبب ہے۔

ہم اللہ سے کمپنی کی کامیابی اور اسٹیک ہولڈرز نیز ملک کے فائدے کیلئے سدا دعا گو ہیں۔



توفیق انجم چنانے
چیئرمین



یوسف انجم
چیف ایگزیکٹو آفیسر

کراچی 25 اگست 2020

اجتماعی و ذمہ داری

کمپنی معاشرے کو تعاون فراہم کرنے پر یقین رکھتی ہے اور اس کیلئے اپنے بعد از ٹیکس منافع کا کم از کم 1.5% مختص کرنے کی پالیسی وضع کی ہے اس سال کم منافع کے باوجود کمپنی نے ہیلتھ کیئر اور تعلیم کے شعبہ جات کے مختلف اداروں کو اپنے منافع کی زیادہ شرح سے 19.2 ملین روپے عطیہ کئے ہیں۔ ان اداروں میں سٹیزن فاؤنڈیشن، آس ٹرسٹ، کراچی ریلیف ٹرسٹ، کاروان حیات، الرحمت ہسپتال ٹرسٹ اور ہنر فاؤنڈیشن شامل ہیں۔ اس عطیہ سے ایک خطیر رقم حکومت کی COVID-19 ریلیف کاوشوں کیلئے دی گئی ہے۔

رسک منجمنٹ

کمپنی کا رسک منجمنٹ انفراسٹرکچر پر انرز رسک منجمنٹ کے طریقہ کار اور فریم ورک پر مبنی ہے جو رسک کی بڑی بلیکنگ یز بشمول حکمت عملی، آپریشنل، عمل درآمد اور فنانشل رپورٹنگ رسک کے تدارک کیلئے کام کرتا ہے۔

اس کے لئے ایک معقول کنٹرول کا نظام تشکیل دیا گیا ہے جس کے بارے میں مختلف پالیسی اور طریقہ کار کی رہنما ہدایات کے ذریعہ اسٹاف کو مطلع کیا جاتا ہے جس پر طریقہ کار / کنٹرول کے ذمہ داران عمل درآمد کر دیتے ہیں اور اس کی خود جانچ کرتے ہیں۔ اس کے ساتھ ایک خود مختار اندرونی آڈٹ ڈیپارٹمنٹ ہے، جو بورڈ آڈٹ کمیٹی کو رپورٹ کرتا ہے، ان کنٹرول کے نظام اور اس پر عمل کے موثر ہونے کی جانچ اور نگرانی کرتا ہے۔

کاروبار کا جائزہ

2020 میں کمپنی نے اپنی ترقی کی ایک سطح کا ہدف مقرر کیا تھا لیکن اس کی پروڈکشن اور سائیکل میں کمی دیکھنے میں آئی۔ کمپنی کو 48.1 بلین روپے کی آمدنی حاصل ہوئی جب کہ گزشتہ سال 57.5 بلین روپے ہوئی تھی۔ سال کے دوران میں مجموعی پروڈکشن گزشتہ سال کی 584,400 ٹن کے مقابلے میں 424,300 ٹن ہوئی جب کہ کل قابل فروخت پروڈکشن 412,000 ٹن رہی جو گزشتہ سال 555,000 ٹن تھی۔ بین الاقوامی اسٹیل کی برقی ہوئی قیمتوں کے ساتھ زرمبادلہ کے ریٹس میں غیر معمولی اضافے اور شرح سود میں اضافے کے سبب منافع کا مارجن دباؤ کی حالت میں رہا۔ مجموعی مارجن گزشتہ سال کے 11.2% سے کم ہو کر 8.8% ہو گیا جس کا سبب سپریم کورٹ کے گیس انفراسٹرکچر ڈیولپمنٹ محمول کا نفاذ تھا جس کی بناء پر خود استعمال کی مد میں GIDC کے 1,240 ملین روپے رہے جس میں سے اضافی 224 ملین روپے فراہم کر دیئے گئے۔ تاہم کے الیکٹریک کے GIDC کا 737 ملین روپے کا حصہ عارضی واجبات کی مد میں ڈال دیا گیا۔ یہ رقم اگلے 24 ماہ کے عرصے میں پوٹینٹی فراہم کرنے والوں سے قابل وصولی ہے۔ کمپنی نے قبل از ٹیکس منافع 443 ملین روپے اور بعد از ٹیکس منافع 495 ملین روپے ظاہر کیا جب کہ گزشتہ سال قبل از ٹیکس منافع 3,679 ملین روپے اور بعد از ٹیکس 2,664 ملین روپے تھے۔

انسانی وسائل Compact Cold Rolling کی نئی نصب شدہ گھنائی سے موجودہ رولنگ کی گنجائش دینی ہو کر 1,000,000 ٹن ہوگی ہے لیکن طلب میں کمی اور مقامی مارکیٹ میں مجموعی سست رومی کے سبب یہ پوری طرح استعمال نہیں کی جا سکی۔ بہر حال پروڈکشن کی گنجائش میں اضافے سے کمپنی کو مقامی اور بین الاقوامی مارکیٹ میں طلب کو پورا کر کے اپنا مارکیٹ شیئر بڑھانے اور درآمدات میں تخفیف کے لحاظ سے معیشت میں مدد دینے کا موقع ملا۔

برآمدی مارکیٹس کو ہدف بنانے پر خصوصی توجہ دینے اور بہترین حکمت عملی اپنانے سے مثبت نتائج برآمد ہوئے اور کمپنی کی برآمدات تین گنا اضافے کے ساتھ 9 ارب روپے تک پہنچ گئیں جب کہ گزشتہ سال 3.97 ارب روپے کی برآمدی سائیکل ہوئی تھی۔ برآمدات کا حجم بھی گزشتہ سال کے 34,700 ٹن سے بڑھ کر 84,250 ہو گیا۔

مالیات

کمپنی کی موجودہ سال کی آمدنی میں منفی نمود کیلئے میں آئی ہل آمدنی 48.1 بلین روپے رہی جو گزشتہ سال کے مقابلے میں 16% کم ہے۔ مجموعی مارجن گزشتہ سال کے 6,449 ملین روپے کے مقابلے میں 4,213 ملین روپے رہے۔ انتظامی اخراجات کم ہو کر 263 ملین روپے ہوئے جبکہ اس کے مقابلے میں گزشتہ سال 284 ملین روپے کے انتظامی اخراجات ہوئے تھے۔

میٹرک ٹن پر مشتمل تھی۔ کمپنی نے اپنے ملک بھر میں ڈیلریٹ ورک کو مجتمع رکھنے اور ان کو فائدہ پہنچانے کا عمل جاری رکھا ہے تاہم خصوصی توجہ برآمدات کی مارکیٹس کو دریافت کرنے اور ڈیولپ کرنے پر مرکوز رہی۔

JCR-VIS کرڈٹ ریٹنگ

کمپنی کو 2019 میں JCR-VIS کرڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے 'A+/A-1' (Single A سے Plus / A-One) کی ریٹنگ ملی تھی۔ کمپنی کی درجہ بندی 'مستحکم' کے طور پر کی گئی۔

توانائی کے انتظامات

کمپنی کا 19 MW کا پاور پلانٹ تسلی بخش طور پر کام کر رہا ہے جو ہمارے معمولات کے مطابق ہے، ہم کے الیکٹریک کو مسلسل اضافی توانائی فراہم کر رہے ہیں۔

صحت، تحفظ اور ماحولیات

کمپنی یقین ہے کہ پائیدار HSE کارکردگی کے حصول کیلئے صحت، تحفظ اور ماحولیات کے معیارات کو بہتر بہتر بنانا ضروری ہے اور وہ اس پر کاربند ہے۔ پورے ادارے میں Process Safety & Behavior پر مبنی تحفظ کو کمپنی کی ادارتی اکیٹم کے ساتھ جڑ سے HSE منجمنٹ سسٹم کے ذریعہ یقینی بنایا جاتا ہے اور کمپنی اعلیٰ ترین لیول کے حصول اور استحکام پر مرکوز مسلسل بہتری کیلئے کوشاں ہے۔

کمپنی رویوں پر مبنی تحفظ سے متعلق تربیت اور آگہی کے سیشنز کا اہتمام کرتی ہے اور اپنے لوگوں، صارفین اور کنٹریکٹرز کیلئے محفوظ کام کا ماحول تشکیل دیتی ہے۔

آپ کی کمپنی نے COVID-19 سے مقابلے کیلئے فوری طور پر معیاری آپریٹنگ طریقہ کار (SOPs) نافذ کیا۔ COVID-19 کے دوران میں کمپنی کے آپریٹنگ SOPs کی سختی سے پابندی کے ساتھ جاری رہے۔ 177 اسٹاف ممبرز میں COVID-19 کی علامات ظاہر ہوئیں اور ان کا ٹیسٹ کیا گیا جن میں سے 25 کے مثبت نتائج آئے۔ کمپنی نے ان کو مکمل طبی اور مالیاتی مدد فراہم کی اور وہ مکمل طور پر بحال ہو گئے۔

خصوصی سبھی پروگرام، ماحولیاتی معیارات اور مضبوط اور واضح رہنمائی کے نتیجے میں ایک اور سال ناکسی بڑے حادثہ کے گزر گیا۔ آپ کی کمپنی قومی ماحولیاتی اعلیٰ معیارات بشمول فضائی آلودگی، شور، پینے کے قابل پانی اور صنعتی فضلے کیلئے بہترین طریقہ عمل اختیار کرتی ہے۔

انسانی وسائل

کمپنی نے غیر جانبداری اور شفافیت کی ترویج سے صنعتی امن اور پورے ادارے میں تمام ملازمین کیلئے مثبت اور موافق کام کا ماحول برقرار رکھا ہے۔ کمپنی ہر سطح پر اپنے عملے کی ترقی، فعال طور پر صلاحیتیں بھانسنے اور کاروبار کے تسلسل کے لئے باصلاحیت افراد کو اپنے ساتھ رکھنے کیلئے کوششیں جاری رکھے ہوئے ہے۔ ملازمین کی مصروفیت کے لئے زبردست پالیسی اور طریقہ کار طے کئے گئے ہیں۔ ملازمین کو صحت مند طرز زندگی اختیار کرنے کی ترغیب کیلئے ایک اسٹیٹ آف دی آرٹ جمنازیم قائم کیا گیا ہے۔ کمپنی نے ایک مربوط کامیابی کا منصوبہ بنایا ہے جس میں کارکردگی کی جانچ اور مستقبل کے ممکنہ قائدین کی ڈیولپمنٹ کیلئے درکار مناسب تربیت کا انتظام کیا گیا ہے۔ کمپنی ملازمین کی صلاحیتوں کو بھانسنے کیلئے بین الاقوامی مواقع کے ساتھ ساتھ باوقار اداروں جیسے IBA، LUMS، ICAP اور منجمنٹ ایسوسی ایشن آف پاکستان میں تربیت کے مواقع فراہم کرتی ہے۔

کمپنی 692 قابل افراد کی خدمات کے ساتھ کامیابی کے ساتھ اپنا کاروباری عمل جاری رکھے ہوئے ہے۔ اس سال COVID-19 کے بحران کے ساتھ ساتھ کم حوصلہ افزا مالیاتی نتائج کے باوجود کمپنی نے اپنے کسی ملازم کو ملازمت سے فارغ نہیں کیا۔

ڈائریکٹرز کی رپورٹ

انٹرنیشنل اسٹیلز لمیٹڈ کے ڈائریکٹرز 13 ویں سالانہ رپورٹ مع آڈٹ شدہ مالیاتی اسٹیٹمنٹس برائے سال منتهی 30 جون 2020 پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

بورڈ کی تشکیل اور مشاہرت

بورڈ کی تشکیل اور بورڈ کی سب کمیٹی کے ممبران کے نام صفحہ نمبر 64 اور 76 پر موجود ہیں۔ کمپنی کے ڈائریکٹرز کے مشاہرت کمپنیز ایکٹ 2017 اور سیکورٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے مطابق اور کمپنی میں موجود رکنی اور شفاف طریقہ کار کے تحت کیے جاتے ہیں۔

بورڈ مینٹنگ میں شرکت کے لیے ڈائریکٹرز اور چیف ایگزیکٹو کے لیے مختص شدہ ڈائریکٹرز فیس اور مشاہرت کے تفصیلات کے لیے صفحہ نمبر 147 ملاحظہ کیجئے۔

(نوٹ نمبر 32 معالیاتی اسٹیٹمنٹ)

عالمی اسٹیل کا منظر نامہ

سال کے دوران میں خام اسٹیل کی پروڈکشن 2% کی معمولی کمی کے ساتھ 1.8 بلین میٹرک ٹن ہو گئی جب کہ گزشتہ سال 1.83 بلین میٹرک ٹن ہوئی تھی۔ چین حسب معمول عالمی اسٹیل مارکیٹ پر چھایا رہا اور 2019 میں اس کی شیئر کی 53% عالمی آؤٹ پٹ 2020 میں بڑھ کر 56% ہو گئی۔

مالی سال 2020 کی آخری سہ ماہی میں نئے وائرس COVID-19 پھوٹ پڑنے سے دنیا بھر میں تقریباً تمام صنعتیں اور شعبہ جات متاثر ہوئے ان میں دو شعبہ جات یعنی مینوفیکچرنگ اور ٹریڈ اور سروس سب سے زیادہ متاثر ہوئے۔ اسٹیل پیدا کرنے والے بڑے ممالک پہلے ہی اپنے حفاظتی اقدامات کے ساتھ کام کر رہے تھے۔ ان میں یونائیٹڈ اسٹیٹس سب سے آگے ہے جس نے پوری دنیا سے اسٹیل کی درآمدات پر 25% ڈیوٹی جاری رکھی ہے۔ عالمی اسٹیل پروڈکشن میں چین کے باوجود چین کی اسٹیل پروڈکشن 3.4% اضافے کے ساتھ پہلی بار ایک بلین میٹرک ٹن سے بھی بڑھ گئی۔ چین کی بڑھتی ہوئی پروڈکشن کی وجہ سے اس کے گنجانے میں تبدیلی تھی اگرچہ مالی سال 2020 میں گزشتہ سال کے مقابلے میں اس کی رفتار میں سست روی کا شکار ہوئی۔ سیکل اسٹیٹس کے شعبہ اور انفراسٹرکچر میں اضافے سے اسٹیل پروڈکشن کے استعمال میں مجموعی طور پر اضافہ ہوا۔ تاہم نئے کورونا وائرس سے دسمبر 2019 سے چین کی اسٹیل کی طلب متاثر ہوئی۔

مالی سال 2020 میں EU اسٹیل کی طلب میں 5.6% کمی ہوئی جس کی وجہ مینوفیکچرنگ میں کساد بازاری کی موجودگی برقرار تھی۔ یو ایس کو بھی COVID-19 کی وجہ سے مینوفیکچرنگ میں تیزی سے کساد بازاری کا امکان ہے۔ بڑھتی ہوئی بے روزگاری، کم آمدنی اور عدم اعتماد کی صورتحال نے رہائشی تعمیراتی کاموں کو بری طرح متاثر کیا ہے جس سے اسٹیل کی طلب پر مزید نقصان دہ اثرات مرتب ہوں گے۔

ترقی پذیر معیشتوں کیلئے COVID-19 کا مقابلہ کرنے کیلئے وسائل کی کمی کے سبب خود کو بحال کرنے اور معمول کی سطح تک لانا زیادہ مشکل ہے۔ معیشت کو سہارا دینے کیلئے محدود مالیاتی گنجائش، اشیائے ضرورت کی قیمتوں میں کمی، سرمائے کی نایابی اور کرنسی کی قدر میں کمی کے باعث بعض ترقی پذیر ممالک میں اسٹیل کی طلب اتنی زیادہ کم ہو گئی ہے جتنی ترقی یافتہ معیشت میں ہوتی ہے۔

پاکستان کی معیشت

مالی سال 2020 میں کاروباری ماحول عموماً ناموافق رہا۔ مالی سال کے پہلے نصف حصے میں افراط زر کے دباؤ، زیادہ پالیسی ریس کے سبب قوت خرید میں کمی اور مالیاتی اصلاحات کے سلسلے میں سادگی کے اقدامات کے باعث معاشی سرگرمیوں میں رکاوٹ نے نقصان پہنچایا بڑے پیمانے کی مینوفیکچرنگ میں گزشتہ سال کے مقابلے میں 10.2% کمی ہوئی جس کے نتیجے میں معیشت کے تمام شعبہ جات میں کاروباری سرگرمیاں سست کر رہ گئیں۔ اس صورتحال کو COVID-19 کی دبانے مزید خراب کر دیا۔ مکمل لاک

ڈاؤن نے پوری معیشت کو سست کر دیا اور دنیا بھر میں اسی لاک ڈاؤن کے باعث بین الاقوامی تجارت، سفر اور کاروباری سرگرمیاں نمایاں طور پر کم ہو گئیں۔

پاکستان نے اپنی لاک ڈاؤن کی حکمت عملی کے ذریعہ COVID-19 کے تباہ کن اثرات پر کافی حد تک قابو پایا۔ اسٹیٹ بینک آف پاکستان (SBP) نے بحران سے مقابلے کے لئے مارچ 2020 سے شرح سود میں مجموعی طور پر 625 basis points کم کر کے 7.0 فیصد کر دیا۔ تاہم سال کے زیادہ حصے میں ریٹ 13.25% تک بلند رہا۔

GDP کی نمو کی شرح منفی میں 0.4% تک پہنچ گئی۔ مالی سال 2020 کے دوران میں زرمبادلہ کے ریس میں مزید 2.6% کمی آگئی جو پہلے ہی مالی سال 2018-19 کے دوران میں مجموعی طور پر 34% کم ہو گئے تھے۔ مالی سال 2020 کے جولائی۔ اپریل میں افراط زر 11.22% ریکارڈ ہوا جس کے مقابلے میں گزشتہ سال اسی مدت میں 6.51% تھا۔ جو جنوری 2020 میں 14.6% تک بڑھ گیا تھا لیکن اپریل 2020 میں 8.5% تک گر گیا۔ تاہم حکومت کی میکرو اکنامک اصلاحات سے کچھ مثبت نتائج بھی سامنے آئے ہیں، خاص طور پر کرنٹ اکاؤنٹ کے خسارے میں جو گزشتہ سال کے \$13.43 بلین سے 77.9% کمی کے ساتھ مالی سال جولائی۔ جون 2020 میں \$2.97 بلین تک آ گیا، جو گزشتہ سال کے دوران میں GDP کے 4.8% کے مقابلے میں GDP کے 1.1% کے مساوی ہے۔ تریبل زر میں بھی اضافہ ہوا جس سے غیر ملکی زرمبادلہ کے ذخائر کو سپورٹ حاصل ہوئی۔

ملک میں آٹوموبائل پروڈکشن کے شعبہ میں اسٹیل کی طلب کے سلسلے میں مزید 36.5% کمی آنے کے ساتھ بین الاقوامی معیشت میں بھی پانچ رہی۔ اس کے ساتھ ساتھ ترقیاتی اخراجات میں کٹوتی اور معاشی سرگرمیوں میں عمومی سست روی کے علاوہ COVID-19 کے پھیلاؤ سے آؤٹ اور اسٹیل کی طلب میں نمایاں کمی آئی جس کی وجہ سے مقامی اسٹیل کی صنعت کو اپنی پیداوار کم کرنی پڑی۔ ان تمام عوامل کی وجہ سے آؤٹ اور اسٹیل کی صنعت 8% منفی نمو کمی کا شکار ہو گئی۔ بہر حال COVID-19 کی عالمی وبا سے اسٹیل کی صنعت کو چند قلیل المدت چیلنجز کا سامنا ہے۔ ملک میں تیزی سے بحالی اس بات کا اشارہ ہے کہ صنعت اس طوفان کا جرات مندی سے سامنا کرنے کے قابل ہے۔

مینوفیکچرنگ آپریشنز

موجودہ سال کی پروڈکشن 412,000 ٹن تھی، جو گزشتہ سال کے مقابلے میں 26% کم تھی۔ قلت کی وجہ مانگ میں کمی، سروسوں کے مینے میں گیس کی قلت اور COVID-19 کے سبب پیداوار میں معطلی تھی۔

سیلز

مقامی طور پر طلب کی کمی کے ازالے کیلئے آپ کی کمپنی نے پرزور مارکیٹ ڈیولپمنٹ سرگرمیوں کا آغاز کر دیا اور عالمی سماجی معاشی حالات کی بحالی اور واپس اپنی سپلائرز کے خلاف بڑھتے ہوئے سختیوں کے سبب عالمی تجارت کے بدلتے ہوئے رجحانات کے پیش نظر، ان چھوٹے اور ابھرتے ہوئے مواقع پر توجہ مرکوز رکھی۔ اس کے نتیجے میں کمپنی گزشتہ سال کے مقابلے میں 1.3 گنا زیادہ برآمدی سیلز حاصل کرنے میں کامیاب ہوئی۔ تاہم مجموعی سیلز گزشتہ سال کی 57.5 بلین روپے کی سیلز سے 16% کمی کے ساتھ 48.1 بلین روپے ہوئی۔

زرمبادلہ کی شرح میں اتار چڑھاؤ اور بین الاقوامی اسٹیل کی قیمتوں میں کمی پیشی سے مجموعی مارجن دباؤ کی حالت میں رہے۔ سال میں مالیاتی لاگت میں تیزی سے اضافہ ہوا جس کی بڑی وجہ سال کے ابتدائی 9 ماہ میں انتہائی زیادہ شرح سود تھی۔

معاشی سست روی اور COVID-19 کی وبا کے زبرا، کمپنی کی مجموعی سیلز کے حجم میں کمی ہوئی خاص طور پر گلوبلائزیشن کی سیلز 23% تک کم ہوئی جبکہ کولڈ رولڈ پروڈکشن کی سیلز کا حجم 17% کم رہا۔ ہماری اہم پروڈکشن کی مجموعی سیلز 418,000 میٹرک ٹن رہی جو گلوبلائزیشن کی 237,500 میٹرک ٹن اور کولڈ رولڈ پروڈکشن کی 180,500



CREATING COLLABORATIONS

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

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





CREATING CONSCIOUSNESS

SUSTAINABILITY REPORT 2020



Our Relationship with the Society and Community

As a leading flat steel manufacturer of the country, ISL strives to contribute in the society's development. Steel serves as an indispensable raw material for numerous things in everyday life, and developing societies face increasing demand for steel. Through providing this ever essential material, we enable development of the country.

The ever evolving social landscape creates new, sometimes unpredictable challenges, the most recent one that has affected multiple societies across the globe is the COVID 19 Pandemic. Causing widespread suspension of socioeconomic activities, the pandemic has created a global health emergency, resulting in mass illnesses and fatalities in many countries. Nearly the entire world is struggling to contain the spread of this virus, and at the same time, many countries are easing lockdown to revive the economy to avert risk of increasing poverty and malnutrition. Amid this period of global slowdown and uncertainty, protectionism is also increasing in global markets, further exacerbating economic challenges for developing countries. Ensuring a better tomorrow requires foresight and tangible actions to address these issues today.

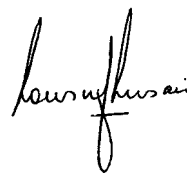
Cognizant of the importance of business continuity and profitability to our ability in remaining sustainable, we took various precautions to ensure safety of our people and compliance with government and WHO advisories, and were able to resume operations at the first available opportunity. Efficiency and competitiveness is essential in remaining operational in an environment of increasing competition, and growing protectionism and shutdown in the global market.

The company benchmarks itself against global quality standards and best practices to ensure that our products and services remain competitive and ecofriendly. The company remains committed to reduce its dependency on harmful materials, being driven by the clean, lean and green approach. The company embraces environment friendly practices, reducing waste and reusing resources as frequently as possible. The company undertakes various environment conservation initiatives to preserve essential natural resources such as water

and air, thereby ensuring sustainability of life, both above and below land.

ISL's over 700 people strong workforce is driven by the company's core values and principles, who work tirelessly to create a safe workplace for their peers and maximize value for the various stakeholders of the company. Over the years, we have consistently embraced management best practices and adopted policies that ensure a fair and competitive workplace, free from discrimination and biases of any nature. Our people remain committed towards playing an active role for society's benefit in causes we hold close to our hearts.

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



Yousuf H. Mirza
Chief Executive Officer

25 August 2020

10 UN GC Principles

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



Human Rights

Principle 1
Businesses should **support and respect the protection of internationally proclaimed human rights;**

Principle 2
make sure that they are not **complicit in human rights abuses.**



Labor

Principle 3
Businesses should **uphold the freedom of association and the effective recognition of the right to collective bargaining;**

Principle 4
the elimination of **all forms of forced and compulsory labor;**

Principle 5
the effective abolition of child labor; and

Principle 6
the elimination of **discrimination** in respect of **employment** and occupation.



Environment

Principle 7
Businesses should **support** a precautionary approach to **environmental challenges;**

Principle 8
undertake initiatives to promote **greater environmental responsibility; and**

Principle 9
encourage the development and diffusion of **environmentally friendly technologies.**



Anti-Corruption

Principle 10
Businesses should work against **corruption in all its forms**, including **extortion and bribery.**

Who We Serve? Our Stakeholders

Shareholders

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



Employees

Provide employment opportunities to a wide spectrum of people with skills and competencies. Practice diversity and inclusion without exception and maintain practices that upholds employee welfare, wellbeing and zero tolerance for sexual harassment and misconduct.



Customers

Provide world class products at fair and transparent prices to customers, enable downstream industries to flourish with easy access to an essential raw material. Develop products to serve the various industrial segments of the country.



Government

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



Society

Promote welfare for society through real value creation, address the major human development issues of the society. Support corporate and social entities, in promoting social development goals and areas that are traditionally overlooked.



Stakeholders Communication

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

External Associations

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

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



CREATING IMPACT

For ISL, winning is all about creating an impact that matters. This drives the company to actively support various social, educational and healthcare related initiatives in the country. The company partakes in various social activities to promote wellbeing and welfare to society. Every year, ISL allocates atleast 1.5% of after tax profit for social uplift and charitable causes.



Employees

ISL strives to contribute to society's development by creating employment opportunities, enabling skill development and on the job training and promoting employees' wellbeing by providing a safe and comfortable work environment.

In a constantly evolving and highly competitive business environment, the biggest competitive advantage of any company is its human capital. Our Human Resources Department (HRD) works on implementing HR Related policies to ensure that our business objectives are met on a continuous basis, and at the same time, the employees are provided career and self-development opportunities that enable them to evolve in high performance workers, who deliver the values and vision of the company.

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



Orientation and Induction

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

and operations of the company. This enables them to perform their job roles with full fervor and enthusiasm, thereby, improving their capacity to deliver their targets.

Wellbeing

ISL positions physical and mental health management as the foundation of work-life management, and encourages employees to work efficiently to create sufficient time for their private lives. The aim is to promote a work style that allows employees to maintain and enhance their health while being highly productive. There are frequent activities in place to provide entertainment and means of recreations to employees at the company.



GYM

ISL promotes physical wellbeing of its employees and has established a fully furnished State of the art GYM at ISL facility where all team members can avail facilities.

Cycling Event

In order to promote healthy life choices among employees, the company conducted a Cycling event that was attended by employees with their families.

Coping with the New Normal

In view of lockdown and the impact it has on social lives, the company organized an event Titled Coping with lockdown. The session, conducted by Dr. Tahir Barlas, highlighted the importance of staying positive during the lockdown and suggested activities to enhance morale.

Diversity and Inclusion

ISL is an equal opportunity employer that believes in

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

Training and Development

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



Gender Equality

Being a large scale industrial manufacturer, located in suburbs of the city, it is difficult to attract and retain women, which is further exacerbated by the limited access of public transportation for women and the governmental timing restriction of female-based factory workers. Notwithstanding the challenges, ISL has steadily promoted diversity, with a drastic increase in female headcount, from none in the early days to the present head count of 13, including senior management. These team members serve in diverse functions ranging from Finance, Marketing, supply chain and production.

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

Compensation and Benefits

Our compensation includes provident and gratuity funds in addition to our comprehensive health plan, life insurance, mobile phone, transport and fuel allowances.

We also ensure that our employment terms include generous leave allowances, flexible timings and other benefits including both retirement benefits of provident fund and gratuity.

ISL benchmarks its compensation plans with comparative companies and periodically carry out salary surveys.

ISL believes in the fair compensation of our contract workers. The company presently employs approximately contract workers who receive minimum wages, medical registration and insurance. Furthermore, they are eligible for the Workers Profit Participation Fund. This highlights the fact that our responsibility lies equally for all our stakeholders.

Employee Survey



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

The 7th EFP Awards for Best HR Practices

ISL participated and won first place in the Annual Employers Federation of Pakistan competition for best HR practices for the year 2018. This event highlights best practices in the areas of Corporate & General Management, HR Management, OSH&E, Skill Enhancement, Compliances and Sustainable Development.

