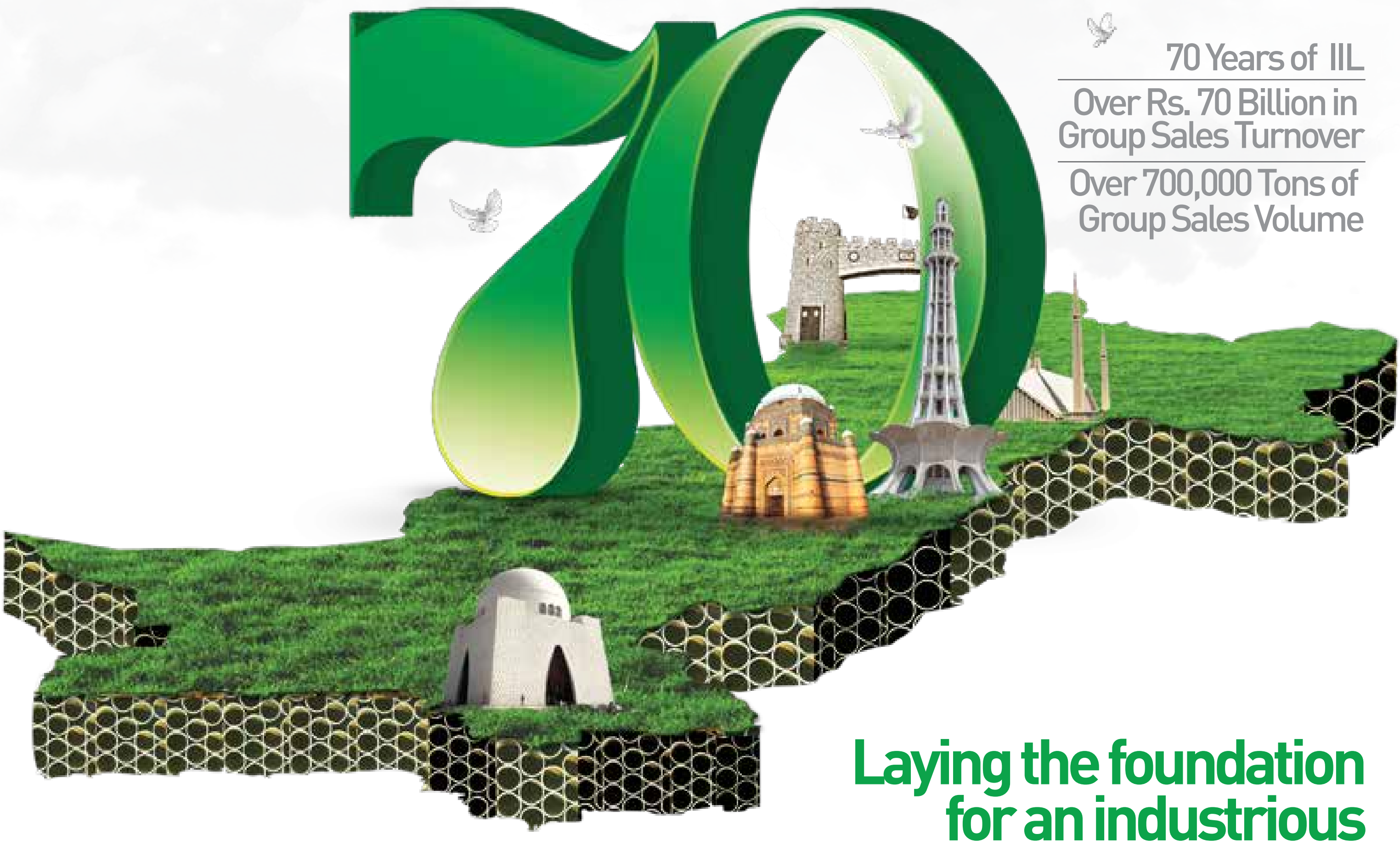
INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow



70 Years of IIL

Over Rs. 70 Billion in Group Sales Turnover

Over 700,000 Tons of Group Sales Volume

Laying the foundation for an industrious Pakistan

Annual Report

2018

Annual Report 2018

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

About this Report

We are pleased to present our Annual Report for the year ending June 30, 2018. The objective of this report is to provide all stakeholders with a transparent and a balanced appraisal of the material issues that confronted the business during the year under review. This report should be read in conjunction with the full financial statements.

SCOPE AND LIMITATION OF THIS REPORT

This annual report is for the period from July 1, 2017 to June 30, 2018 and it provides an account of the Company's operational, financial, social, economic and environmental performances as well as governance for the year under review.

ANNUAL FINANCIAL STATEMENTS

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

FORWARD LOOKING STATEMENTS

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

FEEDBACK

We value the feedback of our stakeholders and use it to continuously improve our reporting and to ensure that we are reporting on issues relevant to them. Your emails are welcomed at investors@iil.com.pk

Significant Numbers

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

Rs. 25 billion
Net Sales Revenue

Rs. 1.07 billion
Capital Expenditure

Rs. 2.14 billion
Return before Taxation

14.6%
Return on average capital employed

Rs. 1.58 billion
Profit after taxation

Rs. 22.46 billion
Total assets

Rs. 13.2
Earnings per share

1.19
Current ratio

17.6 times
Price earnings ratio

Rs. 8.89 billion
Shareholders’ equity

Rs. 8.5
per share
Cash dividend

Rs. 74
Breakup value per share

Contents

Financial Statements

Consolidated Financial Statements

Stakeholders Information


70 Years of IIL

Shared the Vision
Helped Build the Nation

The vision had taken shape, a new nation had been created. What Pakistan needed was to build itself, its infrastructure, its industry.