Safety Record

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

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

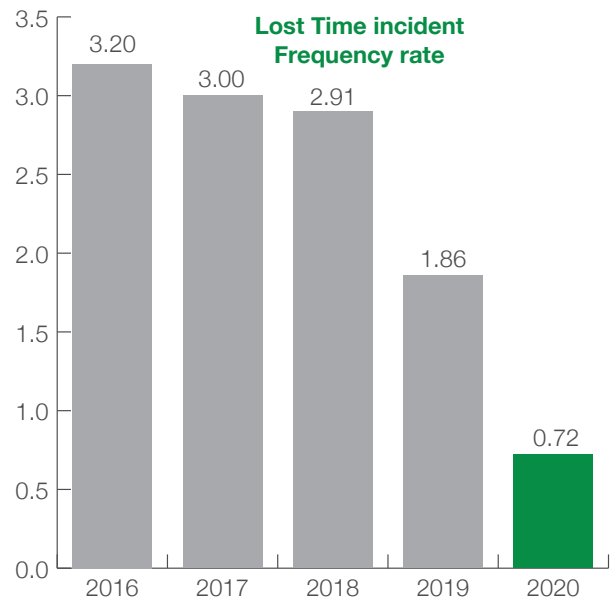
Through this program, we have set reporting parameters that minimize the impact of behaviors that could lead to unfavorable events. Our HSE program also enhances the sense of responsibility for keeping the workplace safe and with minimal or no hazards. For example, the team has created signage that includes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

During the year, the Covid 19 Pandemic impacted the country. In a proactive approach, the company followed all government SOPs and regulations and took precautionary measures proactively. Whilst the initial lockdown phase saw suspension of activities, upon gradual resumption, care was taken to provide for a safe and hygienic workplace. All Company facilities were disinfected frequently as per the norms and standards set by the WHO and government. Entry points of every company facility were equipped with disinfection booth, where every visitor must pass through before entering the premises. Temperature of every visitor was recorded and hand sanitizers' availability was ensured across the company.

Personal Safety

In view of the situation created by the COVID 19 Pandemic, employees were given a rotation plan and not more than 50% attendance was ensured. This was done in view of social distancing norms that would prevent any person to person infection all meetings were conducted online to adhere to the SOP of social distancing.

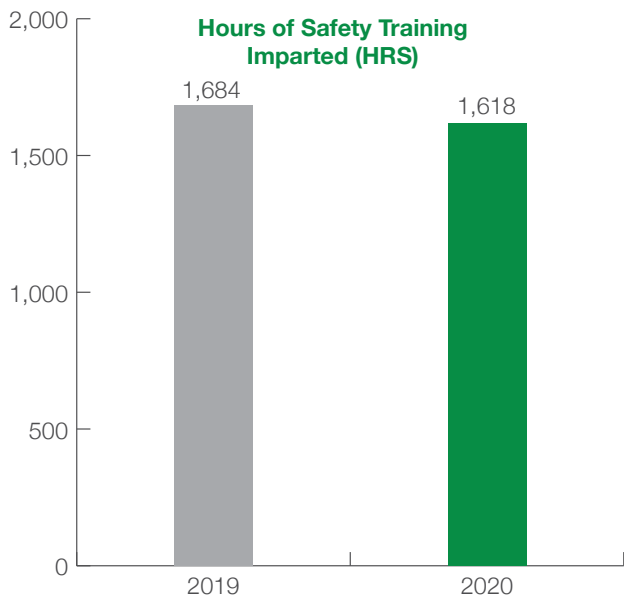
As a part of daily routine work, ISL employees are required to embrace safety as a mindset. Personal protective equipment relevant to the job nature are required to be worn before starwork. These range from safety gloves, safety goggles and ear protectors. Furthermore, people are required to walk along



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

Safety Awareness

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



Fire Drills

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

Logistic Safety Measures

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

Customers

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

Customer Knowledge

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

Value Added Services

Besides providing full width coils to customers, ISL offers various services such as Cut to length, Slitting and various profiles depending upon customer's need. Such services render the product in a more usable form, thereby improving value proposition for the customers.

In view of increasing demand, the company has established a fully equipped service center, in close proximity to various industries that will enable superior service deliverability. Besides providing value added services, the service center will enhance ISL's customer experience, providing customers with reduced turnaround time from source to production.

Transparency in Pricing

Our organizations support price transparency by providing a single yet comprehensive country price list that is shared with all our customers. The company prices its products competitively, in view of prevailing global steel prices. Furthermore, all our customers have access to our regional offices throughout the country to ensure timely feedback for any purchase follow up or concerns.

After Sales Support

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



Shareholders

ISL aspires to be a model corporate citizens, by upholding and creating value for our shareholders. In order to ensure fair returns to our shareholders, our teams work hard to ensure maximum value is generated for our shareholders.

The below table illustrates our ten-year record of our dividend payouts and our profits after tax.

Quarterly and Annual reports

The company prepares and disseminates periodic performance reports in compliance with the law. These reports provide an accurate and detailed insight into company's performance, the challenges and the outlook for the future.

Board of Directors

During the period, the company elected new Directors to the company board, upon completion of the term of the current Directors. The company thanks the

outgoing directors for their contribution to the company and welcomes the new directors to the Board. Like their predecessors, the new board members are distinguished professionals and come from a diverse background, which will enable them to set a strategic direction for the company that will maximize value for the shareholders.

PSX Top 25 Companies Awards

The company was nominated and received the PSX top 25 Share award. The award, conferred by the Honorable Prime Minister of Pakistan, His Excellence Mr. Imran Khan, depicts our commitment to maximize shareholder return and to create value at the grassroots.





CREATING EFFICIENCY

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



Community

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

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

Policy	Donation
Donation Policy	ISL donates atleast 1.5 % of its profits (after tax and dividend income), towards social uplift and community welfare activities every year.
Total Amount of Donations in FY 2019-20	Rs. 19.2 Million

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

The Amir Sultan Chinoy Foundation

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

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

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

Education

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

• The Citizen Foundation (TCF) Rahbar Mentorship Program

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

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

• Vocational Training

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

• Amphitheatre at the IBA main campus

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

Environmental Responsibility

ISL is conscious of the ways our business activities can potentially impact the environment. Recognizing access to water and basic resources as a fundamental human right, the company takes various measures to reduce its impact on the environment. As Pakistan faces energy and clean water scarcity issues, we believe that our most direct and visible impacts come from our environmental efficiencies.

Although our raw materials, steel and zinc does not have a direct impact on environment, we believe in minimizing impact to the environment as a result of our operations. Most of the technologies and equipment in our operations are environmentally efficient and compliant with international and national norms. Environmental aspects are taken into consideration by us and included in all our project costing and purchase process. Furthermore, all future investments are preceded by an environmental impact assessment.

Driven by the Clean, Lean and Green Approach, ISL strives to continuously adopt environment-friendly practices during its manufacturing processes.

While embracing sustainable technologies, ISL strives to

minimize its environmental impact through effective resource utilization, waste reduction and recycling of resources, as frequently as possible.

• **Effluent and Sewage Water Treatment**

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

• **Emission Control**

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

• **Waste Heat Utilization:**

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

• **In-house Co-Generation Power Plant:**

ISL has installed a natural gas burning power plant with 6 generators that creates 19 Mega Watt of power by co-generation, meeting the needs of ISL's steel complex and supplying surplus electricity to the Grid.

• **Acid Regeneration Plant (ARP)**

The pickling line utilizes a large amount of Hydrochloric acid to remove surface impurities from hot rolled coils. Direct disposal of the contaminated acid poses threat to the environment, therefore ISL's Acid Regeneration Plant (ARP) recycles and reconditions Hydrochloric acid from the pickling line, making 98% of the acid reusable.

Environment Conservation and Awareness

WWF Plantation & Beach Cleaning Activity

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

“Take a Pledge for Environment” Activity at CAP Family Carnival

ISL supports social engagement initiatives, such as Citizen's Archive Pakistan (CAP), whose core projects include cultural and educational programming for low-income communities in. ISL supported the Citizen Family Carnival 2020 at Beach

Luxury Hotel. The activity had two goals, the educating the public on adopting environmental-friendly practices and taking initiatives to preserve ecosystems by taking simple and effective steps.

Healthcare

Health is the basic foundation of all life. As a responsible corporate citizen, we recognize that there are limitations for underprivileged members of society and their reach to quality healthcare. Our donation policy supports the provision of health care in areas of need and the funding healthcare institutions.

Permanent Endowment Fund

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

Health Clinic in Landhi, Karachi

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

Sponsoring ASB – Architects and Builders Sourcebook 20

ISL continued to support the Architect community by sponsoring the 2020 edition of the Architects and Builders Sourcebook. A leading directory for construction materials and solutions in Pakistan, the publication is widely used by Architects and industry professionals across the country. Besides promoting ISL's products the guidebook also creates awareness regarding environmentally sustainable building materials.



CORPORATE GOVERNANCE



Board of Directors' Profile

Mr. Towfiq H. Chinoy

Chairman Since: September 25, 2019

Director Since: September 3, 2007

Towfiq H. Chinoy was Managing Director of International Industries Limited (IIL) for 37 years until 2011. He was founding Managing Director of International Steels Limited (ISL) and served for 8 years until 2015.

Towfiq Chinoy is serving as Chairman of ISL's board and as Advisor to IIL. Currently, he is also the non-executive Chairman of Packages Limited a Director of Standard Chartered Bank (Pakistan) Limited. and of National Foods Limited. He is also a Trustee of the Mohatta Palace Gallery Trust and Habib University Foundation.

Amongst the positions he has previously held are Chairman of the Board of Governors at Indus Valley School of Art & Architecture for two terms, Chairman of Jubilee General Insurance Company Ltd for 23 years, Chairman of Pakistan Cables Ltd for 14 years and Chairman of PICIC Commercial Bank Ltd for 3 years. He has also been a Director of National Refinery Ltd., Linde Pakistan Ltd, Jubilee Life Insurance Co. Ltd and the Pakistan Centre for Philanthropy.

Towfiq Chinoy has also served on the Advisory Boards of the Ministry of Communications, Engineering Development Board and Port Qasim Authority – Government of Pakistan and has been a Vice-Chairman of the Pakistan Business Council.

Mr. Yousuf H. Mirza

Chief Executive Officer Since: August 14, 2015

Mr. Yousuf Husain Mirza was appointed as the Chief Executive Officer w.e.f. August 14, 2015. Before appointment as CEO, he was the Chief Operating Officer of International Steels Limited since August 2013. Prior to joining ISL, he served as Managing Director of Linde Pakistan Limited, and served in various senior management assignments with group subsidiaries in the Philippines, Malaysia and south east Asia for over ten years.

He has a graduate degree in Mechanical Engineering from NED University of Technology and also has an MBA from the Institute of Business Administration Karachi.

He has also attended management development programs at Said Business School, University of Oxford, INSEAD and at NanYang Technological University, Singapore. Currently he is Director of IIL Americas Inc., German Pakistan Chamber of Commerce & Industry and Employers Federation of Pakistan.

Dr. Amjad Waheed, CFA

Director Since: September 25, 2019

Dr. Amjad Waheed holds a Doctorate in Business Administration with a major in Investments and Finance from Southern Illinois University, USA and is also a Chartered Financial Analyst (CFA). Since the last fourteen years, he is CEO of NBP Fund Management Limited (NBP Funds), which is a subsidiary of National Bank of Pakistan, with Baltoro Growth Fund as the other joint venture partner. NBP Funds is presently managing several mutual and pension funds, and portfolios. Total assets under management of NBP Funds are presently over Rs. 138 billion. NBP Funds is one of the highest rated Asset Management Company in Pakistan.

Before joining NBP Funds, Dr. Amjad was Head of Equity Mutual Funds & Portfolios at Riyadh Bank, Saudi Arabia, for about five years where he was managing USD 7.5 billion invested in 22 mutual funds. Prior to that he was Head of Investments at NIT, and Chief Operation Officer of FC-ABN AMRO Equities for several years. Before moving back to Pakistan, Dr. Amjad Waheed was Assistant Professor of Finance at Tennessee State University, USA and he has published several articles in top journals of the world such as Journal of Banking & Finance and Financial Management.

Dr. Amjad Waheed has served on the boards of various companies including Siemens (Pakistan) Engineering Co. Ltd., Nishat Mills Ltd., PICIC, Askari Bank Ltd., Millat Tractors Ltd., Fauji Fertilizer Company Ltd., Pakistan Tobacco Company Ltd., Parke-Davis & Company Ltd., Treet Corporation Ltd., Atlas Investment Bank Ltd., Bata Pakistan Ltd. He has also served as Chairman, Mutual Fund Association of Pakistan. Dr. Amjad Waheed is presently serving on the boards of Bank Islami Pakistan Limited., Mehran Sugar Mills Limited., Gul Ahmed Textile Mills Limited., Mutual Fund Association of Pakistan (MUFAP) and Institute of Financial Markets of Pakistan (IFMP).

Dr. Amjad Waheed is a certified director from Pakistan Institute of Corporate Governance (PICG).

Fuad Azim Hashimi

Director Since: September 25, 2019

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 (CERB). The mission of CERB is to bring about a change in mind-sets of business and industry leaders towards long-term sustainable value creation.

Through leadership of the Pakistan Institute of Corporate Governance from 2007 until 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.

His career over the earlier 43 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.

Mr. Kamal A. Chinoy

Director Since: September 3, 2007

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

Director Since: April 14, 2020

Mr. Koji Fukushima is presently the General Manager of International Steel Sheet & Slab Business Department of Sumitomo Corporation, Tokyo Japan and has 30 years of diversified experience in working in Metal Product Business Divisions including international trading of steel sheet & strip and management in Steel Service Centers. He has also held international experience for working with CS Metal Co. Ltd., Thailand and Saigon Steel Services & Processing Corp. Ltd., Vietnam.

Ms. Nausheen Ahmad

Director Since: September 25, 2019

Nausheen Ahmad oversees the Legal, Company Secretariat and Corporate Communications functions of ICI Pakistan Limited. Having spent over three decades in the corporate sector, Nausheen brings with her a tremendous amount of experience and expertise in the legal field, as well as proven leadership skills. She held the position of Legal Counsel at Pakistan Petroleum Ltd, Unilever Pakistan Ltd, and ICI Pakistan Ltd, before moving onto HBL. Nausheen spent 12 years at HBL as the Company Secretary and Head of Legal. She then returned to ICI Pakistan in July 2018.

Nausheen has an LLM degree from the University of London, an LLB from Kings College London, and a degree in the Philosophy of Religion from Kings College London. She was called to the Bar from the Honourable Society of Grays Inn London and is registered as an Advocate of the Sindh High Court. Nausheen was also

accredited as a mediator and master trainer by the Centre for Effective Dispute Resolution, UK.

Throughout her professional career, Nausheen has held several leadership positions. She served on the Board of First Women Bank Limited (FWBL) as Non-Executive Director. Nausheen presently serves as Director on the Board of Meezan Bank Limited and is also a member of Meezan Human Resources Committee.

With her strong interest in Corporate Governance and Training, Nausheen has been undertaking Directors Certification trainings with Pakistan Institute of Corporate Governance (PICG), the Institute of Business Administration (IBA) and the Institute of Business Management (IoBM) formerly CBM.

Mr. Nihal Cassim

Director Since: September 25, 2019

Nihal Cassim is the Chief Executive of Ubiquity Trading Limited (previously Safeway Fund Limited), a former Asset Management Company that managed two equity funds listed on the PSX. Before taking up this position, he was engaged in his own corporate finance practice in Pakistan and concluded various assignments including advisory services to the sellers of Crescent Leasing and certain sellers of PICIC including NIT. In Canada, Nihal was Vice-President and Head of small-cap Investment Banking for First Associates' (now Blackmont Capital, a CI Financial Company) where he conducted several transactions in M&A, equity financing and corporate finance advisory. Prior to this, Nihal was responsible for the corporate development of TVX Gold Inc. and was involved in its \$4 billion merger with Kinross Gold. He began his investment banking career at HSBC Securities, Canada.

Nihal is an MBA (Finance & MIS) from McGill University. He is currently a Director on the Boards and Audit Committees of Ubiquity Trading Limited (Formerly Safeway Fund Limited), Ferozsons Laboratories Limited, The Organic Meat Company Limited and National Institutional Facilitation Technologies (Pvt) Limited (NIFT) and its subsidiary ISM (Pvt) Limited. Nihal has served two terms as a director on the Board of Mutual Funds

Association of Pakistan. He takes particular interest in facilitating the development of the capital market and the protection of minority shareholders through improvements to the regulatory framework.

Nihal's current focus is aimed at philanthropic activities both as a donor and as a project participant.

Mr. Mustapha A. Chinoy

Director Since: August 15, 2018

Mr. Mustapha A. Chinoy is a B.Sc. in Economics from Wharton School of Finance, University of Pennsylvania, USA with majors in Industrial Management and Marketing. Upon return from United States, he took up the position of Marketing Manager at International Industries Ltd. He is currently the Chairman of International Industries Ltd., Pakistan Cables Ltd., and a director on the Board of Travel Solutions (Pvt) Ltd., Global E-Commerce Services (Pvt.) Ltd., Crea8ive Bench (Pvt.) Ltd., Global Reservation (Pvt.) Ltd. and Binary Vibes (Pvt) Ltd. He is the Chief Executive of Intermark (Pvt.) Ltd. He has previously served on the Board of Union Bank Ltd. until it was acquired by Standard Chartered Bank.

Mr. Zakaullah Khan

Director Since: September 25, 2019

Mr. Zakaullah Khan is an old Ravian with a Master Degree in Economics and MBA from the Institute of Business Administration, Karachi University. He was associated with the International Industries Limited for more than four decades and retired as Director Marketing. He also served as the Head of Electrical Construction Department of IIL. He is the founding trustee of Al - Rehmat Benevolent Trust.

Mr. Samir M. Chinoy

Executive Director / Chief Operating Officer Since: September 27, 2016

Mr. Samir M. Chinoy is the Chief Operating Officer of International Steels Ltd. He is a graduate of Babson College, USA with a Bachelor's of Science in

Finance and Entrepreneurship and a minor in Human Communication. Prior to International Steels Limited Mr. Chinoy worked at Pakistan Cables, Deloitte & Touché, New York and Foothill Capital (A Wells Fargo Company), Boston. Mr. Chinoy has served on the management committee of Landhi Association of Trade and Industry and has held the position of Vice Mr. Chinoy has served on the management committee of Landhi Association of Trade and Industry and has held the position of Vice Chairman. In addition to being the

Chairman, of the Amir Sultan Chinoy Foundation he is a director of Mirpurkhas Sugar Mills Ltd., Pakgen Power Ltd., Intermark (Pvt) Ltd., Book & Go (Pvt) Ltd. and ILL Australia Pty Ltd. Mr. Chinoy is a certified Director from the Pakistan Institute of Corporate Governance.

List of Directorships

Name	Business occupation and directorship (if any)
TOWFIQ H. CHINOY	International Steels Limited Packages Ltd. National Foods Ltd. Standard Chartered Bank (Pakistan) Ltd. Mohatta Palace Gallery Trust Habib University Foundation Beaumont Plaza Owners / Occupants Welfare Association Karachi Relief Trust
MUSTAPHA A. CHINOY	International Steels Limited International Industries Ltd. Pakistan Cables Ltd. Intermark (Pvt) Ltd. Travel Solutions (Pvt) Ltd. Global e-Commerce Services (Pvt) Ltd. Creative Bench (Pvt) Ltd. Global Reservation (Pvt) Ltd. Binary Vibes (Pvt) Ltd.
KAMAL A. CHINOY	International Steels Limited International Industries Ltd. Pakistan Cables Ltd. Jubilee Life Insurance Company Ltd.
FUAD A. HASHIMI	International Steels Limited
DR. AMJAD WAHEED	International Steels Limited Mehran Sugar Mills Ltd. Gul Ahmed Textile Mills Ltd. Bank Islami Pakistan Ltd. NBP Fund Management Ltd. Mutual Fund Association of Pakistan (MUFAP) Institute of Financial Markets of Pakistan (IFMP)
NAUSHEEN AHMAD	International Steels Limited Meezan Bank Ltd.

Name	Business occupation and directorship (if any)
NIHAL CASSIM	International Steels Limited Ferozsons Laboratories Ltd. Ubiquity Trading Ltd. National Institutional Facilitation Technologies (Pvt) Ltd. Image Systems Marketing (Pvt) Ltd. The Organic Meat Company Ltd.
KOJI FUKUSHIMA	International Steels Limited
SAMIR M. CHINYOY	International Steels Limited Intermark (Pvt) Ltd. IIL Australia Pty Ltd. Mirpur Khas Sugar Mills Ltd. Pakgen Power Limited Book & Go (Pvt) Ltd. Amir Sultan Chinoy Foundation Landhi Association of Trade & Industries
YOUSUF H. MIRZA	International Steels Limited German Pakistan Chamber of Commerce and Industry Employers Federation of Pakistan IIL Americas Inc.
ZAKAULLAH KHAN	International Steels Limited Al-Rehmat Benevolent Trust

Governance Framework

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

Compliance Statement

Living up to its standards the Board of Directors has, throughout the year 2019-20, complied with the Code of Corporate Governance, the listing requirements of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following has been complied:

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

The Board of Directors

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. Towfiq H. Chinoy, a Non- Executive Chairman; out of 11 Directors, 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 eight Directors have acquired the formal Directors Training Certificates, while two Directors possess sufficient skills and experience of the Board room as described in the Code of Corporate Governance, whereas a newly appointed director will acquire DTP in due course. In compliance of the Clause 7 of the Companies (Code of Corporate Governance) Regulations, 2019 a female director was elected at the last election of the Board of Directors at the 12th annual general meeting in September 2019.

In the year 2019-20, a digital interface was introduced to update Board of Directors by providing Companies Act, 2017, Companies (Code of Corporate Governance) Regulations, 2019, relevant portions of PSX Rule Book, Company's Memorandum & Articles of Association and various Policies & Procedures.

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

A meeting calendar is issued annually to reflect the dates planned for the Board, Audit and HR&R Committees. All the Board members are provided appropriate documents through Diligent Board application in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval.

During the year 2019-20, the Board had six (6) meetings, out of which four (4) were held to review the quarterly results, a meeting was held to appoint Chairman, CEO and to reconstitute the Audit and HR&R Committees. Whereas another meeting was held to approve budget for the ensuing year. The average attendance of the directors in Board meetings during the year was 85%

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

Changes in the Board

At the 12th annual general meeting of the Company on September 25, 2019, eleven (11) Directors namely Mr. Towfiq H. Chinoy, Mr. Mustapha A. Chinoy, Mr. Kamal A. Chinoy, Dr. Amjad Waheed, Mr. Fuad Azim Hashimi, Ms. Nausheen Ahmad, Mr. Nihal Cassim, Mr. Zakauallah Khan, Mr. Kazuteru Mihara, Mr. Samir M. Chinoy and Mr. Yousuf H. Mirza were elected for a term of three (3) years. Subsequent to the election in 2019, a casual vacancy was created by the resignation of Mr. Kazuteru Mihara that was filled by the appointment of Mr. Koji Fukushima as Director for the remaining period of the existing term of the Board of Directors.

Board Meetings Outside Pakistan

During the year 2019-20, no Board meetings were held outside Pakistan

Roles and Responsibilities of the Chair- man 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 Listed Companies (Code of Corporate Governance) Regulations, 2019 and presides over all Board Meetings. The Chief Executive performs his duties under the powers vested by the

law & the Board. He recommends and implements the business plans and is responsible for overall control and operation of the Company.

Business Philosophy & Best Corporate Practices

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

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

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

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

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual Financial statements were authorized by the Board of Directors and communicated to the

Pakistan Stock Exchange within fifty six (56) Days from the close of the financial year. Additionally, all important disclosures, including the financial statement, were also made on the Company's website to keep the stakeholders duly informed.

Board Evaluation

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

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

In the year 2019-20, in compliance with the Clause 28(6)(ii) of the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Pakistan Institute of Corporate Governance was engaged to coordinate for the evaluation of Board's own & members' performance and the results were shared with the Board. The Board is continuing its Self-Evaluation since many years and has identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management.

Directors Remuneration Policy

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

Risk Management

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

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

Internal Control Framework

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

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

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

The Head of Internal Audit is being assisted by in-house executives to carry out the Internal Control functions. The Management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed

procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate these risks.

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. 22. As per the Code of Corporate Governance the Company annually circulates and obtains an acknowledgement of the Code of Conduct from all employees and directors. Further, the directors and key employees are reminded to abstain from insider trading of shares and to avoid dealing in shares during close period.

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

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

Corporate Social Responsibility

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

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

8. Contribution to national exchequer.

9. Consumer protection measures.

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

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

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

Sustainability Measures

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

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

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

Engaging Stakeholders & Transparency

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

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

Corporate Briefing Session

In compliance of the listing regulations of the Pakistan Stock Exchange, Company arranges corporate briefing session annually to answer queries of the various stakeholders including investors and financial analysts.

Policy for Investor Grievances

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

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

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

Detailed company information regarding financial

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

Safety of Company Records

International Steels Limited has a firm “Document & Record Control Policy” for establishing, approving, reviewing, changing, maintaining, replacing, retrieving, retaining, distributing and administering control of all documents and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records and creating a paperless environment.

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

Human Resources Management Policies and Succession Planning

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

Information Technology Policy

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

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

Whistleblowing Policy

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

Policy of security clearance of Foreign Directors

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

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 12th Annual General Meeting of the Company held on September 25, 2019, no significant issues were raised.

Dividend to Shareholders

The EPS for the year ended June 30, 2020 was Rs. 1.14, compared to 6.12 for the FY2018-19 however, the Directors did not recommend any dividend for its shareholders

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 30, 2020 is placed on Page No. 161.

Board Committees

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

(a) Board Audit Committee

The Audit Committee comprises of the following:

- 1) Dr. Amjad Waheed**
Chairman - Independent Director
- 2) Mr. Fuad Azim Hashimi**
Member – Non-Executive Director
- 3) Mr. Kamal A. Chinoy**
Member - Non-Executive Director
- 4) Mr. Nihal Cassim**
Member - Independent Director
- 5) Ms. Asema Tapal**
Secretary - Chief Internal Auditor

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

The Audit Committee also separately meets the internal and external auditors at least once in a year without the presence of the management. Meetings of the Audit Committee are held at least once every quarter, the recommendations of the Audit Committee are then submitted for approval of financial results of the company by the Board. During the year 2019-20, the Audit Committee held four (5) meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, directors and the Chief Financial Officer.

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

Terms of Reference of the Audit Committee

The Audit Committee is mainly responsible for reviewing the financial statements, ensuring proper internal controls to align operations in accordance with the mission, vision and business plans and monitoring compliance with all applicable laws and regulations and accounting and financial reporting standards. The salient features of terms of reference of the Audit Committee are as follows:

- i) Recommending to the Board the appointment of internal and external auditors.
- ii) Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.
- iii) Determination of appropriate measures to safeguard the company's assets.
- iv) Review of preliminary announcements of results prior to publication.
- v) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.
- vi) Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).
- vii) Review of the Management Letter issued by external auditors and the management's response thereto.
- viii) Ensuring coordination between the internal and external auditors of the company.
- ix) Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced and placed within the organization.

- x) Consideration of major findings of internal investigations and the management's response thereto.
- xi) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- xii) Review of company's statement on internal control systems prior to endorsement by the Board.
- xiii) Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
- xiv) Determination of compliance with relevant statutory requirements review of periodic financial statements and preliminary announcements of results prior to the external communication and publication with a view to highlight.
- xv) Monitoring compliance together with the external auditors and internal audit with the best practices of corporate governance and identification of significant violations such as fraud, corruption, and abuse of power thereof.
- xvi) Consideration of any other issue or matter as may be assigned by the Board.
- xvii) The Board Audit Committee has completed its independent evaluation.

(b) Human Resources & Remuneration Committee

- **Mr. Zakaullah Khan**
Chairman- Independent Director
- **Ms. Nausheen Ahmad**
Member- Independent Director
- **Mr. Mustapha A. Chinoy**
Member – Non-Executive Director
- **Mr. Yousuf H. Mirza**
Member – Chief Executive Officer
- **Mr. Bilal Khawar**
Secretary – General Manager HR

The Committee comprises of four (4) members. The Chairman is an independent director. Meetings are conducted at least quarterly or at such other frequency

as the Chairman may determine. Head of Human Resources, is the Secretary of the Committee. The Committee held two (2) meetings during the year.

Terms of Reference of Human Resource & Remuneration Committee

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

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

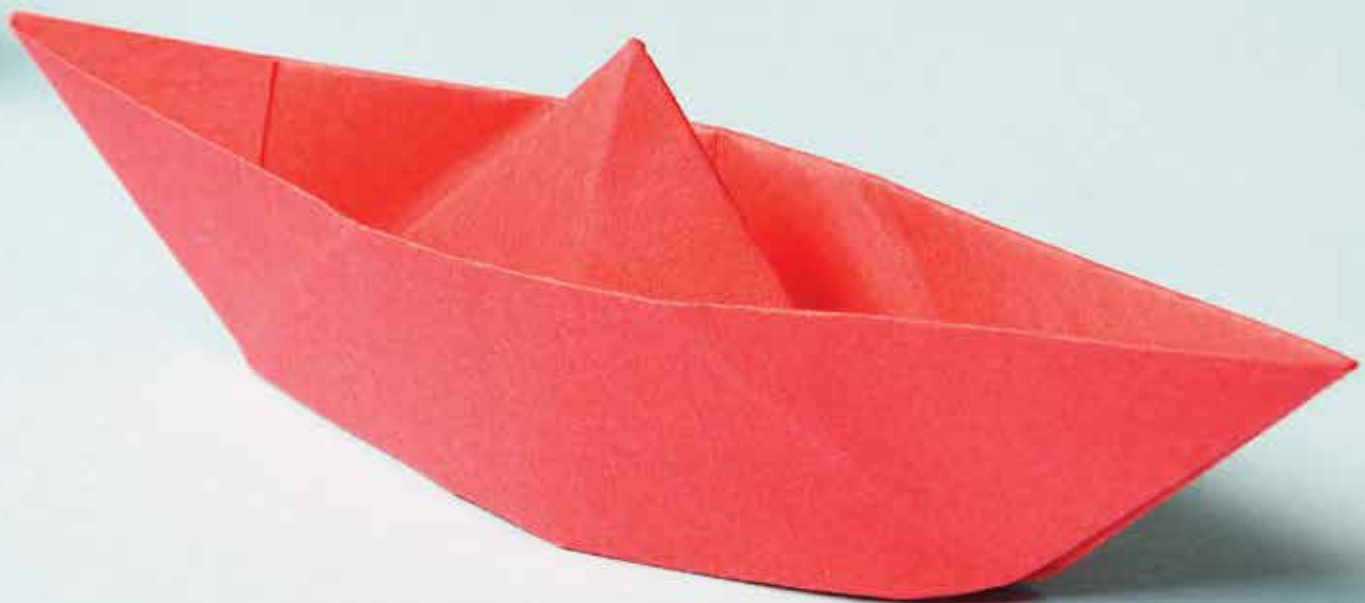
1. Major HR Policy / frameworks including compensation.
2. Overall organizational structure.
3. Organization model and periodically seek assessment of the same.
4. Succession planning for key executives, including the CEO.
5. Recruitment, remuneration and evaluation of the CEO and his direct reports,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



CREATING LEADERSHIP

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

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



Directors' Participation in Board and Sub Committee Meetings

Board / Sub Committee	Board Meetings ***	Audit Committee Meetings ***	Human Resources & Remuneration Committee ***
Meetings held during FY 2019-20	6	5	2
Mr. Towfiq H. Chinoy	5/6	1/1	1/1
Mr. Yousuf H. Mirza	6/6		2/2
Mr. Mustapha A. Chinoy	6/6		1/1
Mr. Kamal A. Chinoy	4/6	5/5	1/1
Dr. Amjad Waheed	5/5	4/4	
Mr. Fuad Azim Hashimi	5/5	4/4	
Mr. Zakaullah Khan	1/5		1/1
Ms. Nausheen Ahmad	5/5		1/1
Mr. Nihal Cassim	5/5	4/4	
Mr. Samir M. Chinoy	6/6		
Mr. Koji Fukushima	2/2		
Mr. Kemal Shoaib *	1/1		1/1
Mr. Tariq Iqbal Khan *	1/1	1/1	
Mr. Kamran Y. Mirza *	-/1	1/1	1/1
Syed Salim Raza *	1/1		
Mr. Riyaz T. Chinoy *	1/1		
Mr. Kazuteru Mihara **	2/2		

* Retired as the Board of Directors completed its term in September 2019

** Resigned in February 2020

*** BOD Sub-Committees reconstituted in September 2019

Management Team

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

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

- | | |
|------------------------------|--|
| 1. Mr. Yousuf H. Mirza | Chief Executive Officer |
| 2. Mr. Samir M. Chinoy | Chief Operating Officer |
| 3. Mr. Mujtaba Hussain | Chief Financial Officer |
| 4. Mr. Zafar Majeed | General Manager Manufacturing |
| 5. Mr. Bilal Khawar | General Manager Human Resources |
| 6. Mr. Mustafa Khan | General Manager Sales & Marketing |
| 7. Mr. Ibrahim Memon | General Manager Information Technology |
| 8. Mr. Mohammad Irfan Bhatti | Company Secretary |
| 9. Mr. Yasir Sohail | Divisional Manager - CRM |

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

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended June 30, 2020 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 30, 2020 which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman & Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.
- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Act 2017.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company

Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

Internal Audit Function

- The Company's internal Audit function is being looked after by the Chief Internal Auditor in compliance of the Code of Corporate Governance, who is assisted by in-house staff. The Chief Internal Auditor reports directly to the Chairman of the Board Audit Committee.
- The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

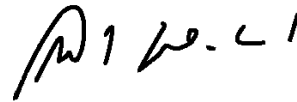
External Auditors

- The statutory auditors of the company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended June 2020, 30 and shall retire on the conclusion of the 13th Annual General Meeting.
- The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the

International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.

- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30th June 2020 on terms & remuneration negotiated by the Chief Executive Officer.
- The existing Auditors, KPMG Taseer Hadi & Co., Chartered Accountants, retiring at the conclusion of the 13th AGM of the company and the board recommends that A.F. Ferguson & Co., Chartered Accountants (a member firm of the PWC network), who have indicated their consent to act as Auditors,

be appointed as statutory Auditors for the year ending June 30, 2021 at a fee to be mutually agreed, any Federal or Provincial taxes and reimbursements of out of pocket expenses at actuals.



Dr. Amjad Waheed
Chairman-Board Audit Committee
Karachi

19 August 2020

Statement of Compliance

with Listed Companies (Code of Corporate Governance) Regulations, 2019

International Steels Limited Year Ending June 30, 2020

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

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

a	Male	Ten (10)
b	Female	One (1)

- The composition of board is as follows:

Category	Names
Independent Directors	Dr. Amjad Waheed Ms. Nausheen Ahmad Mr. Nihal Cassim Mr. Zakaullah Khan
Non-executive Directors	Mr. Towfiq H. Chinoy Mr. Fuad Azim Hashmi Mr. Kamal A. Chinoy Mr. Koji Fukushima Mr. Mustapha A. Chinoy
Executive Directors	Mr. Yousuf H. Mirza Mr. Samir M. Chinoy

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director

elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- Eight Directors of the Company have already acquired Director Training Certification. Whereas as per Clause 19(2) of the Listed Companies (Code of Corporate Governance) Regulations, 2019. Regulations, 2019. Moreover, a new director will acquire DTP certificate within the allowed time;
- The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
- Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
- The Board has formed committees comprising of members given below.-

a) Audit Committee

- Dr. Amjad Waheed**
Chairman (Independent Director)
- Mr. Fuad Azim Hashimi**
Member (Non-Executive Director)
- Mr. Kamal A. Chinoy**
Member (Non-Executive Director)
- Mr. Nihal Cassim**
Member (Independent Director)

b) Human Resources & Remuneration Committee

- Mr. Zakaullah Khan**
Chairman (Independent Director)
- Mr. Mustapha A. Chinoy**
Member (Non-Executive Director)
- Ms. Nausheen Ahmad**
Member (Independent Director)
- Mr. Yousuf H. Mirza**
Member (Chief Executive Officer)

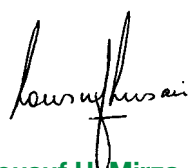
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings during the year -2019 2020 of the committee were as follows:

Name of the Committee	Frequency of the Meeting
Board Audit Committee	5
Board Human Resources & Remuneration Committee	2

15. The Board has set up an effective internal audit function, which is supervised by the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners

are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with



Yousuf H. Mirza
Chief Executive Officer
International Steels Limited



Towfiq H. Chinoy
Chairman
International Steels Limited

Dated: 25 August 2020



Review Report on the Statement of Compliance as per Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of International Steels Limited (the Company) for the year ended 30th June 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30th June 2020.

Kame Taseer - 1

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi
06 September 2020

A close-up photograph of a hand holding a black pen, poised to write on a document. The document features a line graph with blue and orange lines, a pie chart, and a table of numbers. The image is overlaid with a semi-transparent green rectangle containing the text 'Financial Summary'.

Financial Summary

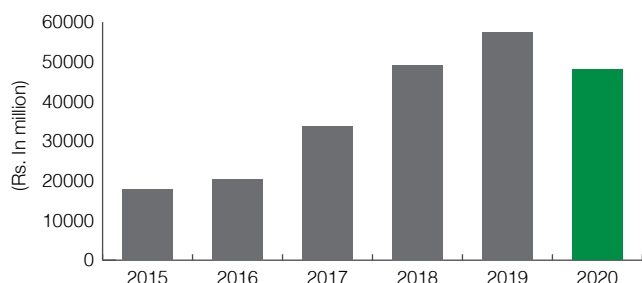


Financial Highlights

	2020	2019		
	(Rupees in '000)		%	
Sales	48,081,937	57,484,354	-16.4%	-
Gross profit	4,212,857	6,449,052	-34.7%	-
Operating profit	2,756,978	4,968,433	-44.5%	-
Profit before tax	442,171	3,679,118	-88.0%	-
Profit after tax	494,851	2,664,373	-81.4%	-
Earning per shares - Basic & Diluted (Rupees)	1.14	6.12	-81.4%	-
Shareholders equity	12,726,000	12,878,270	-1.2%	-
Property, Plant & Equipment	20,688,000	19,862,302	4.2%	+
Book Value per shares (Rupees)	29.26	29.61	-1.2%	-

Business Growth

Sales Revenue

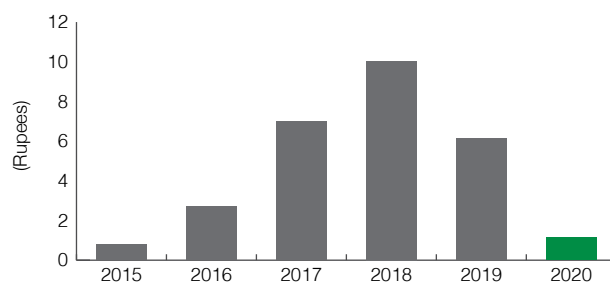


Sales revenue growth

-16.36% | 21.8%
Over 2019 | CAGR over 6 years

Shareholder Value Accretion

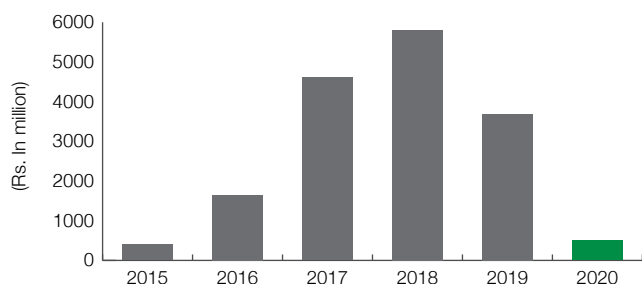
Earning per share



Earning per share growth

-81.37% | 19.9%
Over 2019 | CAGR over 6 years

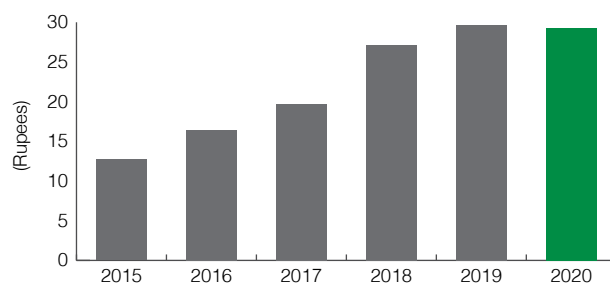
Profit before tax



Profit before tax

-87.96% | 13.4%
Over 2019 | CAGR over 6 years

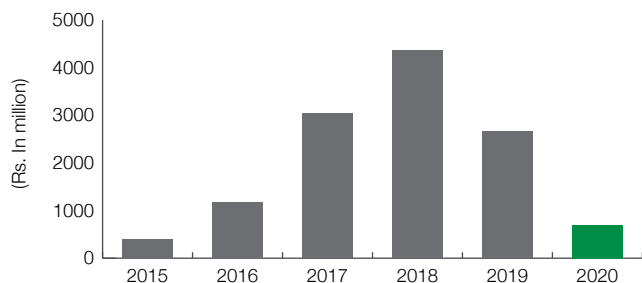
Book value per share



Book value per share

-1.81% | 18.1%
Over 2019 | CAGR over 6 years

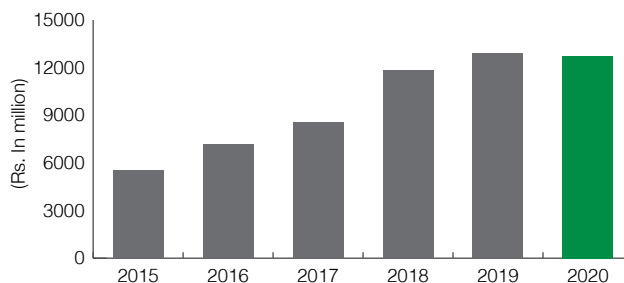
Profit after tax



Profit after tax

-81.39% | 19.7%
Over 2019 | CAGR over 6 years

Shareholder equity



Book value per share

-1.18% | 18.1%
Over 2019 | CAGR over 6 years

Analysis of Financial Statements

Statement of Financial Position

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Property, plant and equipment	20,638,354	19,862,302	18,262,610	13,639,451	12,620,022	12,332,043
Right-of-use assets	49,377	-	-	-	-	-
Intangible Assets	1,197	2,736	2,565	3,903	-	551
Other non current assets	100	100	100	100	100	100
Current assets	22,172,184	19,896,904	17,327,314	12,727,641	8,364,006	6,742,081
Total assets	42,861,212	39,762,042	35,592,589	26,371,095	20,984,128	19,074,775
Shareholders' equity	12,725,815	12,878,270	11,825,008	8,554,247	7,142,626	5,529,942
Non current liabilities	6,579,726	8,597,759	8,476,513	5,101,271	4,880,217	6,132,696
Current portion of long term financing	1,487,634	909,943	1,201,679	1,197,073	699,016	849,878
Short term borrowings	11,520,404	10,191,219	8,462,310	5,039,236	3,523,755	4,069,462
Other current liabilities	10,547,633	7,184,851	5,627,079	6,479,268	4,738,514	2,492,797
Total equity and liabilities	42,861,212	39,762,042	35,592,589	26,371,095	20,984,128	19,074,775

Vertical Analysis

	Percentage					
Property, plant and equipment	48.2	50.0	51.3	51.7	60.1	64.7
Intangible Assets	0.0	0.0	0.0	0.0	-	0.0
Other non current assets	0.0	0.0	0.0	0.0	0.0	0.0
Current assets	51.7	50.0	48.7	48.3	39.9	35.3
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	29.7	32.4	33.2	32.4	34.0	29.0
Non current liabilities	15.4	21.6	23.8	19.3	23.3	32.2
Current portion of long term financing	3.5	2.3	3.4	4.5	3.3	4.5
Short term borrowings	26.9	25.6	23.8	19.1	16.8	21.3
Other current liabilities	24.6	18.1	15.8	24.6	22.6	13.1
Total equity and liabilities	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis

	Percentage					
Property, plant and equipment	3.9	8.8	33.9	8.1	2.3	26.2
Intangible Assets	(56.3)	6.7	(34.3)	-	(100.0)	(85.6)
Other non current assets	-	-	-	-	-	-
Current assets	11.4	14.8	36.1	52.2	24.1	(5.1)
Total assets	7.8	11.7	35.0	25.7	10.0	13.0
Shareholders' equity	(1.2)	8.9	38.2	19.8	29.2	(4.2)
Non current liabilities	(23.5)	1.4	66.2	4.5	(20.4)	(81.4)
Current portion of long term financing	63.5	(24.3)	0.4	71.3	(17.8)	13.3
Short term borrowings	13.0	20.4	67.9	43.0	(13.4)	(16.5)
Other current liabilities	46.8	27.7	(13.2)	36.7	90.1	18.6
Total equity and liabilities	7.8	11.7	35.0	25.7	10.0	13.0

Analysis of Financial Statements

Statement of Profit or Loss

	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Sales - Net	48,081,937	57,484,354	49,159,626	34,822,276	21,152,552	18,234,397
Cost of sales	(43,869,080)	(51,035,302)	(41,528,466)	(28,916,159)	(18,246,288)	(16,749,095)
Gross profit	4,212,857	6,449,052	7,631,160	5,906,117	2,906,264	1,485,302
Administrative, Selling and Distribution expenses	(1,157,145)	(986,231)	(719,689)	(548,670)	(368,341)	(335,729)
Other operating expenses	(334,257)	(533,801)	(661,595)	(424,951)	(264,675)	(22,119)
Other operating income	35,523	39,413	92,552	131,778	112,773	136,368
Operating Profit before finance costs	2,756,978	4,968,433	6,342,428	5,064,274	2,386,021	1,263,822
Finance costs	(2,314,807)	(1,289,315)	(539,116)	(455,500)	(731,525)	(1,028,277)
Profit before taxation	442,171	3,679,118	5,803,312	4,608,774	1,654,496	235,545
Taxation	52,680	(1,014,745)	(1,438,354)	(1,564,752)	(575,532)	(33,765)
Profit after taxation	494,851	2,664,373	4,364,958	3,044,022	1,078,964	201,780

Vertical Analysis

	Percentage					
Sales - Net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(91.2)	(88.8)	(84.5)	(83.0)	(86.3)	(91.9)
Gross profit	8.8	11.2	15.5	17.0	13.7	8.1
Administrative, Selling and Distribution expenses	(2.4)	(1.7)	(1.5)	(1.6)	(1.7)	(1.8)
Other operating expenses	(0.7)	(0.9)	(1.3)	(1.2)	(1.3)	(0.1)
Other operating income	0.1	0.1	0.2	0.4	0.5	0.7
Operating Profit before finance costs	5.7	8.6	12.9	14.5	11.3	6.9
Finance costs	(4.8)	(2.2)	(1.1)	(1.3)	(3.5)	(5.6)
Profit before taxation	0.9	6.4	11.8	13.2	7.8	1.3
Taxation	0.1	(1.8)	(2.9)	(4.5)	(2.7)	(0.2)
Profit after taxation	1.0	4.6	8.9	8.7	5.1	1.1

Horizontal Analysis

	Percentage					
Sales - Net	(16.4)	16.9	41.2	64.6	16.0	(14.4)
Cost of sales	(14.0)	22.9	43.6	58.5	8.9	(12.0)
Gross profit	(34.7)	(15.5)	29.2	103.2	95.7	(33.9)
Administrative, Selling and Distribution expenses	17.3	37.0	31.2	49.0	9.7	20.9
Other operating expenses	(37.4)	(19.3)	55.7	60.6	1,096.6	(88.1)
Other operating income	(9.9)	(57.4)	(29.8)	16.9	(17.3)	89.9
Operating Profit before finance costs	(44.5)	(21.7)	25.2	112.2	88.8	(31.9)
Finance costs	79.5	139.2	18.4	(37.7)	(28.9)	4.8
Profit before taxation	(88.0)	(36.6)	25.9	178.6	602.4	(73.1)
Taxation	(105.2)	(29.5)	(8.1)	171.9	1,604.5	(81.7)
Profit after taxation	(81.4)	(39.0)	43.4	182.1	434.7	(70.7)

Analysis of Financial Statements

Statement of Cash Flows

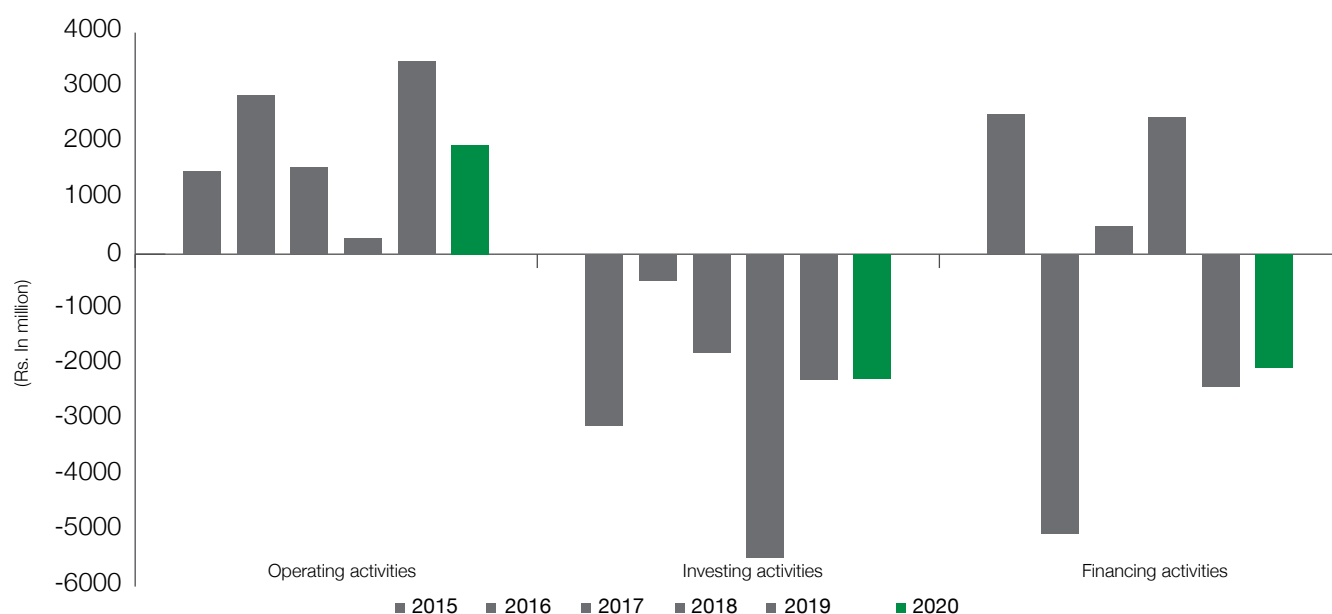
	2020	2019	2018	2017	2016	2015
	(Rupees in '000)					
Net cash generated from operating activities	1,968,216	3,486,111	293,548	1,568,756	2,871,600	1,498,302
Net cash outflows from investing activities	(2,248,797)	(2,257,935)	(5,470,778)	(1,787,168)	(479,346)	(3,095,455)
Net cash (outflows)/inflows from financing activities	(2,056,101)	(2,384,558)	2,479,575	505,738	(5,038,790)	2,521,336
Net increase/ (decrease) in cash and cash equivalents	(2,336,682)	(1,156,382)	(2,697,655)	287,326	(2,646,536)	924,183

Vertical Analysis

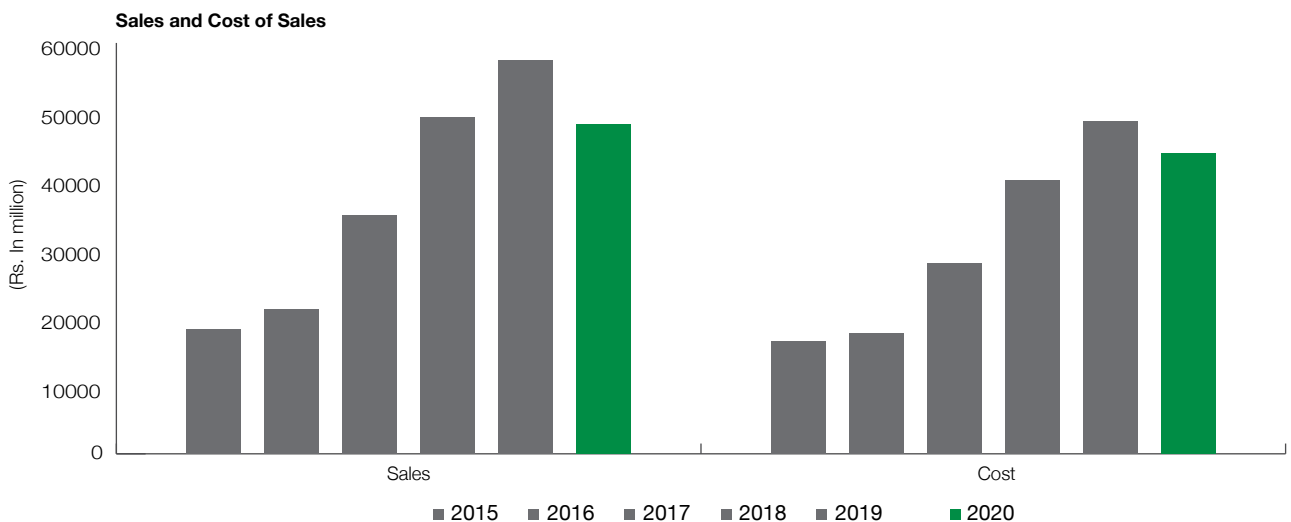
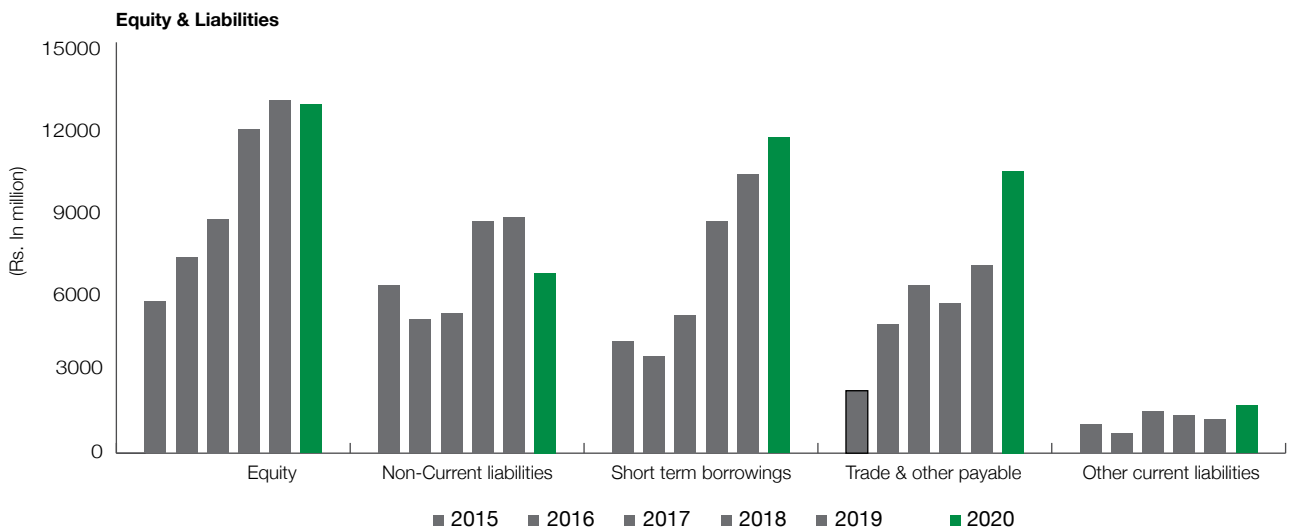
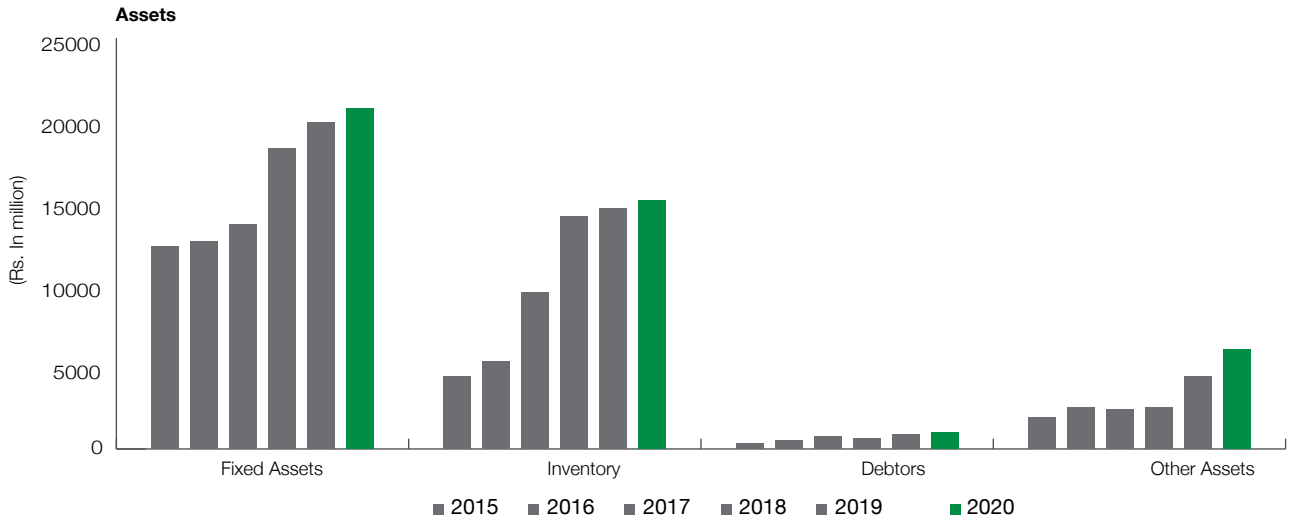
	Percentage					
Net cash generated from operating activities	84.2	301.5	10.9	546.0	108.5	162.1
Net cash outflows from investing activities	(96.2)	(195.3)	(202.8)	(622.0)	(18.1)	(334.9)
Net cash (outflows)/inflows from financing activities	(88.0)	(206.2)	91.9	176.0	(190.4)	272.8
Net increase/ (decrease) in cash and cash equivalents	(100.0)	(100.0)	(100.0)	100.0	(100.0)	100.0

Horizontal Analysis

	Percentage					
Net cash generated from operating activities	(43.5)	1,087.6	(81.3)	(45.4)	91.7	21,718.9
Net cash outflows from investing activities	0.4	58.7	(206.1)	(272.8)	84.5	(825.0)
Net cash (outflows)/inflows from financing activities	(13.8)	196.2	390.3	110.0	(299.8)	26.2
Net increase/ (decrease) in cash and cash equivalents	102.1	(57.1)	(1,038.9)	110.9	(386.4)	(44.6)

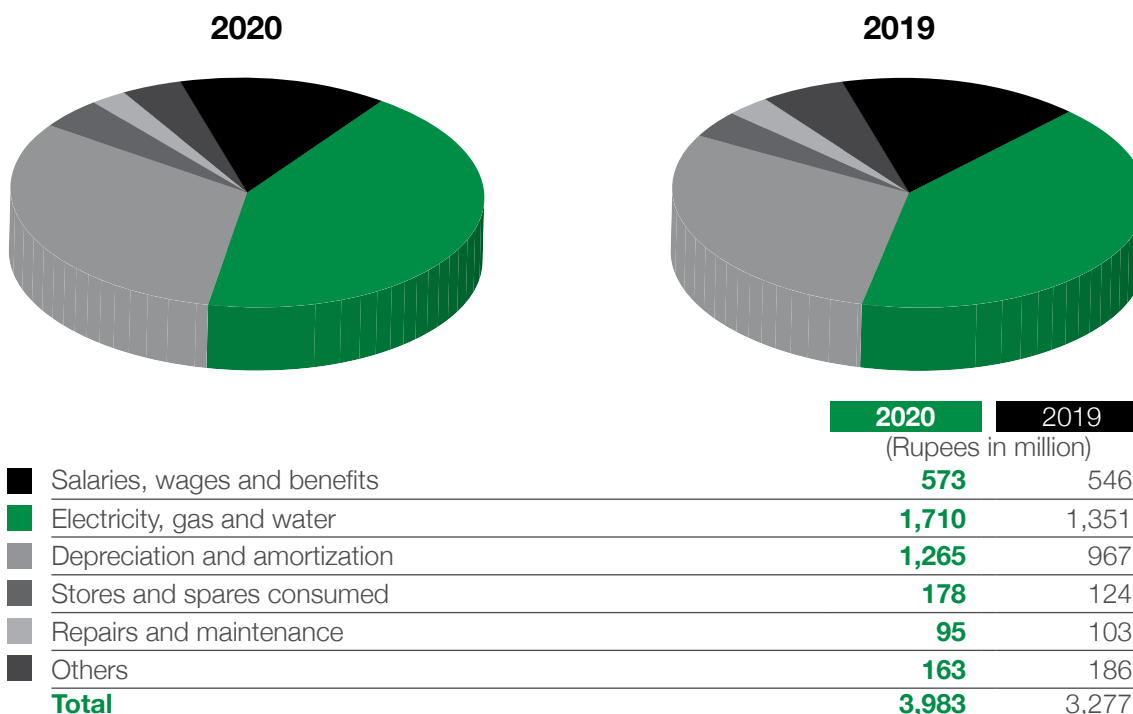


Analysis of Financial Statements

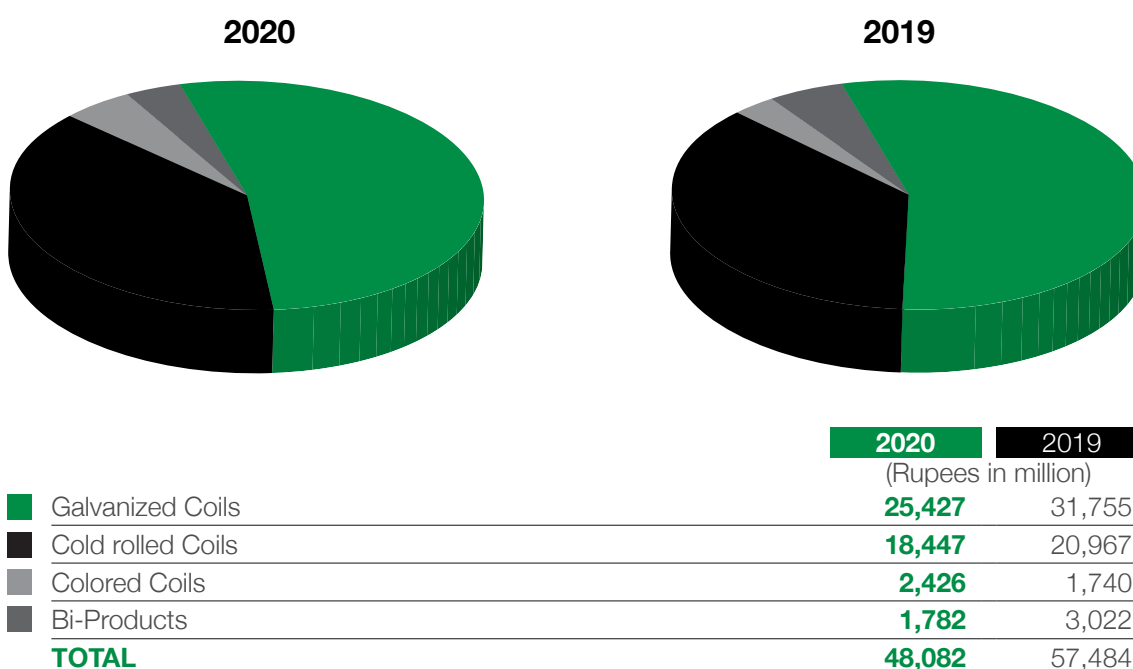


Key Financial Indicators

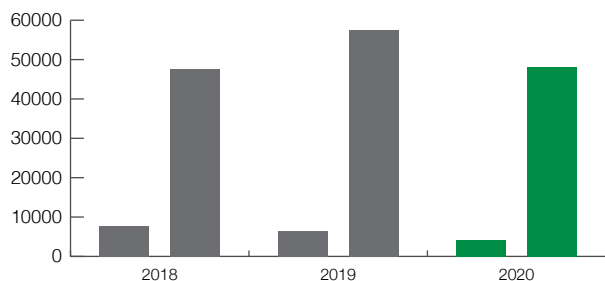
CONVERSION COST



PRODUCT WISE SALES BREAK UP

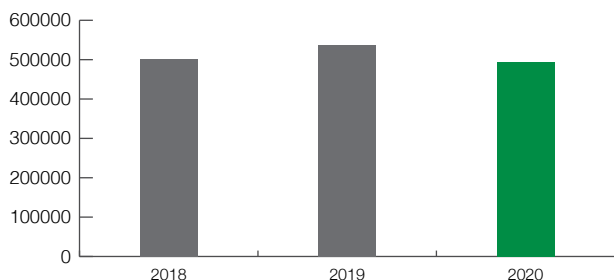


Key Financial Indicators



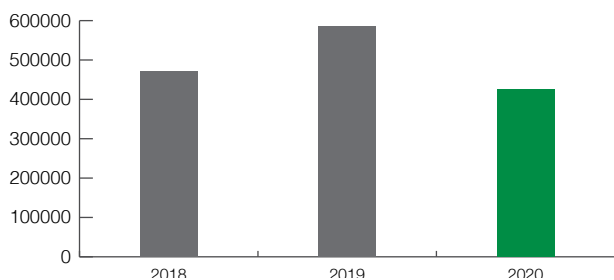
Net Sales / Gross Profit

	2018	2019	2020
	Rs in Million		
Net sales	49,160	57,484	48,082
Gross profit	7,631	6,449	4,213



Raw Material Purchases

	2018	2019	2020
	Tons		
Tons	501,482	538,028	494,157



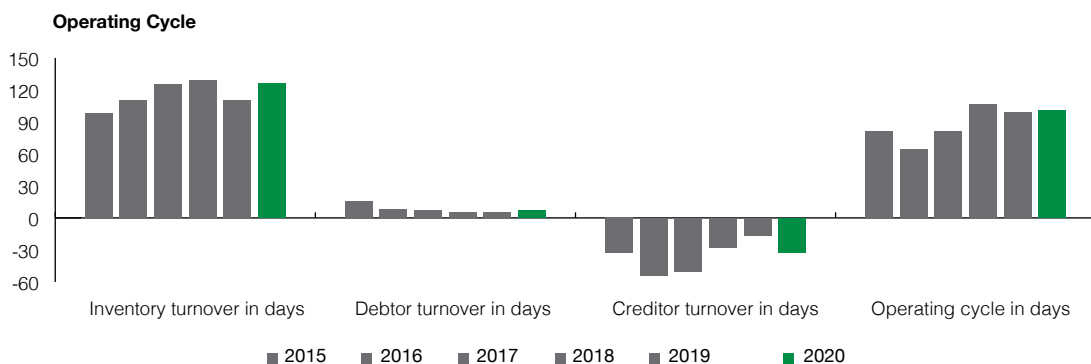
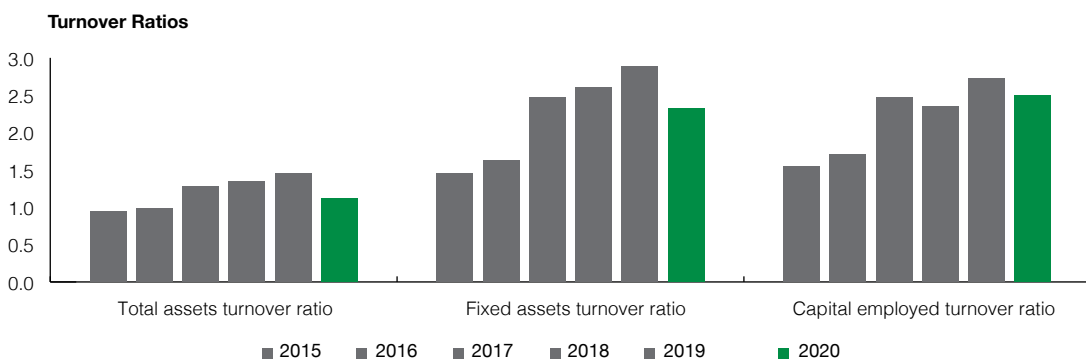
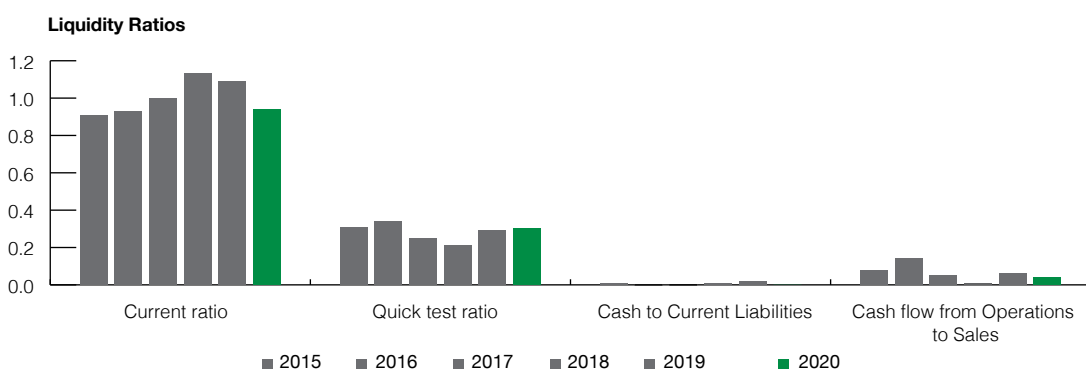
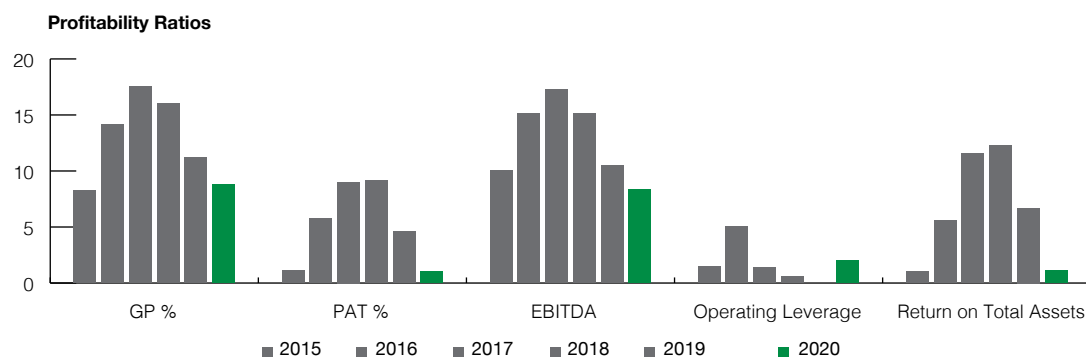
Production

	2018	2019	2020
	Tons		
Tons	470,841	584,408	424,355

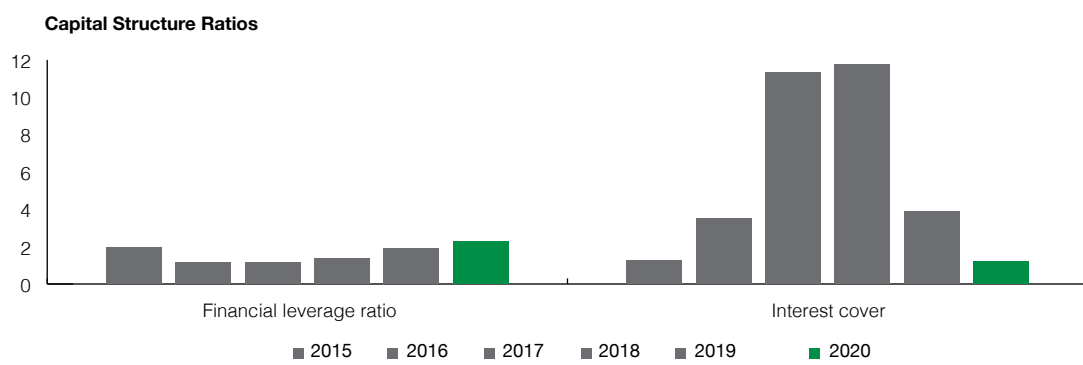
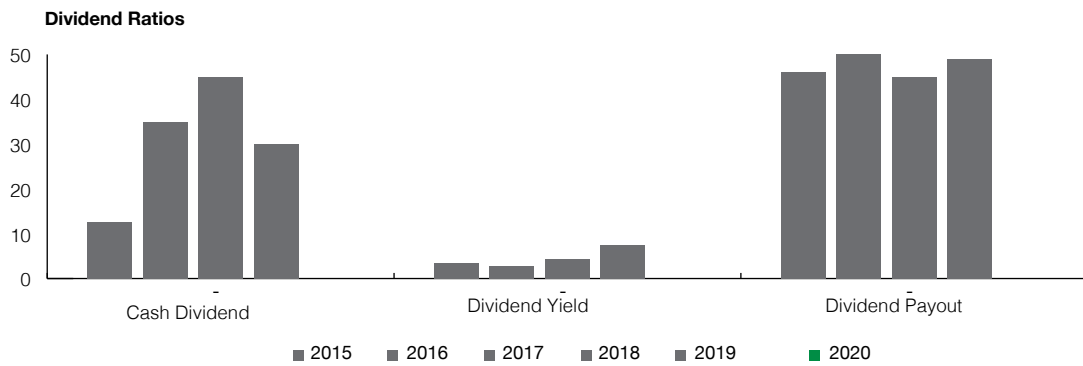
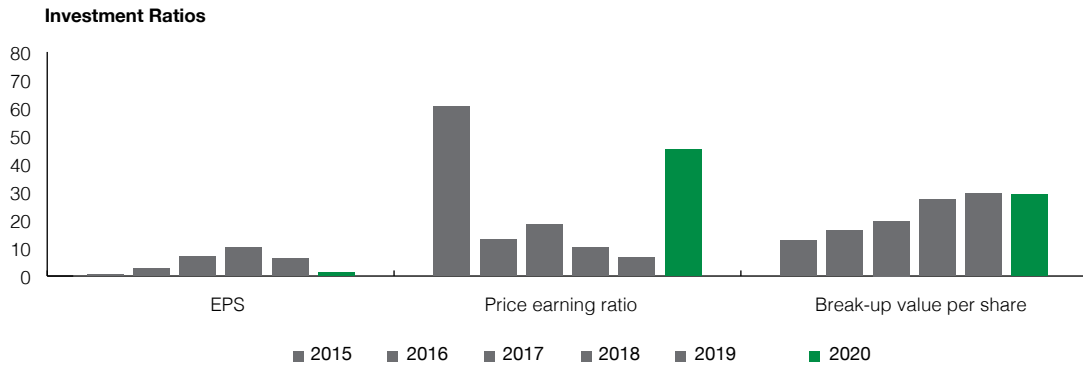
Six Years at a Glance

		2020	2019	2018	2017	2016	2015
KEY INDICATORS							
Profitability Ratios							
Gross profit ratio	%	8.76	11.22	15.52	16.96	13.74	8.14
Profit before tax to sales	%	0.92	6.40	11.81	13.24	7.82	1.29
Profit after tax to sales	%	1.03	4.63	8.88	8.74	5.10	1.11
EBITDA Margin to Sales	%	8.34	10.49	14.62	16.75	14.64	9.90
Operating Leverage	%	2.05	(0.78)	0.56	1.37	5.02	1.51
Return on Shareholders' Equity	%	3.90	20.69	36.91	35.58	16.51	3.65
Operating profit on Capital Employed	%	14.28	23.13	31.24	39.23	21.11	9.86
Return on Total Assets	%	1.16	6.70	12.26	11.54	5.62	1.06
Liquidity Ratios							
Current ratio	times	0.94	1.09	1.13	1.00	0.93	0.91
Quick / Acid test ratio	times	0.30	0.29	0.21	0.25	0.34	0.31
Cash to Current Liabilities		0.005	0.022	0.007	0.004	0.004	0.005
Cash flow from Operations to Sales		0.04	0.06	0.01	0.05	0.14	0.08
Free cash flow to the firm	Rs.millions	3,238	2,007	(5,308)	(1,360)	3,087	(598)
Free cash flow to the equity holder	Rs.millions	(189)	488	(2,496)	(1,570)	598	1,419
Turnover Ratios							
Inventory turnover ratio	times	2.90	3.32	2.83	2.92	3.31	3.71
Debtor turnover ratio (KE)	times	17.85	12.21	15.08	11.51	12.83	9.87
Debtor turnover in days (KE)	days	20	30	24	32	28	37
Debtor turnover ratio	times	51.04	76.00	69.79	54.20	47.90	23.55
Creditor turnover ratio	times	11.38	22.41	13.59	7.51	6.97	11.30
Total assets turnover ratio	times	1.12	1.45	1.38	1.32	1.01	0.96
Fixed assets turnover ratio	times	2.32	2.89	2.69	2.55	1.68	1.48
Capital employed turnover ratio	times	2.49	2.73	2.35	2.47	1.71	1.54
Operating Cycle							
Inventory turnover	days	126	110	129	125	110	98
Debtor turnover	days	7	5	5	7	8	16
Creditor turnover	days	(32)	(16)	(27)	(49)	(52)	(32)
Operating cycle	days	101	98	107	83	66	81
Investment / Market Ratios							
Earnings per share - basic and diluted	Rs	1.14	6.12	10.03	7.00	2.71	0.46
Price earning ratio	times	45.31	6.49	10.14	18.27	13.14	60.58
Market value per share at the end of the year	Rs	51.65	39.71	101.70	127.89	35.62	28.10
Market value per share high during the year	Rs	62.28	116.50	149.75	167.80	45.00	32.24
Market value per share low during the year	Rs	27.61	33.94	86.00	35.89	22.80	21.75
Break-up value per share - Including Revaluation Surplus	Rs	29.26	29.61	27.18	19.66	16.42	12.71
Break-up value per share - Excluding Revaluation Surplus	Rs	26.37	26.64	25.02	17.47	14.18	11.44
Price to book ratio		1.77	1.34	3.74	6.50	2.17	2.21
Cash Dividend	%	-	30.00	45.00	35.00	12.50	-
Dividend Yield ratio	%	-	7.55	4.42	2.74	3.51	-
Dividend Cover	times	-	2.04	2.23	2.00	2.17	-
Dividend Payout	%	-	49.02	44.85	50.00	46.12	-
Dividend per share	Rs	-	3.00	4.50	3.50	1.25	-
Capital Structure Ratios							
Financial leverage ratio		2.25	1.91	1.39	1.15	1.16	1.93
Total Debt : Equity ratio		59:41	58:42	58:42	54:46	54:46	66:34
Interest cover	times	1.19	3.89	11.76	11.32	3.53	1.27

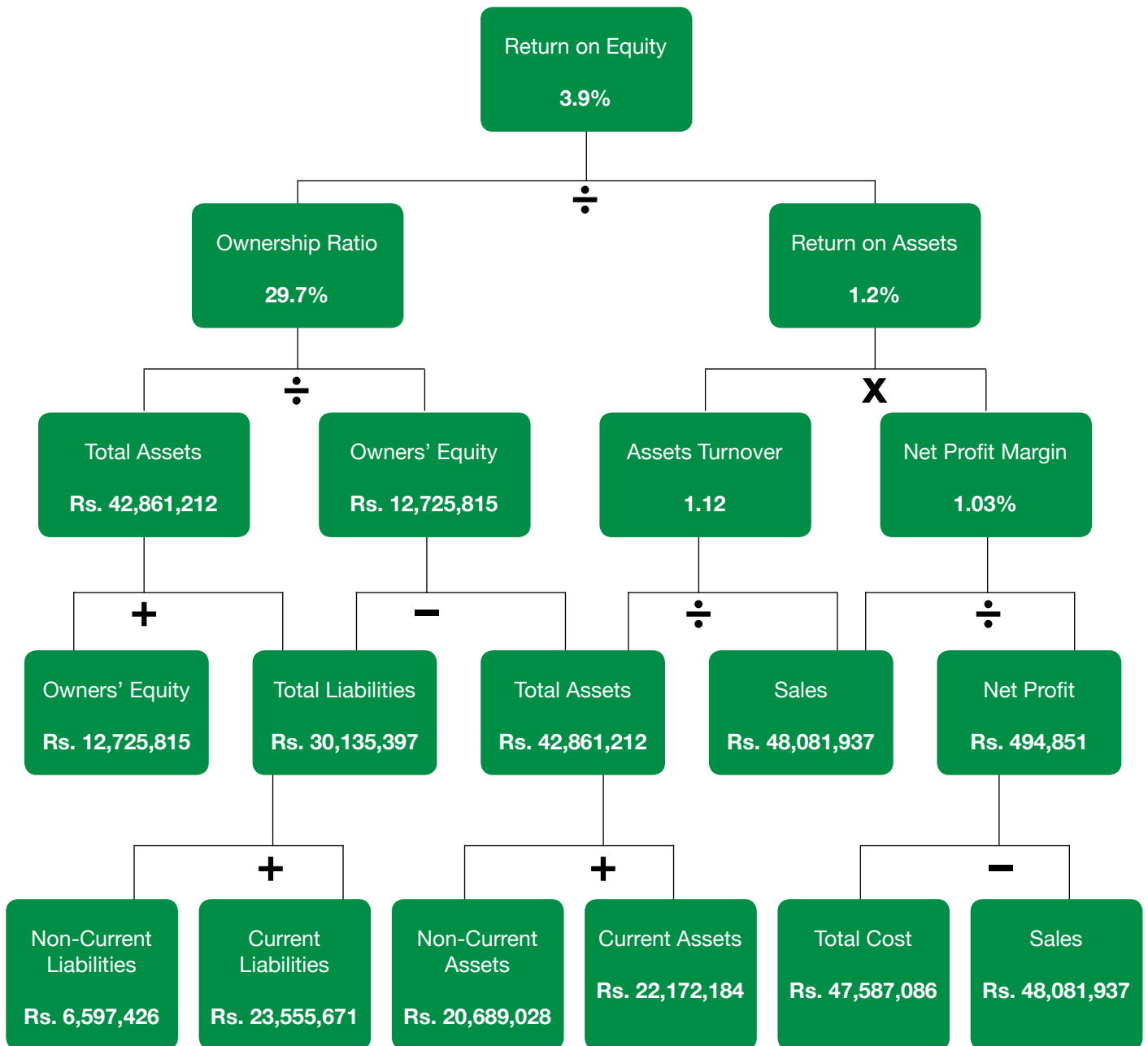
Six Years at a Glance



Six Years at a Glance

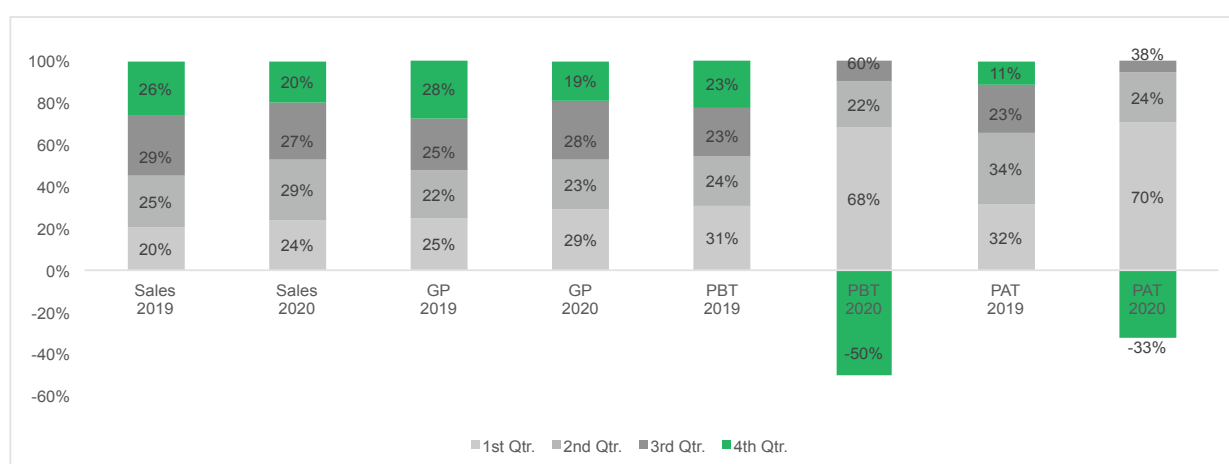


DuPont Analysis

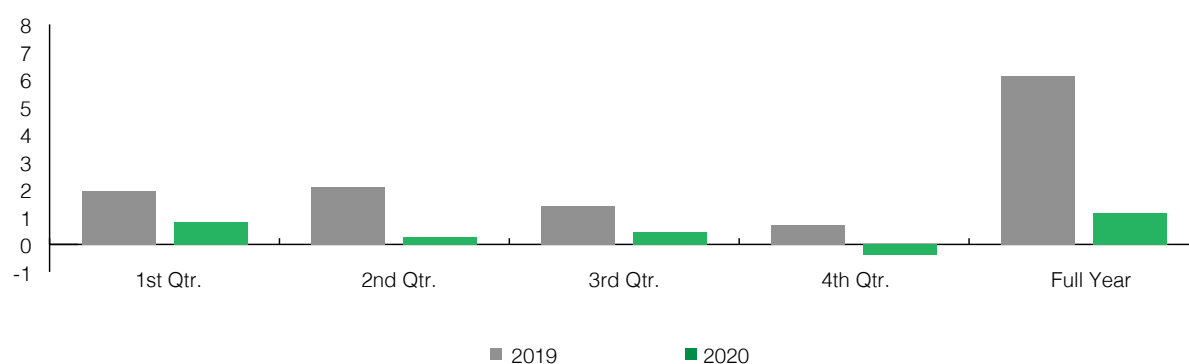


Quarterly Performance Analysis

	2020									
	1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Rs. in Millions										
Revenue	11,545	100.00	13,819	100.00	13,128	100.00	9,589	100.00	48,082	100.00
Cost of sales	(10,311)	(89.31)	(12,830)	(92.84)	(11,952)	(91.04)	(8,776)	(91.52)	(43,869)	(91.24)
Gross Profit	1,234	10.69	989	7.16	1,176	8.96	813	8.48	4,213	8.76
Selling and distribution cost	(244)	(2.11)	(198)	(1.43)	(290)	(2.21)	(162)	(1.69)	(894)	(1.86)
Administration cost	(62)	(0.53)	(73)	(0.53)	(63)	(0.48)	(65)	(0.67)	(263)	(0.55)
Operating Profit	928	8.04	719	5.20	823	6.27	586	6.11	3,056	6.36
Other expenses	(24)	(0.21)	26	0.19	(165)	(1.26)	(171)	(1.78)	(334)	(0.70)
Other income	65	0.56	30	0.22	10	0.08	(69)	(0.72)	36	0.07
EBIT	969	8.39	775	5.61	668	5.09	346	3.61	2,757	5.73
Finance cost	(667)	(5.78)	(679)	(4.91)	(401)	(3.05)	(568)	(5.93)	(2,315)	(4.81)
PBT	301	2.61	96	0.69	267	2.04	(223)	(2.32)	442	0.92
Taxation	47	0.40	22	0.16	(78)	(0.59)	62	0.64	53	0.11
PAT	348	3.01	118	0.85	190	1.45	(161)	(1.68)	495	1.03
EPS	0.80		0.27		0.44		(0.37)		1.14	

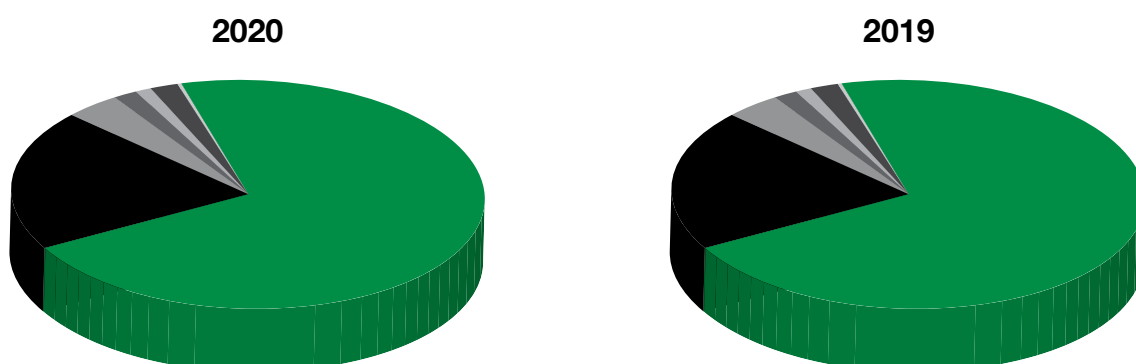


Earnings Per Share



Statement of Value Addition

	2020		2019	
	Rs. In '000	%	Rs. In '000	%
Wealth Generated:				
Sales including sales tax	54,743,805	99.9	66,614,879	99.9
Other operating income	36,000	0.1	39,413	0.1
	54,779,805	100	66,654,292	100
Wealth Distributed:				
Cost of material & Services	39,814,930	72.7	47,453,735	71.2
To Employees				
Salaries & other related cost	828,893	1.5	810,382	1.2
To Government				
Taxes	9,891,605	18.1	13,097,727	19.7
Worker Profit Participation Fund	22,064	0.0	197,024	0.3
Workers Welfare Fund	-	0.0	63,287	0.1
	9,913,669	18.1	13,358,038	20.0
To Providers of Capital				
Dividend to Shareholders	-	0.0	1,305,000	2.0
Finance cost	2,314,807	4.2	1,289,315	1.9
	2,314,807	4.2	2,594,315	3.9
To Society				
Donation	19,200	0.0	45,477	0.1
Retained in the business				
For replacement of fixed assets	1,412,178	2.6	1,078,449	1.6
Depreciation & Amortization	494,851	0.9	1,359,373	2.0
To provide for growth: Retained profit	1,907,029	3.5	2,437,822	3.7
	54,779,328	100.0	66,654,292	100.0



	2020	2019
	%	%
Cost of material & Services	72.7	71.2
To Government	18.1	20.0
To Providers of Capital	4.2	3.9
Depreciation & Amortization	2.6	1.6
To Employees	1.5	1.2
Retained profit	0.9	2.0
To Society	0.0	0.1

Statement of Cash Flows - Direct Method

	2020	2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	55,298,953	66,861,526
Cash paid to suppliers / service providers and employees	(48,294,782)	(59,993,069)
Workers fund	(85,310)	(314,587)
Sales tax payment	(1,720,946)	(827,311)
Finance cost paid	(2,395,026)	(1,141,097)
Income on bank deposits received	5,444	1,849
Staff gratuity paid	(23,617)	(47,534)
Compensated absences paid	(9,027)	(6,905)
Income tax paid	(807,473)	(1,046,761)
Net cash generated from operating activities	1,968,216	3,486,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	(2,209,723)	(2,278,452)
Right-of-use assets	(67,865)	-
Payment for acquisition of intangible asset	-	(1,561)
Proceeds from disposal of property, plant and equipment	28,791	22,078
Net cash used in investing activities	(2,248,797)	(2,257,935)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term finance	713,876	600,000
Repayment of long term finance	(1,461,144)	(1,292,876)
(Repayment) / proceeds short term borrowings - net	(710,781)	269,437
Lease liability	54,853	-
Dividend paid	(652,905)	(1,961,119)
Net cash (used in) / generated from financing activities	(2,056,101)	(2,384,558)
Net decrease in cash and cash equivalents	(2,336,682)	(1,156,382)
Cash and cash equivalents at beginning of the year	(6,232,042)	(5,075,660)
Cash and cash equivalents at end of the year	(8,568,724)	(6,232,042)
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	106,196	402,912
Short term borrowings - running finance (secured)	(8,674,920)	(6,634,954)
	(8,568,724)	(6,232,042)

Free Cash Flow

	2020	2019	2018	2017	2016	2015
Free cash flow to the firm						
	Rs. in Millions					
Profit before taxation	442	3,679	5,803	4,609	1,654	236
Finance cost	2,315	1,289	539	732	1,028	982
Operating Profit	2,757	4,968	6,342	5,340	2,682	1,218
Effective tax rate	11.91%	27.58%	24.79%	33.95%	28.75%	14.41%
Net operating profit after tax	3,085	3,598	4,770	3,527	1,912	1,043
Depreciation and amortization	1,411	1,078	858	769	711	542
Capital expenditure incurred	(2,210)	(2,280)	(5,492)	(1,812)	(492)	(3,122)
Changes in working capital	952	(390)	(5,444)	(3,844)	956	939
Free cash flow to the firm	3,238	2,006	(5,308)	(1,360)	3,087	(598)
Free cash flow to the Equity holders						
Free cash flow to the firm	3,238	2,006	(5,308)	(1,360)	3,087	(598)
Net borrowing - raised / (repaid)	(747)	(693)	3,152	74	(1,847)	2,840
Interest payment - net of tax	(2,680)	(826)	(340)	(284)	(641)	(823)
Free cash flow to the Equity holders	(189)	487	(2,496)	(1,570)	599	1,419



Financial Statements





Independent Auditor's Report to the Members

Opinion

We have audited the annexed financial statements of International Steels Limited (the Company), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss, 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, 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 2020 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.	<p>Revenue recognition</p> <p>Refer notes 3.10, 21 and 36.1 to the financial statements relating to revenue recognition.</p> <p>The Company generates revenue from sale of goods to domestic as well as export customers. Sales to domestic customers and export customers represents 84% and 16% of total sales respectively. Sales to related parties represent 5% of total sales.</p> <p>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.</p>	<p>Our key audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> • 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; and • We inspected credit notes issued to record sales returns subsequent to year end, if any.
2.	<p>Valuation of stock in trade</p> <p>Refer note 3.6, 8, 22 and 36.1 to the financial statements relating to valuation of stock-in-trade</p> <p>Inventory forms a significant part of the Company's assets. During the year 58% of raw materials were purchased by the Company from a related party.</p> <p>We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.</p>	<p>Our key audit procedures amongst others, included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • 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 and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- 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**.


KPMG Taseer Hadi & Co.
Chartered Accountants

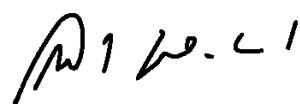
Karachi
06 September 2020

Statement of Financial Position

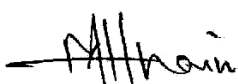
As at 30 June 2020

	Note	2020	2019
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	4	20,638,354	19,862,302
Right-of-use assets	5	49,377	-
Intangible assets	6	1,197	2,736
Long term deposit with Central Depository Company of Pakistan Limited		100	100
		20,689,028	19,865,138
Current assets			
Stores and spares	7	668,960	610,974
Stock-in-trade	8	15,132,206	14,647,959
Trade debts	9	1,015,744	868,035
Receivable from K-Electric Limited (KE)		39,393	38,997
Advances, trade deposits and prepayments	10	135,604	108,988
Staff retirement benefits	31	7,238	-
Sales tax receivable		4,033,659	2,312,713
Taxation-net	11	1,033,184	906,326
Cash and bank balances	12	106,196	402,912
		22,172,184	19,896,904
Total assets		42,861,212	39,762,042
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 500,000,000 (2019: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Share capital Issued, subscribed and paid-up capital	13	4,350,000	4,350,000
Revenue reserve Unappropriated profit		7,121,607	7,240,140
Capital reserve Revaluation surplus on property, plant and equipment	14	1,254,208	1,288,130
Total shareholders' equity		12,725,815	12,878,270
LIABILITIES			
Non-current liabilities			
Long term finance-secured	15	5,042,182	6,367,141
Deferred taxation	16	1,499,446	2,230,618
Lease liabilities	5	38,098	-
		6,579,726	8,597,759
Current liabilities			
Trade and other payables	17	8,921,279	5,612,295
Contract liabilities	18	1,377,396	1,259,011
Short term borrowings-secured	19	11,520,404	10,191,219
Unpaid dividend		-	2,385
Unclaimed dividend		8,433	6,453
Current portion of long term finance	15	1,487,634	909,943
Current portion of lease liabilities	5	16,755	-
Accrued mark-up		223,770	304,707
		23,555,671	18,286,013
Total liabilities		30,135,397	26,883,772
Contingencies and commitments	20		
TOTAL EQUITY AND LIABILITIES		42,861,212	39,762,042

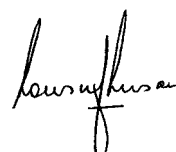
The annexed notes from 1 to 41 form an integral part of these financial statements.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



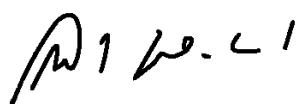
Yousuf H. Mirza
Chief Executive
Officer

Statement of Profit or Loss

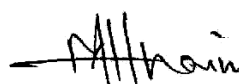
For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in '000)	
Net sales	21	48,081,937	57,484,354
Cost of sales	22	(43,869,080)	(51,035,302)
Gross profit		4,212,857	6,449,052
Selling and distribution expenses	23	(894,334)	(701,827)
Administrative expenses	24	(262,811)	(284,404)
		(1,157,145)	(986,231)
Finance cost	25	(2,314,807)	(1,289,315)
Other operating charges	26	(334,257)	(533,801)
		(2,649,064)	(1,823,116)
Other income	27	35,523	39,413
Profit before taxation		442,171	3,679,118
Taxation	28	52,680	(1,014,745)
Profit after taxation for the year		494,851	2,664,373
		(Rupees)	
Earnings per share - basic and diluted	29	1.14	6.12

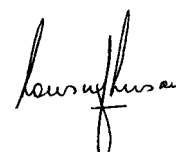
The annexed notes from 1 to 41 form an integral part of these financial statements.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



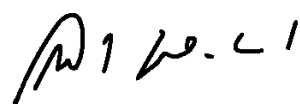
Yousuf H. Mirza
Chief Executive
Officer

Statement of Comprehensive Income

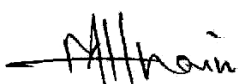
For the year ended 30 June 2020

	2020	2019
	(Rupees in '000)	
Profit for the year	494,851	2,664,373
Other comprehensive income		
<i>Items that will not be subsequently reclassified to statement of profit or loss</i>		
Remeasurements of net defined benefit liability	7,316	(28,386)
Revaluation of property, plant and equipment	-	449,987
Related tax	(2,122)	(75,212)
Other comprehensive income for the year - net of tax	5,194	346,389
Total comprehensive income for the year	500,045	3,010,762

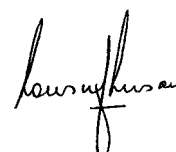
The annexed notes from 1 to 41 form an integral part of these financial statements.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



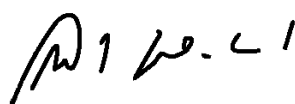
Yousuf H. Mirza
Chief Executive
Officer

Statement of Cash Flows

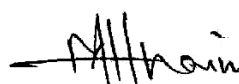
For the year ended 30 June 2020

Note	2020	2019
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	442,171	3,679,118
Adjustments for:		
Depreciation of property, plant and equipment	4.2 & 5.2 1,410,639	1,077,059
Amortization of Intangible assets	6 1,539	1,390
Loss on disposal of property, plant and equipment	27 12,729	29,610
Provision for obsolescence against stores and spares	22 38,583	15,278
Provision for staff gratuity	31 23,696	19,148
Provision for compensated absences	8,275	7,214
Income on bank deposits-conventional	27 (5,444)	(1,848)
Finance cost	25 2,314,807	1,289,315
Government grant	27 (718)	-
	3,804,106	2,437,166
Changes in working capital	30 951,638	(389,725)
Cash generated from operations	5,197,915	5,726,559
Finance cost paid	(2,395,026)	(1,141,097)
Income on bank deposits received	5,444	1,849
Staff gratuity paid	31 (23,617)	(47,534)
Compensated absences paid	(9,027)	(6,905)
Income tax paid	11 (807,473)	(1,046,761)
	(3,229,699)	(2,240,448)
Net cash generated from operating activities	1,968,216	3,486,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	4 (2,209,723)	(2,278,452)
Right-of-use assets	5 (67,865)	-
Payment for acquisition of intangible assets	6 -	(1,561)
Proceeds from disposal of property, plant and equipment	28,791	22,078
Net cash used in investing activities	(2,248,797)	(2,257,935)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term finance	713,876	600,000
Repayment of long term finance	(1,461,144)	(1,292,876)
(Repayment) of / proceeds from short term borrowings - net	(710,781)	269,437
Lease liabilities	54,853	-
Dividend paid	(652,905)	(1,961,119)
Net cash used in from financing activities	(2,056,101)	(2,384,558)
Net decrease in cash and cash equivalents	(2,336,682)	(1,156,382)
Cash and cash equivalents at beginning of the year	(6,232,042)	(5,075,660)
Cash and cash equivalents at end of the year	(8,568,724)	(6,232,042)
CASH AND CASH EQUIVALENTS COMPRISE OF:		
Cash and bank balances	12 106,196	402,912
Short term borrowings - running finance (secured)	19 (8,674,920)	(6,634,954)
	(8,568,724)	(6,232,042)

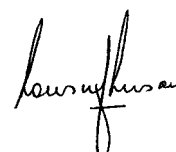
The annexed notes from 1 to 41 form an integral part of these financial statements.



Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer




Yousuf H. Mirza
Chief Executive
Officer

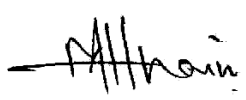
Statement of Changes in Equity

For the year ended 30 June 2020

	Issued, subscribed & paid-up capital	Revenue reserve - Unappropriated profit	Capital reserve - Revaluation surplus on property, plant and equipment	Total
----- (Rupees in '000) -----				
Balance as at 01 July 2018	4,350,000	6,532,704	942,304	11,825,008
Profit for the year	-	2,664,373	-	2,664,373
Other comprehensive income for the year	-	(20,154)	366,543	346,389
Total comprehensive income for the year	-	2,644,219	366,543	3,010,762
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 30% (Re. 3.00 per share) for the year ended 30 June 2018	-	(1,305,000)	-	(1,305,000)
- Interim dividend @ 15% (Rs. 1.50 per share) for the period ended 31 December 2019	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(1,957,500)	-	(1,957,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	20,717	(20,717)	-
Balance as at 30 June 2019	4,350,000	7,240,140	1,288,130	12,878,270
Balance as at 01 July 2019	4,350,000	7,240,140	1,288,130	12,878,270
Profit for the year	-	494,851	-	494,851
Other comprehensive income for the year	-	5,194	-	5,194
Total comprehensive income for the year	-	500,045	-	500,045
Transactions with owners recorded directly in equity - distributions				
Dividend:				
- Final dividend @ 15% (Rs. 1.50 per share) for the year ended 30 June 2019	-	(652,500)	-	(652,500)
Total transactions with owners of the Company - distributions	-	(652,500)	-	(652,500)
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	33,922	(33,922)	-
Balance as at 30 June 2020	4,350,000	7,121,607	1,254,208	12,725,815

The annexed notes from 1 to 41 form an integral part of these financial statements.


Dr. Amjad Waheed
 Director & Chairman
 Board Audit Committee


Mujtaba Hussain
 Chief Financial
 Officer


Yousuf H. Mirza
 Chief Executive
 Officer

Notes to the Financial Statements

For the year ended 30 June 2020

1. STATUS AND NATURE OF BUSINESS

International Steels Limited (the Company) was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is domiciled in the province of Sindh. The Company was listed on the Pakistan Stock Exchange Limited on 01 June 2011. The Company is subsidiary of International Industries Limited (the Holding Company) which holds 245,055,543 (2019: 245,055,543) shares of the Company as at 30 June 2020 representing 56.3% (2019: 56.3%) of the shareholding of the Company.

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

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

The manufacturing facilities of the Company are situated at 399-405, Rehri Road, Landhi Industrial Area, and Plot No. LE-73-79,102-103, 112-118, 125-129, Survey # NC.98, near Arabian Country Club, NIP, Bin Qasim Industrial Park, Karachi.

The Company has sales offices at following locations:

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

- 1.1** As in the rest of the world, COVID-19 adversely affected lifestyles and business operations in Pakistan. The Company complied with the Standard Operating Procedures (SOPs) prescribed by Federal and Provincial Governments. Sales and production activities were affected during lockdowns, however, the factory reopened after necessary permissions to produce orders for exports and essential services. The Company remained up to date in all its financial commitments. The Management believes that the going concern assumption of the Company remains valid.

The Company availed refinance facility for payment of salaries and wages under SBP's Infrastructure, Housing & SME Finance Department (IH&SMEFD) Circular No. 7 of 2020 dated 10 April 2020.

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:

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligation less fair value of plan assets, freehold land and buildings thereon that are stated at fair values determined by an independent valuer and derivative financial instruments which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of significant estimates and judgments

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

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

- Property, plant and equipment and intangible assets (notes 3.2 and 3.3)
- Trade debts, advances and other receivables (notes 3.4.2.1)
- Derivative financial instruments (notes 3.4.4 and 3.4.5)
- Stores and spares (notes 3.5)
- Stock-in-trade (notes 3.6)
- Taxation (notes 3.7)
- Staff retirement benefits (notes 3.8)
- Impairment (notes 3.12)
- Provisions (notes 3.13)
- Contingent liabilities (notes 3.14)

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than those disclosed in note 3.1. These are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2020

2.5.1 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 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 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 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 crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 01 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Notes to the Financial Statements

For the year ended 30 June 2020

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

2.5.2 Annual improvements to IFRS standards 2018-2020 cycle

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' from 01 July 2019. The standard introduces a single, on-balance sheet accounting model for leases. As a result, the Company as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

Notes to the Financial Statements

For the year ended 30 June 2020

The Company has applied IFRS 16 using the modified retrospective approach and has not restated the comparative information presented for 2019, as permitted under the specific transitional provisions in the standard.

The Company has various lease agreements for head office, warehouses and sales offices which were previously classified by the company based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for all the leases - i.e. these leases are on statement of financial position.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The lease liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 01 July 2019 is 14%

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

The company has not elected to recognise right-of-use assets and lease liabilities for short-term leases of properties that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The impact of adoption of IFRS 16 on the statement of financial position as at 30 June 2020 is as follows:

	30 June 2020	01 July 2019
	(Rupees in '000)	
Right-of-use assets	<u>49,377</u>	152,996
Lease liabilities	<u>54,853</u>	152,996
Deferred tax liability	<u>12,947</u>	-

Notes to the Financial Statements

For the year ended 30 June 2020

3.2 Property, plant and equipment

3.2.1 Operating assets and depreciation

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

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

Measurement

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

Revaluation surplus

Revaluation of freehold land and buildings on freehold land is carried out with sufficient regularity to

Notes to the Financial Statements

For the year ended 30 June 2020

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

Gains and losses on disposal

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

3.2.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any and consists of expenditure incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

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

3.3 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding, beyond one year, are recognised as an intangible asset.

Indefinite 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 intended to use, whereas no amortisation is charged from the month the asset is disposed-off.

3.4 Financial instruments

3.4.1 Initial measurement of financial asset

The Company classifies its financial assets into following three categories:

Notes to the Financial Statements

For the year ended 30 June 2020

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

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

Subsequent measurement

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

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

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

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.

3.4.2 Non-derivative financial assets

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

3.4.2.1 Trade debts, advances and other receivables

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

Notes to the Financial Statements

For the year ended 30 June 2020

3.4.2.2 Cash and cash equivalents

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

3.4.3 Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings and trade and other payables. The Company derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liabilities other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

3.4.3.1 Mark-up bearing borrowings and borrowing costs

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

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

3.4.3.2 Trade and other payables

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

3.4.4 Derivative financial instruments - other than hedging

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

3.4.5 Derivative financial instruments - cash flow hedges

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

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

3.4.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

Notes to the Financial Statements

For the year ended 30 June 2020

3.5 Stores and spares

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

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

3.6 Stock-in-trade

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

3.7 Taxation

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

Current tax

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

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

Deferred tax

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

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

3.8 Staff retirement benefits

3.8.1 Defined benefit plan

The Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year (except in case of workers where minimum qualifying

Notes to the Financial Statements

For the year ended 30 June 2020

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 recognized 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. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

3.8.2 Defined contribution plan

The Company provides provident fund benefits to all its officers. Equal contributions are made, both by the Company and the employees, at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the statement of profit or loss.

3.8.3 Compensated absences

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

3.9 Foreign currency translation

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

3.10 Revenue recognition

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

3.11 Income on bank deposits and finance cost

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

Notes to the Financial Statements

For the year ended 30 June 2020

3.12 Impairment

3.12.1 Financial assets

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

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

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

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

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

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering 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.

3.12.2 Non-financial assets

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

Notes to the Financial Statements

For the year ended 30 June 2020

3.13 Provisions

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

3.14 Contingent liabilities

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

3.15 Segment reporting

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

3.16 Dividend and appropriations

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

3.17 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

Notes to the Financial Statements

For the year ended 30 June 2020

4. PROPERTY, PLANT AND EQUIPMENT

Note	2020	2019
	(Rupees in '000)	
Operating assets	20,531,016	19,199,273
Capital work-in-progress	107,338	663,029
	20,638,354	19,862,302

4.1 Operating assets

	Cost / Revaluation				Depreciation					Net book value as at 30 June 2020	Rate %	
	As at 01 July 2019	Additions / Transfers	Revaluation surplus	(Disposals)	As at 30 June 2020	As at 01 July 2019	For the year	Revaluation surplus	(Disposals)			As at 30 June 2020
(Rupees in '000)												
Freehold land	1,622,500	618,941	-	-	2,241,441	-	-	-	-	-	2,241,441	-
Buildings on freehold land	2,427,972	922,539	-	(4,573)	3,345,938	-	155,733	-	(3,074)	152,659	3,193,279	3% - 5%
Plant and machinery*	19,762,845	1,162,399	-	(60,909)	20,864,335	4,754,522	1,192,785	-	(33,083)	5,914,224	14,950,111	3% - 33%
Furniture, fixture, computer and office equipment	104,738	17,584	-	-	122,322	55,771	13,655	-	-	69,426	52,896	10% - 33%
Vehicles	140,489	43,951	-	(23,355)	161,085	48,978	29,978	-	(11,160)	67,796	93,289	20%
	24,058,544	2,765,414	-	(88,837)	26,735,121	4,859,271	1,392,151	-	(47,317)	6,204,105	20,531,016	

	Cost / Revaluation				Depreciation					Net book value as at 30 June 2019	Rate %	
	As at 01 July 2018	Additions / Transfers	Revaluation surplus	(Disposals)	As at 30 June 2019	As at 01 July 2018	For the year	Revaluation surplus	(Disposals)			As at 30 June 2019
(Rupees in '000)												
Free hold land	1,460,250	-	162,250	-	1,622,500	-	-	-	-	-	1,622,500	-
Buildings on freehold land	1,473,571	925,558	28,843	-	2,427,972	169,714	89,180	(258,894)	-	-	2,427,972	3% - 5%
Plant and machinery *	15,653,943	4,165,950	-	(57,048)	19,762,845	3,816,377	953,817	-	(15,672)	4,754,522	15,008,323	3% - 33%
Furniture, fixture, computer and office equipment	83,929	21,101	-	(292)	104,738	46,850	9,128	-	(207)	55,771	48,967	10% - 33%
Vehicles	113,262	54,143	-	(26,916)	140,489	40,733	24,934	-	(16,689)	48,978	91,511	20%
	18,784,955	5,166,752	191,093	(84,256)	24,058,544	4,073,674	1,077,059	(258,894)	(32,568)	4,859,271	19,199,273	

* Includes capital spares having cost of Rs. 722 million (2019: Rs. 522 million) and net book value of Rs. 639 million (2019: Rs 449 million).

4.1.1 Additions to plant and machinery include interest and other charges capitalized on loan obtained for service centre amounting to Rs. 24.3 million (2019: Rs. 238.2 million). Rate of mark-up capitalisation is 6% (2019: 6.56% to 11.36%) per annum.

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

Note	2020	2019
	(Rupees in '000)	
Cost of sales	1,263,259	965,322
Selling and distribution expenses	9,383	7,815
Administrative expenses	9,397	6,659
Income from power generation	110,112	97,263
	1,392,151	1,077,059

Notes to the Financial Statements

For the year ended 30 June 2020

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

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

The carrying amount of the aforementioned assets as at 30 June 2020, 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	1,455,541	-	1,455,541
Buildings on freehold land	3,083,288	543,472	2,539,816
As at 30 June 2020	4,538,829	543,472	3,995,357
As at 30 June 2019	3,001,921	438,591	2,563,330

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

Particulars	Location	Total Area
Manufacturing plant	399-405, Deh Sharabi, Landhi Town, City District Government, Karachi	157,058 Sq. Yd
	Plot No. LE-73-79,102-103, 112-118, 125-129 Survey # NC.98, near Arabian Country Club, NIP, Bin Qasim Industrial Park, Karachi	653,400 Sq. Ft
Office premises	Office No. 203, 2nd Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	1,794 Sq. Ft
Multan plot	Khewat No.(B) 38, 114, 302, Khatooni No. 127, 475, 1114, Mouza Laar Bahawalpur Road, Multan	365,904 Sq. Ft

Notes to the Financial Statements

For the year ended 30 June 2020

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

	Original cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer	Relationship with buyer
----- (Rupees in '000) -----								
Vehicles								
Toyota Corolla	2,049	205	1,844	2,225	381	Negotiation	Ittehad Motors	Third Party
Toyota Corolla	2,029	710	1,319	2,410	1,091	Negotiation	Ittehad Motors	Third Party
Suzuki Cultus	1,440	168	1,272	1,305	33	Negotiation	Farhat Khan	Third Party
Honda City	1,563	599	964	1,800	836	Negotiation	Ittehad Motors	Third Party
Suzuki Cultus	1,250	354	896	1,150	254	Negotiation	Farhat Khan	Third Party
Toyota Corolla	1,864	1,025	839	2,000	1,161	As per Policy	Mustafa Khan	Employee
Toyota Corolla	2,383	1,707	675	-	(675)	As per Policy	Kemal Shoaib	Ex-Chairman BOD
Suzuki Mehran	795	133	663	690	28	As per Policy	Jamal Hassan	Employee
Suzuki Mehran	860	215	645	790	145	Negotiation	Yaseen Motors	Third Party
Suzuki Mehran	795	172	623	680	57	As per Policy	Rafiq Ahmed	Employee
	15,028	5,288	9,740	13,050	3,311			
Plant and machinery								
Inner Shell	21,200	5,744	15,456	1,205	(14,251)	Negotiation	Saifullah Brothers	Third Party
GP-II Equipments	23,196	11,909	11,287	1,648	(9,639)	Negotiation	Rahim Shah	Third Party
	44,396	17,653	26,743	2,853	(23,890)			
Building								
Metal Roof	4,573	3,074	1,499	3,749	2,250	Negotiation	Al-Faris Corporation	Third Party
	4,573	3,074	1,499	3,749	2,250			
Total	63,997	26,017	37,982	19,652	(18,329)			

4.6 Capital work-in-progress

	2020				2019			
	Cost As at 01 July 2019	Additions	(Transfers) / Adjustments	As at 30 June 2020	Cost As at 01 July 2018	Additions	(Transfers) / Adjustments	As at 30 June 2019
----- (Rupees in '000) -----								
Land	463,830	155,111	(618,941)	-	61,250	463,830	(61,250)	463,830
Building	51,446	938,958	(990,404)	-	696,439	280,565	(925,558)	51,446
Plant and machinery	123,861	1,033,924	(1,082,630)	75,155	2,782,039	1,391,653	(4,049,831)	123,861
Furniture, fixture, computer and office equipment	23,892	20,269	(17,584)	26,577	8,148	36,845	(21,101)	23,892
Vehicles	-	49,557	(43,951)	5,606	3,453	50,690	(54,143)	-
	663,029	2,197,819	(2,753,510)	107,338	3,551,329	2,223,583	(5,111,883)	663,029

Notes to the Financial Statements

For the year ended 30 June 2020

5 LEASES	Note	2020
5.1 Right-of-use assets		(Rupees in '000)
As at 01 July 2019		152,996
Additions		-
Disposals		(85,131)
Depreciation expense	5.2	(18,488)
As at 30 June 2020		49,377
As at 30 June 2019		-

5.2 The depreciation charge on right-of-use assets for the year has been allocated as follows:

Cost of sales	-
Selling and distribution expenses	13,492
Administrative expenses	4,996
	18,488

5.3 Lease liabilities

Rental contracts are made for a fixed period subject to renewal upon mutual consent of Company and lessor. Wherever practicable, the Company seeks to include extension option to provide operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised. The future lease payments have been discounted using average borrowing rate as at 01 July 2019.

Set out below the carrying amount of lease liabilities and the movements during the year:

As at 01 July 2019	152,996
Additions	-
Disposals	(85,131)
Interest expense	8,071
Payments	(21,083)
As at 30 June 2020	54,853
Current	16,755
Non - current	38,098
	54,853

Lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
	(Rupees in '000)		
Less than one year	22,979	6,224	16,755
Between one and five years	45,498	7,400	38,098
More than five years	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2020

6. INTANGIBLE ASSETS

	2020							Rate%
	Cost			Amortisation			Net book value as at 30 June 2020	
	As at 01 July 2019	Additions	As at 30 June 2020	As at 01 July 2019	For the year	As at 30 June 2020		
----- (Rupees in '000) -----								
Computer software	23,267	-	23,267	20,531	1,539	22,070	1,197	20% - 33.33%

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

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

7. STORES AND SPARES

	Note	2020	2019
(Rupees in '000)			
Stores		192,999	218,599
Spares		540,904	419,434
Loose tools		8,471	7,772
		<u>742,374</u>	<u>645,805</u>
Less: Provision for obsolescence against stores and spares		<u>(73,414)</u>	<u>(34,831)</u>
		<u>668,960</u>	<u>610,974</u>

8. STOCK-IN-TRADE

Raw material - in hand	6,655,805	1,919,579
Raw material - in transit	432,047	4,811,283
Work-in-process	2,532,031	1,942,101
Finished goods	5,290,148	5,850,831
Scrap material	211,509	118,741
By-products	10,666	5,424
	<u>15,132,206</u>	<u>14,647,959</u>

9. TRADE DEBTS - considered good

- Secured	9.1	385,099	151,932
- Unsecured		630,645	716,103
		<u>1,015,744</u>	<u>868,035</u>

9.1 This represents trade debts arising on account of export sales of Rs. 358.61 million (2019: Rs. 68.93 million) which are secured by way of Export Letters of Credit and Rs. 26.48 million (2019: Rs. 83 million) arising on account of domestic sales which are secured by way of Inland Letters of Credit.

9.2 Trade debts includes receivable from IIL Australia PTY Limited - a related party amounting to Rs. 29.64 million (2019:Rs.19.12 million) and Sumitomo Corporation - an associated company amounting to Rs.94.67 million (2019: Rs. Nil) which is not past due as at year end.

9.2.1 The maximum aggregate amount due from the related parties at the end of any month during the year is Rs. 374.2 million (2019: Rs. 682.8 million).

Notes to the Financial Statements

For the year ended 30 June 2020

10. ADVANCES, TRADE DEPOSITS AND PREPAYMENTS

Note	2020	2019
	(Rupees in '000)	
	79,246	64,594
	15,036	14,617
	6,807	16,255
	34,515	13,522
	<u>135,604</u>	<u>108,988</u>

10.1 These advances and trade deposits are non-interest bearing.

11. TAXATION - net

Tax receivable as at 01 July	906,326	427,137
Tax payments / adjustments made during the year	807,473	1,046,761
	<u>1,713,799</u>	<u>1,473,898</u>
Less: Provision for tax - current year	28 (680,615)	(567,572)
Tax receivable as at 30 June	<u>1,033,184</u>	<u>906,326</u>

12. CASH AND BANK BALANCES

Cash in hand	269	-
Cash at bank - in current accounts in local currency	91,641	56,292
Cash at bank - in deposit accounts in foreign currency	14,286	346,620
	<u>106,196</u>	<u>402,912</u>

12.1 Mark-up rate on bank accounts ranges from 6.50% to 11.25% (2019: 4.75% to 10.25%) per annum. The deposits account are placed with bank under conventional banking arrangements.

12.2 Cash at bank represents 100% balance deposited in conventional bank accounts (2019: 100%).

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
(Number of shares)			(Rupees in '000)	
30,000	30,000	Fully paid ordinary shares of Rs. 10 each issued for cash	300	300
417,716,700	417,716,700	Fully paid ordinary shares of Rs. 10 each issued against transfer of net assets	4,177,167	4,177,167
17,253,300	17,253,300	Fully paid ordinary shares of Rs. 10 each issued as right shares	172,533	172,533
<u>435,000,000</u>	<u>435,000,000</u>		<u>4,350,000</u>	<u>4,350,000</u>

13.1 As at 30 June 2020, the Holding Company and Sumitomo Corporation (an associated company) held 245,055,543 (2019: 245,055,543) and 39,477,657 (2019: 39,477,657) ordinary shares respectively of Rs. 10 each.

Notes to the Financial Statements

For the year ended 30 June 2020

14. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		(Rupees in '000)	
Freehold land			
Balance as at 01 July		785,901	623,651
Revaluation during the year		-	162,250
Balance as at 30 June		785,901	785,901
Buildings on freehold land			
Balance as at 01 July		707,366	448,808
Revaluation during the year		-	287,737
Transferred to retained earnings in respect of incremental depreciation charged during the year		(47,778)	(29,179)
Balance as at 30 June		659,588	707,366
Related deferred tax liability	14.2	(191,281)	(205,137)
Balance as at 30 June - net of deferred tax		1,254,208	1,288,130

14.1 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.

14.2 Movement in related deferred tax liability

	Note	2020	2019
		(Rupees in '000)	
Balance as at 01 July		205,137	130,155
Effect of revaluation		-	83,444
Tax effect on incremental depreciation transferred to retained earnings		(13,856)	(8,462)
Deferred tax liability as at 30 June		191,281	205,137

15. LONG TERM FINANCE - secured

CONVENTIONAL

Long Term Finance Facility
Long term finance

ISLAMIC

Long Term Finance Facility
Long term finance
Deferred Income - Government Grant

		1,205,940	1,460,418
		-	266,666
		545,908	-
		4,759,598	5,550,000
		18,370	-
	15.2	6,529,816	7,277,084

Current portion of long term finances shown under current liabilities

CONVENTIONAL

Long Term Finance Facility
Long term finance

ISLAMIC

Long Term Finance Facility
Long term finance
Deferred Income - Government Grant

		(250,024)	(237,721)
		-	(222,222)
		(36,614)	-
		(1,189,921)	(450,000)
		(11,075)	-
	15.2	(1,487,634)	(909,943)
		5,042,182	6,367,141

Notes to the Financial Statements

For the year ended 30 June 2020

15.1 Long term finances utilised under mark-up arrangements

	Sale price (Rupees in '000)	Purchase price (Rupees in '000)	Number of installments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2020 (Rupees in '000)	2019 (Rupees in '000)
<i>Conventional</i>							
i) Long Term Finance Facility (LTFF) - Local currency							
Bank Al Habib							
Assistance for plant and machinery	1,000,000	4,675,000	32 quarterly installments 16 October 2016	01 June 2026	1.00% over SBP Refinance rate	615,440	740,441
United Bank Limited							
Assistance for plant and machinery	1,000,000	2,501,562	16 half yearly installments 12 December 2016	28 November 2026	1.00% over SBP Refinance rate	590,500	719,977
<i>Islamic</i>							
i) Long Term Finance Facility (LTFF) - Local currency							
Meezan Bank Limited							
Assistance for plant and machinery	700,000		36 quarterly installments 17 October 2020	02 June 2030	3.00% over SBP Refinance rate	545,908	-
<i>Conventional</i>							
i) Long Term Finance - Local currency							
MCB Bank Limited							
Assistance for plant and machinery	800,000	1,112,512	18 quarterly installments 30 June 2016	07 January 2020	0.15% over 06 months KIBOR	-	266,666
<i>Islamic</i>							
i) Long Term Finance (SBP Payroll Refinance) - Local currency							
Faysal Bank Limited							
Payroll finance facility	200,000	167,968	8 quarterly installments 01 April 2021	01 January 2023	1.00% over SBP Refinance rate	167,968	-
ii) Long Term Finance - Local currency							
Meezan Bank Limited							
Assistance for plant and machinery	1,000,000	1,743,300	01 half yearly & 14 quarterly installments 26 December 2016	24 June 2020	0.20% over 03 months KIBOR	-	250,000
Habib Bank Limited							
Assistance for plant and machinery	5,000,000	5,625,000	10 half yearly installments 05 Jun 2020	05 December 2024	0.10% over 06 months KIBOR	4,410,000	4,900,000
Bank Al Habib Limited							
Assistance for plant and machinery	500,000	575,512	30 equal monthly installments 28 December 2018	28 June 2021	0.15% over 03 months KIBOR	200,000	400,000
						6,529,816	7,277,084

15.1.1 The above loans are secured against joint pari passu charge over fixed assets of the Company (such as land, building, plant and machinery etc.) with aggregate carrying amount of Rs. 13,577 million.

15.1.2 In relation to above borrowings, the Company needs to observe certain financial covenants (such as debt servicing ratio, current ratio, debt equity ratio etc.) and other non financial covenants as specified in the agreement with respective lenders which are complied with as of the reporting date.

15.1.3 During the year, mark-up paid on conventional long term finance is Rs. 103.13 million (2019: Rs. 124.26 million) whereas mark-up paid on Islamic long term finance is Rs. 824.27 million (2019: Rs. 215.41 million).

Notes to the Financial Statements

For the year ended 30 June 2020

- 15.2** The Company has also obtained long term loans of Rs. 167.967 million for financing its salaries and wages under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit, which is secured against first Joint Pari Passu Hypothecation charge over stock and book debts. The rate of markup on these loans are at 1% per annum. These loans are for two and half years and are repayable in eight equal quarterly installments of Rs.20.995 million commencing from 31 March 2021. The facility available under the above arrangement amounted to Rs. 200 million of which the amount remained unutilized as at 30 June 2020 was Rs. 32.03 million (2019: Nil).

Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The company has obtained the said borrowing from Faysal Bank Limited (FBL) at subsidized rate in three tranches on 20 May 2020, 04 June 2020 and 25 June 2020 at 1% concessional interest rate which is repayable by January 2023 in 8 quarterly installments to FBL under the SBP scheme.

Government grant amounting to Rs. 18.37 million has been recorded during the year ended 30 June 2020 and Rs. 0.718 million has been amortised during the year. In accordance with the terms of the grant, the company is prohibited to lay-off the employees atleast for three months from the period April 2020 to June 2020 of the grant.

16. DEFERRED TAXATION

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

	2020	2019
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	2,074,572	2,257,816
Revaluation surplus on buildings	14 191,281	205,137
Deductible temporary differences		
Provision for compensated absences	(2,711)	(3,293)
Unrealised exchange losses	(17,070)	(17,517)
Provision for infrastructure cess and government levies	(244,210)	(207,413)
Provision for obsolescence against stores and spares	(17,329)	(4,112)
Provision for lease liabilities	(12,947)	-
Difference of corporate tax and minimum tax	(472,140)	-
	1,499,446	2,230,618

17. TRADE AND OTHER PAYABLES

Trade creditors	17.1	5,183,883	2,525,391
Payable to provident fund	17.2	-	-
Accrued expenses		2,231,861	1,742,862
Provision for infrastructure cess	17.3	1,320,075	1,058,166
Provision for government levies	17.4	2,047	329
Short term compensated absences		11,485	12,237
Workers' Profit Participation Fund	17.5	1,290	17,024
Workers' Welfare Fund		149,278	219,266
Others		21,360	37,020
		8,921,279	5,612,295

Notes to the Financial Statements

For the year ended 30 June 2020

- 17.1** Trade creditors includes Rs. 2,614 million (2019: Rs.Nil) payable to a related party.
- 17.2** The investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified thereunder.
- 17.3** This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 20.1.1).

	2020	2019
	(Rupees in '000)	
Opening balance	1,058,166	774,813
Provided during the year	261,909	283,353
Closing balance	1,320,075	1,058,166

17.4 Provision for government levies

Opening balance	329	230
Provided during the year	6,951	350
Payment during the year	(5,233)	(251)
Closing balance	2,047	329

17.5 Workers' Profit Participation Fund

Opening balance		17,024	24,171
Allocation for the year	26	22,064	197,024
Interest on workers' profit participation fund		471	1,053
Payment during the year		(38,269)	(205,224)
Closing balance		1,290	17,024

18. CONTRACT LIABILITIES

Sales commission payable		5,865	50,183
Advances from customers - unsecured	18.1	1,371,531	1,208,828
		1,377,396	1,259,011

- 18.1** Advance from customers includes Rs. Nil (2019: Rs. 0.17 million) received from a related party for supply of finished goods.

19. SHORT TERM BORROWINGS - secured

Conventional

Short term finance under mark-up arrangement	19.1	164,222	5,881,084
Short-term borrowing under Money Market scheme			
Maturing after three months		750,000	-
Maturing within three months		6,100,000	500,000
	19.1	6,850,000	500,000
Short term finance under Export Refinance Scheme	19.2	1,175,628	1,984,265

Islamic

Short term finance under Running Musharakah	19.3	2,410,698	253,870
Short term finance under Islamic Export Refinance Scheme	19.4	919,856	-
Short term finance under Term Murabaha	19.5	-	1,572,000
		11,520,404	10,191,219

Notes to the Financial Statements

For the year ended 30 June 2020

- 19.1** The facilities for short term finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from 7.87% to 11.72% (2019: 7.12% to 13.90%) per annum.
- 19.2** The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% (2019: 2.1% to 3%) per annum.
- 19.3** The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is 8.46% to 11.84% (2019: 7.12% to 13.10%) per annum. This facility matures within twelve months and is renewable.
- 19.4** The Company has availed this year short term running finance facility under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% per annum.
- 19.5** The Company has obtained facilities under short term finance under Term Murabaha from Standard Chartered Bank Pakistan Limited amounting to Rs.Nil (2019: 1,572 million) for meeting working capital requirements. The tenure of the loan is six months from 20 June 2019 to 19 December 2019 at 13.25% (2019: 13.25%) per annum.
- 19.6** As at 30 June 2020, the unavailed facilities from the above borrowings amounted to Rs. 7,879.59 million (2019: Rs. 11,459 million).
- 19.7** During the year, mark-up paid on conventional short term borrowings is Rs. 1,035.7 million (2019: Rs. 641.74 million) whereas mark-up paid on Islamic short term borrowings is Rs. 291.79 million (2019: Rs. 143.24 million).
- 19.8** The above facilities are secured by way of joint pari passu charge and ranking over current and future moveable assets of the Company having aggregate charge amounting to Rs. 26,650 million.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
20.1.1 The Sindh Finance Act, 1994 prescribed an infrastructure fee at the rate of 1% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Sindh High Court on petition filed by the petitioner, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees issued as per the above mentioned interim order amount to Rs.1,330.5 million (30 June 2019: Rs. 1,111.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Company on prudent basis (Note 17.3). Subsequently through Sindh Finance Act 2015 and 2016, the legislation has	Sindh High Court	I.S.L. v/s Secretary Excise and Taxation / Federation of Pakistan	15-May-12

Notes to the Financial Statements

For the year ended 30 June 2020

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
<p>doubled the rate of Sindh infrastructure cess. The Company has obtained stay against these and the ultimate dispute has been linked with the previous infrastructure cess case.</p>			
<p>20.1.2 The Federal Government issued Gas Infrastructure Development Cess (GIDC) Acts in the years 2011, 2014 and 2015. All GIDC Acts have been subject of thorough debate and consideration at honorable High Courts of the Country as well as the Supreme Court of Pakistan.</p>	Sindh High Court	I.S.L. v/s OGRA / SSGC / Federation of Pakistan	8-Jan-12
<p>On 12 August 2020, the Supreme Court of Pakistan issued its verdict and held that “the levy imposed under Gas Infrastructure Development Cess Act, 2015 is in accordance with the provisions of the Constitution”. The Supreme Court has also held that “the provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of ‘Cess’ levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament.”</p>			
<p>The Management has reviewed adequacy of the provisions made in financial statements for the periods up to the year ended 30 June 2020 and recorded the entire liability under the GIDC Act 2015.</p>			
<p>Further, the Company has not recognized GIDC amounting to Rs. 737 million (2019: Rs. 935 million) pertaining to period from 01 July 2011 to 30 June 2020 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).</p>			
<p>20.1.3 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs. 600 Per MMBTU vide its notification dated 30 December 2016, increasing the rate by Rs. 112 per MMBTU disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay, subject to submission of security for the differential amount with the Nazir of the court. The Company has issued cheques amounting to Rs. 424.8 million (30 June 2019: Rs.</p>	Sindh High Court	I.S.L vs OGRA / SSGC / Federation of Pakistan	19-Jan-17

Notes to the Financial Statements

For the year ended 30 June 2020

Description of the factual basis of the proceedings and relief sought	Name of the court	Principal parties	Date instituted
<p>424.8 million) in favour of the Nazir of the Court upto September 2018. The Company, on prudent basis, has also accrued this amount in these financial statements. OGRA has further revised the gas tariff to Rs. 780 per MMBTU vide its notification dated 04 October 2018, further increasing the rate by Rs. 180 per MMBTU. The Company has filed a petition before the court challenging such further revision and the matter is partially heard. Pending the decision on the matter, the Company is settling the bills at the revised rate which has further been revised to Rs. 1,021 from 01 July 2019.</p>			
<p>20.1.4 The Company filed a constitutional petition in the Sindh High Court against notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. Stay was obtained on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan and is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.</p>	Sindh High Court	I.S.L vs Sindh Revenue Board / Government of Sindh/ Federation of Pakistan / Governing body of the Workers Welfare Fund / Federal Board of Revenue	6-Sep-17
<p>20.1.5 A petition was filed before the Sindh High Court seeking order for the issuance of quota for concessionary import under SRO 565; release of 85,000 tons of HRC arrived at the Port in November 2019 and for future shipments.</p>	Sindh High Court	I.S.L vs Federation of Pakistan/ Director IOCO / The Chief Collector (South)	4-Nov-19
<p>SHC granted release of 85,000 tons of HRC against submission of bank guarantee for the differential amount of duty & taxes amounting to Rs. 1,651 million. In a separate order SHC instructed the authorities to allow provisional quota subject to submission of bank guarantee for the difference of duty & taxes. As ordered, the Input-Output Co-efficient Organisation (IOCO) is issuing quota equivalent to ordered/shipped quantity of raw material on case to case basis.</p>			
<p>20.1.6 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 404.67 million (2019: Rs. 404.67 million) as a security for supply of gas.</p>			
<p>20.1.7 Guarantees issued in favour of Pakistan State Oil Company Limited issued by bank on behalf of the Company amounted to Rs.24 million (2019: Rs. 53 million).</p>			
<p>20.1.8 Guarantees issued in favour of K-Electric Limited issued by bank on behalf of the Company amounted to Rs. 8.67 million (2019: Rs. 8.67 million).</p>			
<p>20.1.9 Guarantees issued in favour of Wah Industries issued by bank on behalf of the Company amounted to Rs. Nil (2019: Rs. 59.11 million).</p>			

Notes to the Financial Statements

For the year ended 30 June 2020

20.1.10 Guarantees issued in favour of Collector of Customs issued by bank on behalf of the Company amounted to Rs.3,394.41 million (2019: Rs. 4.39 million).

20.2 Commitments

20.2.1 Capital expenditure commitments outstanding as at 30 June 2020 amounted to Rs. 78.46 million (2019: Rs. 446.22 million).

20.2.2 Commitments under Letters of Credit for raw materials and spares as at 30 June 2020 amounted to Rs.8,418.94 million (2019: Rs. 11,843 million).

20.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 30 June 2020 amounted to Rs.17,052.60 million (2019: Rs.10,822 million) and Rs.229.14 million (2019: Rs.1,206 million) respectively.

21. NET SALES	2020	2019
	(Rupees in '000)	
Local	46,634,706	63,384,497
Export	8,993,458	3,973,179
	55,628,164	67,357,676
Sales tax	(6,661,868)	(9,130,525)
Trade discounts	(391,963)	(84,915)
Sales commission	(492,396)	(657,882)
	(7,546,227)	(9,873,322)
	48,081,937	57,484,354

21.1 DISAGGREGATION OF REVENUE

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

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

	2020	2019
	(Rupees in '000)	
Primary geographical markets		
Local	39,088,479	53,511,176
Asia	3,900,336	1,835,632
Europe	15,668	3,258
Australia	114,397	108,995
Americas	3,631,696	1,578,786
Africa	1,331,361	446,507
	48,081,937	57,484,354
Major product lines		
Cold rolled	18,657,935	21,066,956
Galvanized product	27,642,405	33,395,353
By-product	1,781,597	3,022,045
	48,081,937	57,484,354

Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
	(Rupees in '000)	
22. COST OF SALES		
Opening stock of raw material	1,919,579	5,930,245
Purchases	44,749,219	47,915,850
	46,668,798	53,846,095
Closing stock of raw material	8 (6,655,805)	(1,919,579)
	40,012,993	51,926,516
Manufacturing overheads		
Salaries, wages and benefits	22.1 572,704	546,146
Electricity, gas and water	1,709,862	1,351,254
Insurance	28,505	27,628
Security and janitorial	31,773	28,397
Depreciation	4.2 1,263,259	965,322
Amortisation	6.1 1,539	1,390
Stores and spares consumed	139,676	123,545
Provision for obsolescence against stores and spares	38,583	15,278
Repairs and maintenance	94,994	103,401
Postage, telephone and stationery	7,346	8,252
Vehicle, travel and conveyance	33,203	37,672
Internal material handling	12,580	39,260
Environment controlling expense	3,099	2,225
Computer stationery and software support fees	11,063	8,566
Partial manufacturing expense	6,286	-
Sundries	28,872	19,020
	3,983,344	3,277,356
	43,996,337	55,203,872
Work-in-process		
Opening stock	1,942,101	1,187,243
Closing stock	8 (2,532,031)	(1,942,101)
	(589,930)	(754,858)
Cost of goods manufactured	43,406,407	54,449,014
Finished goods, scrap material and by-products:		
Opening stock	5,974,996	2,561,284
Closing stock	8 (5,512,323)	(5,974,996)
	462,673	(3,413,712)
	43,869,080	51,035,302

22.1 Salaries, wages and benefits include Rs. 30.69 million (2019: Rs. 21.65 million) in respect of staff retirement benefits.

Notes to the Financial Statements

For the year ended 30 June 2020

23. SELLING AND DISTRIBUTION EXPENSES

		2020	2019
		(Rupees in '000)	
Salaries, wages and benefits	23.1	88,483	93,564
Rent, rates and taxes		37,170	32,465
Electricity, gas and water		2,773	2,754
Insurance		2,107	1,490
Depreciation	4.2	9,383	7,815
Depreciation on right-of-use asset	5.2	13,492	-
Postage, telephone and stationery		4,660	3,709
Vehicle, travel and conveyance		19,363	26,098
Freight and forwarding charges		634,473	420,180
Sales promotion		69,616	102,497
Others		12,814	11,255
		894,334	701,827

23.1 Salaries, wages and benefits include Rs. 5.43 million (2019: Rs. 5.33 million) in respect of staff retirement benefits.

		2020	2019
		(Rupees in '000)	

24. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	24.1	145,143	149,482
Rent, rates and taxes		347	4,738
Electricity, gas and water		2,477	2,190
Insurance		2,409	2,661
Depreciation	4.2	9,397	6,659
Depreciation on right-of-use asset	5.2	4,996	-
Security and janitorial services		669	681
Printing and stationery		2,601	4,716
Computer stationery and software support fees		365	229
Postage and communication		1,253	1,158
Vehicle, travel and conveyance		8,744	9,828
Legal and professional charges		60,683	84,501
Certification and registration charges		6,886	3,217
Directors' fee		7,525	5,625
Others		9,316	8,719
		262,811	284,404

24.1 Salaries, wages and benefits include Rs. 7.93 million (2019: Rs. 10.12 million) in respect of staff retirement benefits.

Notes to the Financial Statements

For the year ended 30 June 2020

25. FINANCE COST

2020

2019

(Rupees in '000)

Conventional

- Interest on long term finance	92,651	123,455
- Interest on short term borrowings	1,060,467	650,317
	1,153,118	773,772

Islamic

- Mark-up on running musharkah	197,431	110,979
- Mark-up on Islamic Export Refinance	6,069	-
- Mark-up on term musharkah	-	102,652
- Mark-up on diminishing musharkah	689,513	279,445
- Mark-up on murhabaha	104,014	6,277
	997,027	499,353

Bank charges	34,475	15,137
Interest on Workers' Profit Participation Fund	471	1,053
Exchange Loss on FE	121,645	-
Interest on lease liabilities	8,071	-
	2,314,807	1,289,315

26. OTHER OPERATING CHARGES

Auditors' remuneration	26.1	2,547	2,786
Donations	26.2	19,200	45,477
Workers' Profit Participation Fund	17.5	22,064	197,024
Workers' Welfare Fund		(22,947)	63,287
Exchange loss - net		313,393	225,227
		334,257	533,801

26.1 Auditors' remuneration

Audit fee	1,629	1,629
Half yearly review	443	443
Other services including certifications	234	583
Out of pocket expenses	241	131
	2,547	2,786

26.2 Donations

26.2.1 Donations to following Organizations and Trusts exceed 10% of total amount of donations made or Rs.1 million whichever is higher:

2020

2019

(Rupees in '000)

Sindh Institute of Urology and Transplantation	-	10,000
SINA Health Education and Welfare Trust	-	6,000
Amir Sultan Chinoy Foundation	-	6,000
The Citizens Foundation	5,600	5,200
Indus Valley School of Art and Architecture	-	5,000
Karachi Relief Trust (for COVID-19)	10,000	-
	15,600	32,200

Notes to the Financial Statements

For the year ended 30 June 2020

26.2.2 Donations in which directors are interested are as follows:

Name of Director	Interest in Donee	Name and address of the Donee	Amount donated	
			2020	2019
			(Rupees in '000)	
Mr. Samir M. Chinoy	Chairman	Amir Sultan Chinoy Foundation 101, Beaumont Plaza, Beaumont Road, Karachi	-	6,000
Mr. Kamran Y. Mirza	Trustee	Karwan-e-Hayat Plot # SC-54, Darusalam Housing Society, Sector 31-F, Korangi, Karachi	-	2,200
Mr. Riyaz T. Chinoy	Director	The Citizens Foundation Plot No. 20, Sector # 14, Near Brookes Chowrangi, Korangi Industrial Area, Karachi.	-	5,200
Mr. Zakauallah Khan	Trustee	Al-Rehmat Benevolent Trust Mohallah Kakey Zaieyan, Pasrur, Sialkot.	1,000	-
Mr. Towfiq H. Chinoy	Chairman	Karachi Relief Trust 101, Beaumont Plaza, 10 Beaumont Road Karachi	10,000	-
Syed Salim Raza	Trustee	Layton Rehmatullah Benevolent Trust 37-C, Sunset Lane No. 4 Phase II Extension, 24th Commercial Street D.H.A, Karachi	-	1,000
			11,000	14,400

27. OTHER INCOME

Income from non-financial assets

	Note	2020	2019
(Rupees in '000)			
Income from power generation	27.1	20,515	20,828
Loss on sale of property, plant and equipment		(12,729)	(29,610)
Rental income		2,526	1,948
Others		19,049	44,399
		29,361	37,565

Income / return on financial assets

- Income on bank deposit - conventional		5,444	1,848
- Government grant		718	-
		6,162	1,848
		35,523	39,413

27.1 Income from power generation

Net sales		601,071	407,031
<i>Cost of electricity produced:</i>			
Salaries, wages and benefits	27.1.1	22,563	21,190
Electricity, gas and water		1,339,509	1,003,530
Depreciation	4.2	110,112	97,263
Stores and spares consumed		20,983	24,930
Repairs and maintenance		63,406	49,834
Sundries		1,393	4,107
		1,557,966	1,200,854
Less: Self consumption		(977,410)	(814,651)
		580,556	386,203
Income from power generation		20,515	20,828

27.1.1 Salaries, wages and benefits include Rs. 1.50 million (2019: Rs. 0.83 million) in respect of staff retirement benefits.

Notes to the Financial Statements

For the year ended 30 June 2020

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

28. TAXATION	Note	2020	2019
		(Rupees in '000)	
Current - for the year		680,615	567,572
- for prior years		-	-
	11	680,615	567,572
Deferred		(733,295)	447,173
		(52,680)	1,014,745

28.1 Relationship between income tax expense and accounting profit	2020	2019	2020	2019
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			442,171	3,679,118
Tax at the enacted tax rate	29.00	29.00	128,230	1,066,944
Effect on income under final tax regime	(39.65)	(2.04)	(175,342)	(75,130)
Effect of adjustments on account of change in rates and proportionate etc.	-	5.50	-	202,426
Effect of super tax	-	1.38	-	50,914
Effect of tax credit	(1.26)	(6.02)	(5,568)	(221,485)
Others	-	(0.24)	-	(8,924)
	(11.91)	27.58	(52,680)	1,014,745

29. EARNINGS PER SHARE - BASIC AND DILUTED	2020	2019
	(Rupees in '000)	
Profit after taxation for the year	494,851	2,664,373
	(Number)	
Weighted average number of ordinary shares in issue during the year	435,000,000	435,000,000
	(Rupees)	
Earnings per share	1.14	6.12

29.1 There is no dilutive impact on earnings per share.

30. CHANGES IN WORKING CAPITAL	2020	2019
	(Rupees in '000)	
<i>(Increase) / decrease in current assets</i>		
Stores and spares	(96,569)	(187,255)
Stock-in-trade	(484,247)	(515,217)
Trade debts	(147,709)	(223,245)
Receivable from K-Electric Limited (KE)	(396)	(6,334)
Advances, trade deposits and prepayments	(26,616)	(43,227)
Sales tax receivable	(1,720,946)	(827,311)
	(2,476,483)	(1,802,589)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	3,428,121	1,412,864
	951,638	(389,725)

Notes to the Financial Statements

For the year ended 30 June 2020

31. STAFF RETIREMENT BENEFITS

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

The following significant assumptions has been used:

	2020	2019
Financial assumptions		
Rate of discount	9.25%	14.25%
Expected rate of salary increase	8.25%	13.25%
Demographic assumptions		
Mortality rate	SLIC 2001-2005	SLIC 2001-2005
Rates of employee turnover	Moderate	Moderate
Retirement assumption	Age 60 years	Age 60 years

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

(Rupees in '000)

Present value of defined benefit obligation	185,614	149,405
Fair value of plan assets	(192,852)	(149,405)
Asset as at 30 June	(7,238)	-

Movements in the present value of defined benefit obligation

Present value of defined benefit obligation - beginning of the year	149,405	125,399
Current service cost	25,379	20,384
Interest cost	20,974	11,725
Remeasurements: Actuarial losses on obligation	(5,702)	8,191
Benefits paid	(4,442)	(16,294)
Present value of defined benefit obligation	185,614	149,405

Movements in the fair value of plan assets

Fair value of plan assets - beginning of the year	149,405	125,399
Interest income on plan assets	22,657	12,961
Return on plan assets, excluding interest income	1,614	(20,195)
Benefits paid	(4,442)	(16,294)
Contribution to fund	23,618	47,534
Fair value of plan assets	192,852	149,405

Movement in net defined benefit liability

Opening balance	-	-
Re-measurements recognised in other comprehensive income during the year	(7,316)	28,386
Expense chargeable to statement of profit or loss	23,696	19,148
Contribution paid during the year	(23,618)	(47,534)
Closing balance	(7,238)	-

Amount recognised in total comprehensive income

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

Notes to the Financial Statements

For the year ended 30 June 2020

	2020	2019
	(Rupees in '000)	
Component of defined benefit costs recognized in statement of profit or loss		
Current service cost	25,379	20,384
Net interest cost		
- Interest cost on defined benefit obligation	20,974	11,725
- Return on plan assets	(22,657)	(12,961)
	23,696	19,148
Component of defined benefit costs (re-measurement) recognised in other comprehensive income		
Re-measurements: Actuarial (gain) / loss on obligation		
- Loss due to change in experience adjustments	(5,702)	8,191
- Return on plan assets	(1,614)	20,195
Net re-measurement recognised in other comprehensive income	(7,316)	28,386
Total defined benefit cost recognised in statement of profit or loss and other comprehensive income	16,380	47,534
Components of defined benefit cost for the next year		
Current service cost	26,664	25,379
Interest expense on defined benefit obligation	16,649	20,588
Return on plan assets	(18,411)	(22,349)
Net interest cost	(1,762)	(1,761)
Cost for the next year to be recognised in statement of profit or loss	24,902	23,618

Composition of fair value of plan assets

	2020		2019	
	Fair value (Rupees in '000)	Percentage	Fair value (Rupees in '000)	Percentage
Government securities	163,342	85%	89,045	60%
Shares - Listed	28,153	15%	35,675	24%
Bank deposits	1,357	0%	24,685	16%
Fair value of plan assets	192,852	100%	149,405	100%

Sensitivity analysis on significant actuarial assumptions:

	2020	2019
	(Rupees in '000)	
Actuarial liability		
Discount rate + 100 basis points	165,510	133,914
Discount rate - 100 basis points	209,618	167,787
Salary increases + 100 basis points	209,973	168,074
Salary increases - 100 basis points	164,854	133,406

(Number in years)

Weighted average duration of the Defined Benefit Obligation	12	11
---	-----------	----

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

Notes to the Financial Statements

For the year ended 30 June 2020

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	----- (Rupees in '000) -----					
Managerial remuneration	27,146	25,376	14,800	31,000	131,252	110,777
Bonus	9,048	8,459	3,600	3,000	36,919	28,976
Retirement benefits	3,392	3,171	1,350	1,125	13,888	10,858
Rent, utilities, leave encashment etc.	13,573	12,688	7,289	15,500	65,626	55,834
Directors' fees	-	-	7,525	5,625	-	-
	<u>53,159</u>	<u>49,694</u>	<u>34,564</u>	<u>56,250</u>	<u>247,685</u>	<u>206,445</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10*</u>	<u>10*</u>	<u>42</u>	<u>36</u>

*From 01 July 2019 to 25 September 2019, there were 2 Executive Directors and 8 Non-Executive Directors. From 25 September 2019 to 30 June 2020, there was 1 Executive Director and 9 Non-Executive Directors.

- 32.1** In addition to the above, Chief Executive, Directors and certain Executives are provided with free use of Company maintained vehicles in accordance with the Company's policy.
- 32.2** Fee paid to non-executive directors is Rs.7.52 million (2019: Rs. 5.62 million) on account of meetings attended by them.
- 32.3** Reimbursement of chairman's expenses was Rs. 2.46 million (2019: Rs. 1.12 million).

33. 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 Board 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.

Notes to the Financial Statements

For the year ended 30 June 2020

Exposure to credit risk

The carrying amounts of financial assets as disclosed in note 34 represent the maximum credit exposure.

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

33.1.1 Trade debts and receivable from K-Electric Limited (KE) amounting to Rs. 98.06 million (2019: Rs. 122.9 million) at the reporting date belong only to domestic region whereas trade debts amounting to Rs. 957.07 million (2019: Rs. 784 million) belong to foreign customers.

33.1.2 Impairment losses

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

	2020		2019	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Not past due	692,079	-	905,848	-
Past due 1-60 days	277,984	-	671	-
Past due 61 + days	85,074	-	513	-
Total	<u>1,055,137</u>	<u>-</u>	<u>907,032</u>	<u>-</u>

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

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

Bank	Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	JCR-VIS	A1+	AAA
United Bank Limited	JCR	A1+	AAA
Faysal Bank Limited	PACRA	A1+	AA
	VIS	A1+	AA
Bank Al Habib Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
MCB Islamic Bank Limited	PACRA	A1	A
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Meezan Bank Limited	VIS	A1+	AA+
Bank Al Falah Limited	PACRA	AA+	A1+
	JCR	AA+	A1+
Dubai Islamic Bank Limited	VIS	A1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Allied Bank Limited	PACRA	A1+	AAA
Samba Bank Limited	VIS	A1	AA
Industrial and Commercial Bank of China	S&P	-	A

Notes to the Financial Statements

For the year ended 30 June 2020

Concentration of credit risk

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

33.2 Liquidity risk

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

	2020					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
----- (Rupees in '000) -----						
Non-derivative financial liabilities						
Long term financing	6,529,816	(7,786,656)	(956,214)	(981,121)	(5,527,538)	(321,783)
Short-term borrowings	11,520,404	(11,520,404)	(11,520,404)	-	-	-
Accrued mark-up	223,770	(223,770)	(223,770)	-	-	-
Trade and other payables	5,205,243	(5,205,243)	(5,205,243)	-	-	-
Contract liabilities	5,865	(5,865)	(5,865)	-	-	-
Unpaid dividend	-	-	-	-	-	-
Unclaimed dividend	8,433	(8,433)	(8,433)	-	-	-
	23,493,531	(24,750,371)	(17,919,929)	(981,121)	(5,527,538)	(321,783)
----- (Rupees in '000) -----						
	2019					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
----- (Rupees in '000) -----						
Non-derivative financial liabilities						
Long term financing	7,277,084	(9,436,108)	(801,396)	(777,885)	(6,623,429)	(1,233,399)
Short-term borrowings	10,191,219	(10,191,219)	(10,191,219)	-	-	-
Accrued mark-up	304,707	(304,707)	(304,707)	-	-	-
Trade and other payables	2,562,411	(2,562,411)	(2,562,411)	-	-	-
Contract liabilities	50,183	(50,183)	(50,183)	-	-	-
Unpaid dividend	2,385	(2,385)	(2,385)	-	-	-
Unclaimed dividend	6,453	(6,453)	(6,453)	-	-	-
	20,394,442	(22,553,466)	(13,918,754)	(777,885)	(6,623,429)	(1,233,399)

Notes to the Financial Statements

For the year ended 30 June 2020

33.1 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.

33.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up has been disclosed in respective notes to these financial statements.

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

33.3 Market risk

Market risk is the risk which arises due to changes in market prices, such as foreign exchange rates, interest rates and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is exposed to currency risk and interest rate risk only.

33.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to currency risk

The Company is exposed to currency risk on trade debts, bank balances and trade creditors that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2020		2019	
	Rupees	US Dollars	Rupees	US Dollars
	----- (Amounts in '000) -----			
Bank Balance	14,286	85	346,620	2,128
Trade debts	957,076	5,698	784,049	4,814
Trade creditors	(4,918,629)	(29,217)	(2,307,880)	(14,138)
Balance sheet exposure	(3,947,267)	(23,434)	(1,177,211)	(7,196)

The following significant exchange rates applied during the year:

	Average rates		Reporting date rate	
	2020	2019	2020	2019
	----- (Rupees) -----			
US Dollars to PKR	158.45	136.25	168.35	163.24

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June 2020 would have (decreased) / increased the profit by Rs.441.75 million (2019: Rs. 85.3 million). This analysis assumes that all other variables, in particular interest rates, remain constant and the analysis is performed on the same basis as done in prior year.

Notes to the Financial Statements

For the year ended 30 June 2020

33.3.2 Interest rate risk

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

a) Cash flow sensitivity analysis for variable rate instruments

The Company holds various variable rate financial instruments amounting to Rs.16,298 million (2019: Rs. 16,008 million) exposing the Company to cash flow interest rate risk. A change of 100 basis points as at 30 June 2020 would have increased / (decreased) profit after tax and equity for the year by Rs.115.72 million (2019: Rs. 113.66 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

b) Cash flow sensitivity analysis for fixed rate instruments

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

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

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

	2020				
	Short term borrowings used for cash management purpose	Other short term borrowings	Long term finance	Unappropriated profit	Total
	----- (Rupees in '000) -----				
Balance as at 01 July 2019	6,634,954	3,672,543	7,465,513	7,240,140	25,013,150
<i>Changes from financing cash flows</i>					
Repayment of loan	-	-	(1,461,144)	-	(1,461,144)
Proceeds from long term loan	-	-	713,876	-	713,876
Payments / (repayments) - net	-	(710,781)	-	-	(710,781)
Dividend paid	-	-	-	(652,905)	(652,905)
Total changes from financing activities	-	(710,781)	(747,268)	(652,905)	(2,110,954)
<i>Other changes - interest cost</i>					
Interest expense	-	1,532,643	782,164	-	2,314,807
Interest paid	-	(1,493,360)	(901,666)	-	(2,395,026)
Changes in running finance	(3,560,034)	-	-	-	(3,560,034)
Total loan related other changes	(3,560,034)	39,283	(119,502)	-	(3,640,253)
Total equity related other changes	-	-	-	534,372	534,372
Balance as at 30 June 2020	3,074,920	3,001,045	6,598,743	7,121,607	19,796,315

Notes to the Financial Statements

For the year ended 30 June 2020

	2019				
	Short term borrowings used for cash management purpose	Other short term borrowings	Long term finance	Unappropriated profit	Total
	----- (Rupees in '000) -----				
Balance as at 01 July 2018	5,175,482	3,329,218	8,084,059	6,532,704	23,121,463
Changes from financing cash flows					
Repayment of loan	-	-	(1,292,876)	-	(1,292,876)
Proceeds from long term loan	-	-	600,000	-	600,000
Payments / (repayments) - net	-	269,437	-	-	269,437
Dividend paid	-	-	-	(1,961,119)	(1,961,119)
Total changes from financing activities	-	269,437	(692,876)	(1,961,119)	(2,384,558)
Other changes - interest cost					
Interest expense	-	886,415	402,900	-	1,289,315
Interest paid	-	(812,527)	(328,570)	-	(1,141,097)
Changes in running finance	1,459,472	-	-	-	1,459,472
Total loan related other changes	1,459,472	73,888	74,330	-	1,607,690
Total equity related other changes	-	-	-	2,668,555	2,668,555
Balance as at 30 June 2019	6,634,954	3,672,543	7,465,513	7,240,140	25,013,150

During the year Rs. 24.3 million (2019: Rs. 238.2 million) has been capitalized as borrowing cost as disclosed in note 4.1.1 to these financial statements and the related amount is not yet due for payment.

34. MEASUREMENT OF FAIR VALUES

Management engages an independent external expert / valuer to carry out valuation of its non-financial assets (i.e. Land and Building) and obtains rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided by management. Selection criteria 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.

Notes to the Financial Statements

For the year ended 30 June 2020

	2020					
	Carrying amount			Fair value		
	Amortised Cost	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Trade debts	1,015,744	-	-	-	-	-
Receivable from K-Electric Limited (KE)	39,393	-	-	-	-	-
Trade deposits and Margin against shipping guarantee	21,843	-	-	-	-	-
Cash and bank balances	106,196	-	-	-	-	-
Total financial assets	1,183,176	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term finance	-	-	5,042,182	-	-	-
Current maturity of long term finance	-	-	1,487,634	-	-	-
Trade and other payables	-	-	5,205,243	-	-	-
Short term borrowings	-	-	11,520,404	-	-	-
Contract liabilities	-	-	5,865	-	-	-
Unpaid dividend	-	-	-	-	-	-
Unclaimed dividend	-	-	8,433	-	-	-
Accrued mark-up	-	-	223,770	-	-	-
Total financial liabilities	-	-	23,493,531	-	-	-
----- (Rupees in '000) -----						
2019						
	Carrying amount			Fair value		
	Amortised Cost	Liabilities at fair value through profit or loss	Other financial liabilities	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Trade debts	868,035	-	-	-	-	-
Receivable from K-Electric Limited (KE)	38,997	-	-	-	-	-
Trade deposits and Margin against shipping guarantee	30,872	-	-	-	-	-
Cash and bank balances	402,912	-	-	-	-	-
Total financial assets	1,340,816	-	-	-	-	-
Financial liabilities not measured at fair value						
Long term finance	-	-	6,367,141	-	-	-
Current maturity of long term finance	-	-	909,943	-	-	-
Trade and other payables	-	-	2,562,411	-	-	-
Short term borrowings	-	-	10,191,219	-	-	-
Contract liabilities	-	-	50,183	-	-	-
Unpaid dividend	-	-	2,385	-	-	-
Unclaimed dividend	-	-	6,453	-	-	-
Accrued mark-up	-	-	304,707	-	-	-
Total financial liabilities	-	-	20,394,442	-	-	-

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

Notes to the Financial Statements

For the year ended 30 June 2020

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

Assets measured at fair value	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment - Land and Building	30 June 2019	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building is considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

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

	(Rupees In '000)
Opening net book value	4,050,472
Additions during the year	1,541,480
Depreciation for the year	(155,733)
Revaluation during the year	-
Closing net book value	<u>5,436,219</u>

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. TRANSACTIONS WITH RELATED PARTIES

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

36.1 Transactions with related parties

Holding Company

	Note	2020	2019
		(Rupees in '000)	
Sales		1,572,505	9,484,967
Purchases		210,249	47,772
Rent expense		47,265	27,080
Shared resources cost		65,178	52,615
Reimbursement of expenses		5,072	8,320
Partial manufacturing - Sales		6,431	54
Corporate, legal, marketing & IT services		20,165	25,396
Dividend paid		367,583	1,102,750

Other related parties

Sales		953,922	460,029
Purchases		21,552,257	35,784,829
Dividend paid		59,216	177,649
Rental income	36.4	2,525	1,948
Reimbursement of expenses		3,913	3,067
Services		133,760	57,784

Key management personnel

Remuneration		230,493	244,682
--------------	--	---------	---------

Staff retirement funds

Contribution paid		50,222	47,257
-------------------	--	--------	--------

Non-executive directors

Directors' fee		7,525	5,625
Reimbursement of Chairman's expenses		2,459	1,117

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

Name of the Related Party	Relationship and percentage of Shareholding
International Industries Limited	Holding Company holds 56.3% (2019: 56.3%)
Sumitomo Corporation (incorporated in Japan)	Associated Company holds 9% (2019:9%)
Pakistan Cables Limited	Associated Company due to common directorship
German Pakistan Chamber of Commerce And Industry	Associated Company due to common directorship
Intermark (Private) Limited	Associated Company due to common directorship
Standard Chartered Bank (Pakistan) Limited	Associated Company due to common directorship
Faysal Bank Limited	Associated Company due to common directorship
Jubilee Life Insurance Company Limited	Associated Company due to common directorship
Jubilee General Insurance Company Limited	Associated Company due to common directorship
Beaumont Plaza Owners / Occupants Welfare Association	Associated Company due to common directorship
IIL Australia PTY Limited (incorporated in Australia)	Associated Company due to common directorship

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

37. ANNUAL PRODUCTION CAPACITY

2020	2019
------	------

(Metric Tonnes)

The production capacity at the year end was as follows:

Galvanising	<u>462,000</u>	462,000
Cold rolled steel strip	<u>1,000,000</u>	1,000,000
Colour coated	<u>84,000</u>	84,000

The actual production for the year was:

Galvanising	<u>230,023</u>	330,350
Cold rolled steel strip	<u>424,355</u>	584,408
Colour coated	<u>21,166</u>	15,789

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

38. OPERATING SEGMENT

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

38.2 Revenue from sales of steel products represents 99% (2019: 99%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (KE). The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its Galvanizing plant and Cold Rolling plant and currently any excess electricity is sold to KE.

38.3 All non-current assets of the Company as at 30 June 2020 are located in Pakistan.

38.4 83.83% (2019: 93.88%) of sales of steel are domestic sales whereas 16.17% (2019: 6.12%) of sales are export / foreign sales.

38.5 Geographic Information

2020	2019
------	------

(Rupees in '000)

Domestic Sales	<u>46,634,706</u>	60,962,022
Export Sales	<u>8,993,458</u>	3,973,179
	<u>55,628,164</u>	64,935,201

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

39. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

2020	2019
------	------

(Number of employees)

Total employees of the Company at the year end	<u>692</u>	724
Average employees of the Company during the year	<u>702</u>	708

Notes to the Financial Statements

For the year ended 30 June 2020

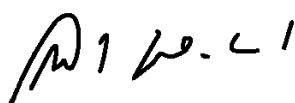
40. GENERAL

40.1 Non-adjusting events after reporting date

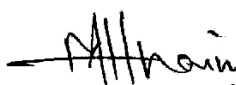
The Board of Directors of the Company in their meeting held on 25 August 2020 has not proposed any dividend for the year ended 30 June 2020 (2019: Rs. 1.5 per share amounting to Rs. 652.5 million).

41. DATE OF AUTHORISATION FOR ISSUE

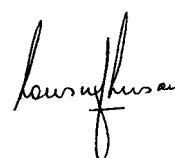
These financial statements were authorised for issue on 25 August 2020 by the Board of Directors of the Company.




Dr. Amjad Waheed
Director & Chairman
Board Audit Committee



Mujtaba Hussain
Chief Financial
Officer



Yousuf H. Mirza
Chief Executive
Officer



Stakeholders Information





Ownership

On June 30, 2020 there were 5878 members on the record of the Company.

FINANCIAL CALENDAR		
RESULTS		
Year ended June 30, 2020	Approved on Announced on	August 25, 2020 August 26, 2020
Third quarter ended March 31, 2020	Approved on Announced on	April 14, 2020 April 15, 2020
Half year ended December 31, 2019	Approved & Announced on	January 27, 2020
First quarter ended September 30, 2019	Approved & Announced on	October 15, 2019
DIVIDEND		
Final – Cash (2019)	Approved on Entitlement date Statutory limit upto which payable Paid on	August 19, 2019 Sept. 17, 2019 October 15, 2019 October 14, 2019
LATEST ANNUAL REPORT ISSUED ON		September 7, 2020
13TH ANNUAL GENERAL MEETING		September 29, 2020
TENTATIVE DATES OF FINANCIAL RESULTS 2020-21		To be Announced on
For the Period		
1st Quarter		19/10/2020
2nd Quarter		28/01/2021
3rd Quarter		20/04/2021
Annual Accounts		24/08/2021

Pattern of Shareholding

As at June 30, 2020

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
537	1	100	27,034	0.0062
1400	101	500	618,372	0.1422
1048	501	1,000	999,483	0.2298
1652	1,001	5,000	4,701,910	1.0809
485	5,001	10,000	3,896,307	0.8957
179	10,001	15,000	2,330,028	0.5356
104	15,001	20,000	1,914,979	0.4402
73	20,001	25,000	1,730,157	0.3977
42	25,001	30,000	1,210,212	0.2782
55	30,001	40,000	1,977,876	0.4547
55	40,001	50,000	2,578,025	0.5926
30	50,001	60,000	1,698,616	0.3905
31	60,001	80,000	2,154,232	0.4952
35	80,001	100,000	3,271,273	0.7520
13	100,001	120,000	1,474,200	0.3389
13	120,001	140,000	1,683,000	0.3869
11	140,001	160,000	1,652,700	0.3799
10	160,001	180,000	1,709,775	0.3931
17	180,001	200,000	3,286,500	0.7555
19	200,001	300,000	5,009,179	1.1515
14	300,001	400,000	4,796,511	1.1026
7	400,001	500,000	3,461,000	0.7956
4	500,001	600,000	2,217,846	0.5098
5	600,001	700,000	3,233,662	0.7434
3	700,001	800,000	2,231,600	0.5130
6	800,001	900,000	5,190,900	1.1933
1	900,001	1,000,000	958,930	0.2204
5	1,000,001	1,200,000	5,606,200	1.2888
1	1,200,001	1,400,000	1,348,400	0.3100
3	1,400,001	1,600,000	4,578,700	1.0526
3	1,600,001	1,800,000	5,084,500	1.1689
2	1,800,001	2,000,000	3,753,100	0.8628
2	2,000,001	2,200,000	4,220,149	0.9701
1	2,200,001	2,600,000	2,582,700	0.5937
1	2,600,001	2,900,000	2,655,600	0.6105
1	2,900,001	3,000,000	2,983,344	0.6858
1	3,000,001	3,200,000	3,161,500	0.7268
1	3,200,001	4,300,000	3,295,500	0.7576
2	4,300,001	4,400,000	8,698,000	1.9995
1	4,400,001	4,600,000	4,600,000	1.0575
1	4,600,001	5,600,000	5,537,800	1.2731
1	5,600,001	20,000,000	5,720,500	1.3151
1	20,000,001	39,000,000	20,626,500	4.7417
1	39,000,001	40,000,000	39,477,657	9.0753
1	40,000,001	250,000,000	245,055,543	56.3346
5878	Company Total		435,000,000	100.0000

Categories of Shareholders

As at June 30, 2020

Particulars	No. of Shareholders	No. of Shares held	Percentage
Sponsor / Holding Company	1	245,055,543	56.335
Directors & Spouses and other Family members	18	18,015,493	4.141
Associated Company	1	39,477,657	9.075
Govt. Financial Institutions	1	1,053,000	0.242
Banks, DFI & NBF	11	11,139,200	2.561
Insurance Company	7	6,384,700	1.468
Mutual Funds	41	17,499,413	4.023
Public & Other Companies	142	12,856,378	2.955
Retirement Funds & Charitable Trusts	22	2,006,819	0.461
Strategic Investor	1	20,626,500	4.742
Foreign Companies	5	1,927,405	0.443
Modarabas & Others	6	59,000	0.014
General Public / Individuals - Local	5,244	52,651,694	12.104
General Public / Individuals - Foreign	378	6,247,198	1.436
Total	5,878	435,000,000	100.000

Key Shareholding

As at June 30, 2020

Information on shareholding required under reporting framework is as follows:

	No. of Shareholder	No. of Shares	%
Sponsor / Holding Company International Industries Ltd.	1	245,055,543	56.3346
Directors & spouses	12	11,722,344	2.6948
Sponsoring Family Members	6	6,293,149	1.4467
Associated Company Sumitomo Corporation	1	39,477,657	9.0753
Government Financial Institutions CDC - Trustee National Investment (Unit) Trust	1	1,053,000	0.2421
Foreign Corporate Investors JFE Steel Corporation	1	20,626,500	4.7417
Others	5	1,927,405	0.4431
		22,553,905	5.1848
Executives	4	59,563	0.0137

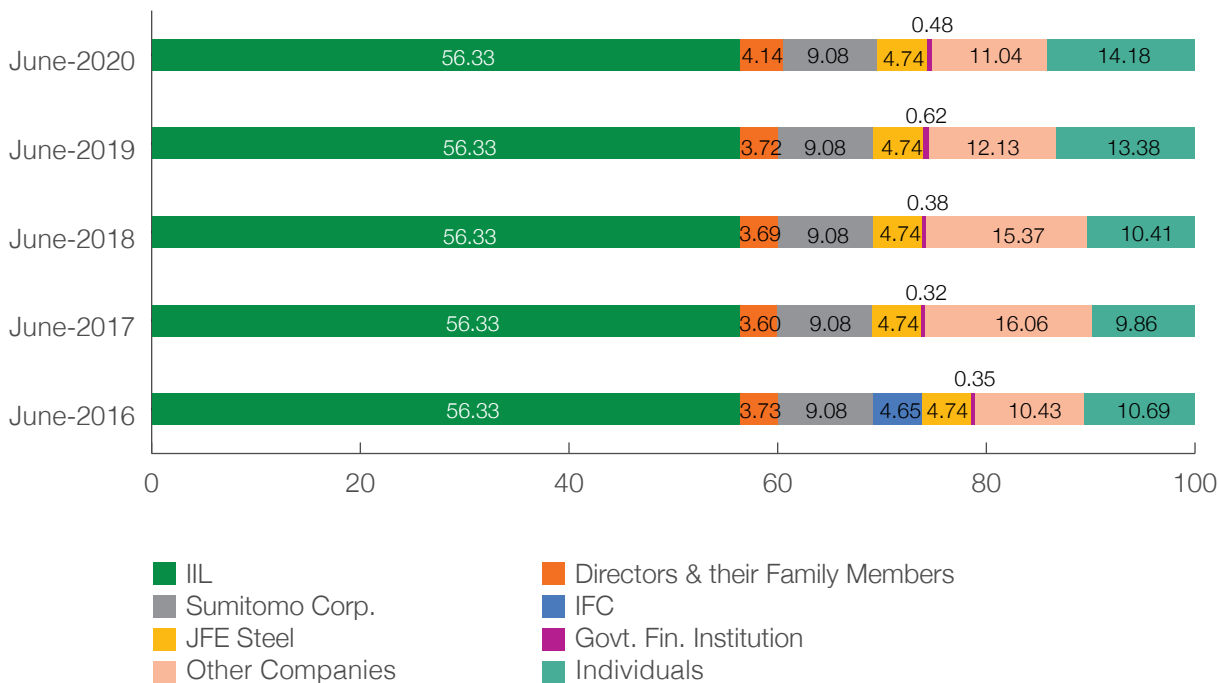
Members having 5% or more of voting rights

Name of Shareholder	Shares Held	Percentage
INTERNATIONAL INDUSTRIES LIMITED	245,055,543	56.3346
SUMITOMO CORPORATION	39,477,657	9.0753

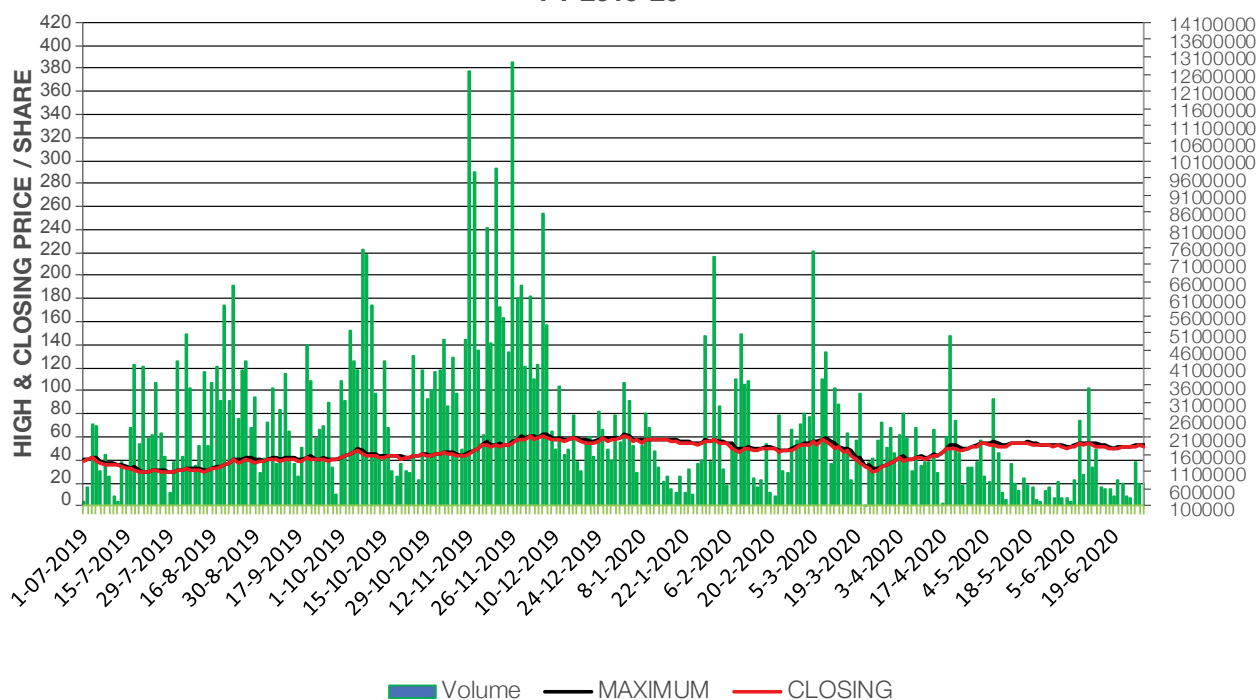
Shares Trading by Directors / Executives

5,840,500 shares were traded by Directors, Executives or their private owned companies during the financial year July 1, 2019 to June 30, 2020.

Shareholders Composition



ISL SHARE PRICES-TREND V/S VOLUME TRADED
FY 2019-20



Notice of Annual General Meeting

For the year ended June 30, 2020

Notice is hereby given to the members that the 13th Annual General Meeting of the Company will be held on September 29, 2020 at 11.00 a.m. at Karachi to transact the following business. Due to the need of required social distancing to avoid the spread of COVID-19 pandemic, shareholders are requested to attend the meeting through video conference facility arranged by the Company as per the instructions given in the notes section.

Ordinary Business

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2020 and the Directors' Report and Auditors' Report thereon.

As required under Section 223 (6) of the Companies Act 2017, Financial Statements of the Company have been uploaded on website of the Company which can be downloaded from the following link:

<http://www.isl.com.pk/investors/financials/financial-results-and-accounts>

2. To appoint statutory auditors of the Company for the year ending June 30, 2021 and fix their remuneration.

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants, are retiring at the conclusion of the 13th AGM of the Company. The Board Audit Committee and the Board of Directors recommends that A. F. Ferguson & Co., Chartered Accountants (a member firm of the PwC network), be appointed as statutory auditors of the Company for the year ending June 30, 2021 at a fee to be mutually agreed and reimbursements of out of pocket expenses at actuals.

Special Business

3. To consider and if thought fit to approve the holding of "office of profit" by Mr. Samir M. Chinoy, an elected Director of the International Steels Limited as the Chief Operating Officer of the Company and that for this purpose the following resolution be passed as and by way of ordinary resolution:

"RESOLVED THAT approval be and is hereby granted to Mr. Samir M. Chinoy, an elected Director of the International Steels Limited, who is in full time employment with the Company, for holding an office of profit as Chief Operating Officer, as an executive of the Company and the payment of remuneration to him for his period of service in accordance with his contract of service and the applicable service rules of the Company (including without limitation salary, bonuses, incentives, perquisites, allowances and retirement benefits)".

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

By Order of the Board



M. Irfan Bhatti

Company Secretary & Head of Legal Affairs

Karachi: September 7, 2020

Notes

1. Participation in the AGM proceeding via the video conference facility:

Due to current COVID-19 situation, the AGM proceedings shall be held via video conference facility only.

Shareholders interested to participate in the meeting are requested to email their Name, Folio Number, Cell Number, and Number of shares held in their name with subject "Registration for International Steels Limited AGM" along with valid copy of both sides of Computerized National Identity Card (CNIC) at investors@isl.com.pk. Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email

address investors@isl.com.pk

2. The Share Transfer Books of the Company shall remain closed from September 20, 2020 to September 29, 2020 both days inclusive) to establish the right to attend annual general meeting.
3. A Member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
4. An instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarized certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of Proxy is enclosed. CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

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

b) For Appointing Proxy

- i) In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the CDC regulations shall submit the proxy form as per the above requirement.
- ii) Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form. The proxy shall produce his original CNIC at the time of the meeting.

For CNIC / IBAN & Zakat

5. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records.
6. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption to advise change in address, if any.

**Statement of Material Facts
U/s 134(3) of the Companies Act, 2017**

Item-3 - Approval of the holding of Office of Profit by Mr. Samir M. Chinoy

Statement as required by the Section 134(3) of the Companies Act, 2017 in respect of the Special Business to be considered at the Annual General meeting is appended below;

In accordance with Section 171(1)(c) (i) of the Companies Act, 2017, approval of the shareholders is requested for Mr. Samir M. Chinoy, an elected Director of the International Steels Limited and who is in full time employment with the Company, for holding an office of profit as Chief Operating Officer, as an executive of the Company and the payment of remuneration to him for his period of service in accordance with his contract of service and the applicable service rules of the Company (including without limitation salary, bonuses, incentives, perquisites, allowances and retirement benefits).

Video Conferencing

Pursuant to Section 132(3) of the Companies Act, 2017, if the Company receives consent from members, holding in aggregate 10% or more shareholding residing in a geographical location different from the town where the registered office is situated, to participate in the meeting through video conference at least 7 days

prior to the date of Annual General Meeting, the Company will arrange video conference facility subject to availability of such facility in that city.

To avail this facility please send a written request, which must include the following information, to the Company Secretary and the Share Registrar of the Company i.e. M/s. THK Associates (Pvt) Ltd., 40-C, Block-6, PECHS, Shahrah-e-Faisal, Karachi at their respective email addresses investors@isl.com.pk and secretariat@thk.com.pk not later than 7 days before the date of 13th annual general meeting.

Request to Avail Video Conferencing Facility

1. Folio No. / CDC Investors A/c No./ Sub-A/c No. _____
2. Name of Shareholder : _____
3. No. of Shares held at the 1st day of the
Book Closure to establish the right to attend AGM: _____
4. Name of City where Video facility is required: _____

Signature of the member

Unclaimed Dividends & Bonus Shares

Shareholders, who by any reason, could not claim their dividend are advised to contact our Shares Registrar M/s THK Associates (Pvt) Ltd. to collect / enquire about their unclaimed dividends, if any.

Electronic Dividend Mandate

As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be remitted through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account No. (IBAN) & details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s THK Associates (Pvt) Ltd. Please ensure an early update of your particulars to avoid any inconvenience in future. E-Dividend mandate form is enclosed.

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.

Notice of Meeting & Annual Accounts Through Email

With reference to SRO 787(I/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s THK Associates (Pvt) Ltd. at 40-C, Block-6, P.E.C.H.S., Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of Annual General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven days of receipt of such request.

Filer And Non Filer Status

- i) The Government of Pakistan through Finance Act, 2020 has amended in Section 150 of the Income Tax Ordinance, 2001 whereby following rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
 - a) For filers of income tax returns – 15%
 - b) For non-filers of income tax returns – 30%

Members whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL to avoid higher tax deductions against any future dividend.

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

THK Associates (Pvt) Ltd.
40-C, Block-6, PECHS,
Off: Shahrah-e-Faisal,
Karachi.
021-111-000-322
info@thk.com.pk

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

(ii) کسی بھی استفسار / مسئلے / معلومات کیلئے انویسٹرز ہمارے شیئر رجسٹرار سے درج ذیل فون نمبرز، ای میل ایڈریس پر رابطہ کر سکتے ہیں:

ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

40-C، بلاک-6، پی ای سی ایچ ایس،

آف شارع فیصل، کراچی

021-111-000-322

info@thk.com.pk

(iii) جن کارپوریٹ شیئر ہولڈرز کے اکاؤنٹ CDC میں ہیں، ان سے درخواست ہے کہ وہ اپنا نیشنل ٹیکس نمبر (NTN) اپنے متعلقہ شرکاء کے ساتھ اپ ڈیٹ کر لیں، جب کہ کارپوریٹ فزیکل شیئر ہولڈرز اپنے NTN سٹریٹفیکیشن کی کاپی شیئر رجسٹرار یعنی ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو ارسال کریں۔ شیئر ہولڈرز اپنے NTN نمبر یا NTN سٹریٹفیکیشن کی کاپی بھیجئے وقت کمپنی کا نام اور اپنا متعلقہ فولیو نمبر ضرور درج کریں۔

الیکٹرونک ووٹنگ

کمپنیز ایکٹ 2017 کے سیکشن 143-145 اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز، 2018 کی لاگو شدہ کی رو سے ممبرز اپنے ووٹ کا حق استعمال کر سکتے ہیں۔

اجلاس کے نوٹس اور سالانہ اکاؤنٹس کی بذریعہ ای میل ترسیل

بحوالہ SECP کے جاری کردہ SRO 787(1)/2014 مورخہ 8 ستمبر 2014 شیئر ہولڈرز کو یہ اختیار حاصل ہے کہ وہ سالانہ آڈٹ شدہ فنانشل اسٹیٹمنٹس اور اجلاس عام کی اطلاع بذریعہ ای میل منگوا سکتے ہیں۔ کمپنی کے شیئر ہولڈرز سے درخواست ہے کہ وہ ہمارے ریکارڈ کو اپ ڈیٹ رکھنے کیلئے وہ مجوزہ طریقہ کار کے مطابق اپنی رضامندی کا اظہار ہمارے شیئر رجسٹرار میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو C-40، بلاک-6، پی ای سی ایچ ایس، کراچی کے پتہ پر بھیجوا دیں کہ آیا وہ سالانہ آڈٹ شدہ فنانشل اسٹیٹمنٹس اور سالانہ اجلاس عام کی اطلاع بذریعہ ای میل وصول کرنے کے خواہشمند ہیں۔ تاہم اگر شیئر ہولڈرز آڈٹ شدہ فنانشل اسٹیٹمنٹس کی ہارڈ کاپی کے لئے درخواست دیں تو وہ ان کی درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کر دی جائے گی۔

فائل اور نان فائلنگ کا درجہ

(i) حکومت پاکستان نے فنانس ایکٹ 2020 کے ذریعہ انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 میں ترمیم کی ہے جس کے مطابق کمپنیز کی جانب سے ادا کئے جانے والے ڈیویڈنڈ کی رقم پر درج ذیل شرح سے وہ ہولڈنگ ٹیکس کی کٹوتی کی جائے گی۔

15%	(ا) انکم ٹیکس ریٹرنز فائل کرنے والوں کیلئے
30%	(ب) انکم ٹیکس ریٹرنز فائل نہ کرنے والوں کیلئے

جن ممبرز کے نام ایف بی آر کی ویب سائٹ پر موجود ایکٹیو ٹیکس ہینڈلز کی لسٹ (ATL) میں شامل نہیں ہیں، باوجود اس کے کہ وہ فائلنگ ہیں، تو ان کو ہدایت کی جاتی ہے کہ وہ اس بات کا اطمینان کر لیں کہ ان کے نام ATL میں شامل ہیں تاکہ وہ مستقبل میں ڈیویڈنڈ سے متعلق زیادہ ٹیکس کی کٹوتی سے بچ سکیں۔

یہ سہولت حاصل کرنے کیلئے برائے مہربانی ایک تحریری درخواست مع درج ذیل معلومات، کمپنی سیکرٹری اور کمپنی کے شیئر رجسٹرار میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 40-C، بلاک 6، پی ای سی ایچ ایس، شارع فیصل، کراچی کو ان کے متعلقہ ای میل کے پتے investors@isl.com.pk اور secretariat@thk.com.pk کے پتے پر 13 ویں سالانہ اجلاس عام سے کم از کم 7 دن پہلے بھجوائیں۔

ویڈیو کانفرنسنگ کی سہولت حاصل کرنے کی درخواست

- ۱۔ فولیو نمبر / سی ڈی سی انویسٹرز اکاؤنٹ نمبر / سب اکاؤنٹ نمبر
- ۲۔ شیئر ہولڈر کا نام
- ۳۔ اے جی ایم میں شرکت کے استحقاق کے تعین کے لئے بکس کی بندش کے پہلے دن پر اپنے پاس موجود شیئرز کی تعداد۔
- ۴۔ شہر کا نام جہاں ویڈیو کی سہولت درکار ہے

ممبر کے دستخط

غیر کلیم شدہ ڈیویڈنڈ

ان شیئر ہولڈرز سے جو کسی نہ کسی وجہ سے اپنے ڈیویڈنڈ نہیں لے سکے، درخواست ہے کہ اپنے غیر کلیم شدہ ڈیویڈنڈ، اگر کوئی ہے، کے حصول کی معلومات کیلئے ہمارے شیئر رجسٹرار میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ سے رابطہ کریں۔

الیکٹرونک ڈیویڈنڈ مینڈیٹ

کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق لسٹڈ کمپنی ہونے کی صورت میں کسی بھی نقد منافع منقسمہ کی ادائیگی صرف الیکٹرونک ذریعہ سے براہ راست اہل شیئر ہولڈرز کے مقررہ بینک اکاؤنٹ میں کی جائے۔ لہذا اس نوٹس کے ذریعہ تمام شیئر ہولڈرز سے درخواست کی جاتی ہے کہ اپنے بینک اکاؤنٹ نمبر (IBAN) اور تفصیلات متعلقہ شریک کے ذریعہ سینٹرل ڈپازٹری سسٹم میں اپ ڈیٹ کریں۔ فزیکل شیئرز کی صورت میں اپنے بینک اکاؤنٹ کی تفصیلات ہمارے شیئر رجسٹرار میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ کو فراہم کریں۔ برائے مہربانی اپنے کوائف جلد از جلد اپ ڈیٹ کر لیں تاکہ آئندہ کوئی زحمت نہ ہو۔ ای ڈیویڈنڈ مینڈیٹ فارمنسٹک ہے۔

CNIC / IBAN اور زکوٰۃ کیلئے

۵۔ ممبرز سے درخواست ہے کہ ہمارے ریکارڈ کو اپ ڈیٹ رکھنے کیلئے اپنا انٹرنیشنل اکاؤنٹ نمبر (IBAN) مع کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی کاپی فراہم کریں۔

۶۔ ممبرز سے درخواست ہے کہ وہ زکوٰۃ سے استثنیٰ کیلئے زکوٰۃ اینڈ عشر آرڈیننس 1980 کے مطابق ڈکلیئریشن (CZ-50) جمع کرائیں۔ نیز اپنے پتے میں کسی تبدیلی (اگر ہو) کی صورت میں مطلع کریں۔

مادی حقائق سے متعلق اسٹیٹمنٹ

کمپنیز ایکٹ 2017 کے سیکشن (3) 134 کے تحت

آئٹم نمبر 3 - جناب سیر ایم چنائے کے قابل ادا نیگی منصب کی ذمہ داری سنبھالنے کی منظوری

خصوصی امور کے سلسلے میں کمپنیز ایکٹ 2017 کے سیکشن (3) 134 کے تحت مطلوبہ اسٹیٹمنٹ جو سالانہ اجلاس عام میں زیر غور لایا جائے گا، ذیل میں درج ہے:

کمپنیز ایکٹ 2017 کے سیکشن (i) (c) (1) 171 کے مطابق جناب سیر ایم چنائے، منتخب ڈائریکٹر، انٹرنیشنل اسٹیلو لمیٹڈ کو، جو کمپنی کے ایگزیکٹو کے طور پر کمپنی کی کل وقتی ملازمت میں ہیں، چیف آپریٹنگ آفیسر کا منصب سنبھالنے اور ان کے معاہدہ ملازمت اور کمپنی کے لاگو قوانین کے تحت ان کی ملازمت کی مدت کیلئے مشاہرے (بشمول تنخواہ، بونسز، ترغیبات، اضافی مراعات، الاؤنسز اور ریٹائرمنٹ کے فوائد) کی ادا نیگی کے سلسلے میں شیئر ہولڈرز کی منظوری کی درخواست کی جاتی ہے۔

ویڈیو کانفرنسنگ

کمپنیز ایکٹ 2017 کے سیکشن (3) 132 کی پیروی میں اگر کمپنی کو 10% یا اس سے زیادہ شیئرز کے حامل ممبرز کی جانب سے، جو رجسٹرڈ دفتر کے شہر سے الگ مختلف جغرافیائی مقام پر رہتے ہوں، اجلاس میں ویڈیو لنک کے ذریعہ شرکت کرنے کی درخواست سالانہ اجلاس عام کی تاریخ سے کم از کم 7 دن پہلے موصول ہو جائے تو کمپنی ویڈیو لنک کی سہولت کا انتظام کر دے گی، بشرطیکہ اس شہر میں ایسی سہولت دستیاب ہو۔

۳۔ 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 نمائندہ مقرر کر سکتا/سکتی ہے۔

۴۔ نمائندے کے تقرر کی دستاویز اور پاور آف اٹارنی یا کوئی اور اتھارٹی جو دستخط شدہ ہو یا پاور آف اتھارٹی کی نوٹری کی تصدیق شدہ نقل کمپنی کے رجسٹرڈ دفتر میں لازماً اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے جمع کرادی جائیں۔ پراکسی فارم منسلک ہے۔

سی ڈی سی اکاؤنٹ ہولڈرز کو مزید سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر 1 مورخہ 26 جنوری 2000 میں درج رہنماہدایات پر عمل کرنا ہوگا۔

(اے) اجلاس میں شرکت کیلئے:

(i) انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کی سیکورٹیز اور ان کی رجسٹریشن کی تفصیلات ضابطہ کے مطابق اپ لوڈڈ ہیں، ان کو اجلاس میں شرکت کے وقت اپنی شناخت کے ثبوت کیلئے اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) دکھانا 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) اجلاس کے وقت فراہم کرنا ہوں گے۔


(بی) نمائندے کے تقرر کیلئے:

(i) انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کی رجسٹریشن کی تفصیلات CDC کے ضوابط کے مطابق اپ لوڈڈ ہیں، ان کو درج بالا شرائط کے مطابق پراکسی فارم جمع کرانا ہوگا۔

(ii) پراکسی فارم کے ساتھ ہیفیشیل اوزر اور پراکسی کے CNIC کی تصدیق شدہ کاپیاں منسلک ہونا چاہئیں۔ پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

"طے پایا کہ جناب سیر ایم چنائے، منتخب ڈائریکٹر، انٹرنیشنل اسٹیلولیمیٹڈ کو، جو کمپنی کے ایگزیکٹیو کے طور پر کمپنی کی کل وقتی ملازمت میں ہیں، بحیثیت چیف آپریٹنگ آفیسر، منصب سنبھالنے اور ان کے معاہدہ ملازمت اور کمپنی کے لاگو قوانین کے تحت ان کی ملازمت کی مدت کیلئے مشاہرے (بشمول تنخواہ، بونسز، تزیینات، اضافی مراعات، الاؤنسز اور ریٹائرمنٹ کے فوائد) کی ادائیگی کی منظوری دی جاتی ہے۔"

۴۔ چیئر کی اجازت سے کسی اور امور کی انجام دہی جو سالانہ اجلاس عام میں انجام دیا جائے۔

بحکم بورڈ


ایم۔ عرفان بھٹی

کمپنی سیکرٹری اینڈ ہیڈ آف لیگل

کراچی: September 7, 2020

نوٹس:

۱۔ سالانہ اجلاس عام کی کارروائی میں ویڈیو کانفرنس کی سہولت کے ذریعہ شرکت COVID-19 کی موجودہ صورتحال کی بناء پر سالانہ اجلاس عام کی کارروائی صرف ویڈیو کانفرنس کے ذریعہ ہوگی۔ اجلاس میں شرکت کے خواہشمند شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنا نام، فوٹیو نمبر، سیل نمبر اور اپنے نام پر ان کے پاس موجود شیئرز کی تعداد بعنوان "رجسٹریشن برائے انٹرنیشنل اسٹیلولیمیٹڈ اے جی ایم" مع کارآمد کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کے دونوں طرف کی کاپی investors@isl.com.pk پر ای میل کر دیں۔ ویڈیو لنک اور لاگ ان کی تفصیلات صرف ان ممبرز کو بھیجوائی جائیں گی جن کی ای میل تمام مطلوبہ وکوائف کے ساتھ اے جی ایم کے انعقاد کے وقت سے کم از کم 48 گھنٹے پہلے موصول ہو جائیں گی۔

شیئرز ہولڈرز اے جی ایم کے ایجنڈا آئٹمز کے بارے میں اپنی رائے اور سوالات investors@isl.com.pk پر ای میل کر سکتے ہیں

۲۔ کمپنی کی شیئرز انسفر بکس مورخہ 20 ستمبر 2020 تا 29 ستمبر 2020 (بشمول دونوں ایام) سالانہ اجلاس عام میں شرکت کے استحقاق کے تعین کیلئے بند رہیں گی۔

اطلاع برائے سالانہ اجلاس عام برائے سال تختہ 30 جون 2020

بذریعہ ہذا ممبران کو مطلع کیا جاتا ہے کہ کمپنی کا 13 واں سالانہ اجلاس عام بتاریخ 29 ستمبر 2020 دن 11.00 بجے کراچی میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔ عالمی وبا COVID-19 کے پھیلاؤ کو روکنے کے سلسلے میں مطلوبہ سماجی فاصلے کی ضرورت کے تحت، شیئر ہولڈرز سے درخواست ہے کہ اجلاس میں ویڈیو کانفرنس کے ذریعہ شرکت کریں جس کا اہتمام کمپنی نے نوٹس سیکشن میں درج ہدایات کے مطابق کیا ہے۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس برائے سال تختہ 30 جون 2020 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی اور ان پر غور کرنا۔

کمپنیز ایکٹ 2017 کے سیکشن (6) 223 کے تحت کمپنی کے مالیاتی اسٹیٹمنٹس کمپنی کی ویب سائٹ پر اپ لوڈ کر دیئے گئے ہیں جو درج ذیل لنک سے ڈاؤن لوڈ کئے جاسکتے ہیں:

<http://www.isl.com.pk/investors/financials/financial-results-and-accounts>

۲۔ سال 2021 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

موجودہ آڈیٹرز KPMG تا ثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کمپنی کے 13 ویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں۔ بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے سفارش کی ہے کہ اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس (PwC) نیٹ ورک کی ایک ممبر فرم) کو کمپنی کا آڈیٹر برائے سال تختہ 30 جون 2021 مقرر کیا جائے جن کے مشاہرے اور ان کے اصل جیب خرچ کی ادائیگی (re-imburement) باہمی رضامندی کے مطابق طے کی جائے گی۔

خصوصی امور:

۳۔ انٹرنیشنل اسٹیلولیمیٹڈ کے منتخب ڈائریکٹرز اور کمپنی کے چیف آپریٹنگ آفیسر جناب سمیر ایم چنائے کے قابل ادائیگی منصب پر غور کرنا اور درست سمجھا جائے تو اس کی منظوری دینا اور اس مقصد کیلئے درج ذیل قرارداد کو بطور عمومی قرارداد منظور کرنا۔

Consent for Annual Report Through Emails

Dear Shareholder(s)

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

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

ای میل کے ذریعے AGM کے نوٹس کے ساتھ ساتھ کمپنی کے آڈٹ کے سالانہ مالیاتی بیانات حاصل کرنے کے لئے، اس خط کو پر کریں، دستخط کریں اور مندرجہ ذیل ایڈریس پر ہمیں یا ہمارے رجسٹرار کو بھیج دیں۔

E-Mail Address: THK Associated (Pvt) Ltd. _____

CNIC Number:

FOLIO / CDS ACCOUNT # _____

Signature of Shareholder

Address:

THK Associates (Pvt) Ltd.
40-C, Block – 6, P.E.C.H.S,
Off Shahrah-e-Faisal, Karachi
Phone: +92 21 111 000 322
Fax: +92 21 3416827
Email: info@thk.com.pk

Yours sincerely,
FOR INTERNATIONAL STEELS LTD.,
M. Irfan Bhatti
Company Secretary



Shaping Tomorrow

E-Dividend Mandate Form

Date: _____

Subject: Bank Account Details For Payment Of Dividend Through Electronic Mode

Dear Sir,

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

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

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

Yours sincerely

Signature of Shareholder
(Please affix company stamp in case of a corporate entity)

Notes:

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



Shaping Tomorrow



Shaping Tomorrow

Proxy Form

I / We _____

of _____

being a member of **INTERNATIONAL STEELS LIMITED** and holder of _____

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

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

_____ of _____

or failing him _____

of _____

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on September 29, 2020 and at any adjournment thereof.

Signed this _____ day of _____ 2020

WITNESS:

1 Signature _____

Name _____

Address _____

NIC or Passport No. _____

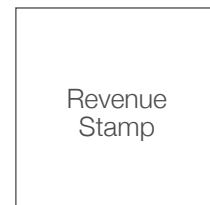
2 Signature _____

Name _____

Address _____

NIC or Passport No. _____

Signature



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

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

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



**INTERNATIONAL
STEELS LIMITED**

Shaping Tomorrow

تشکیل نیابت داری

میں/ہم _____
 ساکن _____ بحیثیت انٹرنیشنل اسٹیلز لمیٹڈ کے _____
 رکن و حامل _____ عام حصص بمطابق شیئرز رجسٹرڈ فولیو نمبر _____
 اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____
 محترم/محترمہ _____ ساکن _____
 یا بصورت دیگر محترم/محترمہ _____ ساکن _____
 کو اپنی جگہ مورخہ 29 ستمبر 2020 کو منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ مقرر کرتا/کرتی ہوں/کرتے ہیں۔

گواہ:

1 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

2 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

ریونیٹنگ چسپاں کریں

دستخط _____

(دستخط کمپنی میں پہلے سے موجود نمونہ کے مطابق ہونے چاہئیں)

نوٹ: پراکسیز کے مؤثر ہونے کیلئے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

سی ڈی سی شیئرز ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس پراکسی فارم کے ساتھ منسلک کریں۔

Glossary

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

www.jamapunji.pk








 **Jama
Punji**
سرمایہ کاری سمجھداری کے ساتھ










**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



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

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

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