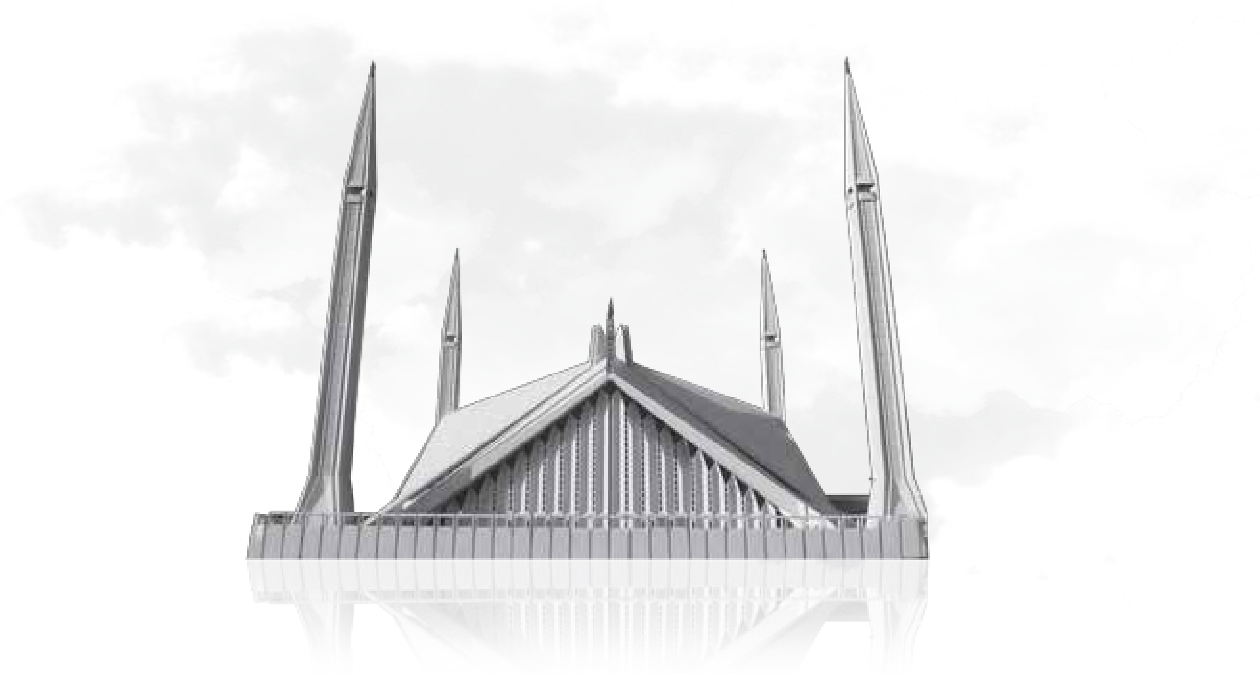
70 years ago, to help this Nation stand on its own two feet, IIL invested in helping Pakistan build its infrastructure. Through IIL's pipes; key utilities like water and gas were supplied across the country, factories, homes & offices were constructed & connected and agriculture & industry flourished.

Over Rs. 70 Billion in Group Sales Turnover

Growth of a Nation-
a Growing Industry

As the country grew from strength to strength so did IIL. From its humble start, IIL today stands as Pakistan's leading steel & plastic pipe manufacturer with Rs. 70 billion in gross group sales, two factories in Karachi, one in Sheikhupura, offices across Pakistan and exports to over 60 countries across 6 continents. Through the provision employment, taxes, foreign exchange earnings & savings and responsible corporate citizenship & leadership, IIL has made immeasurable contributions to the growth of Pakistan.

Over 700,000 Tons of Group Sales Volume



Keeping the Faith
Expanding Our Base

IIL is proudly Pakistani. IIL's products & services mirror the diversity of this great nation. From steel pipes in a vast range of sizes, shapes and applications to plastic pipes for gas, water and fiber optic ducting, IIL has forged its position amongst its customers, employees, suppliers, shareholders and all other valued stakeholders. It is only due to this, that IIL has been able to achieve 700,000 tons of group sales volume.

IIL's faith in the nation and the nation's faith in IIL has stood the test of time.

Company Profile

International Industries Limited (IIL) is Pakistan's largest manufacturer of steel, stainless steel and plastic pipes with an annual manufacturing capacity of 741,200 tons and annual revenues of almost Rs. 25 billion.

IIL was incorporated in Pakistan in 1948, is quoted on the Pakistan Stock Exchange, has an equity of over Rs. 8.8 billion and has featured on the Pakistan Stock Exchange's listing of the Top 25 Companies consecutively for more than 10 years.

IIL is part of a group of Companies that includes:

- International Steels Limited (ISL): Pakistan's largest manufacturer of galvanized, cold rolled and color coated steel sheets and coils. ISL has an annual manufacturing capacity of 1,000,000 tons and annual revenues of over Rs. 47 billion.

- Pakistan Cables Limited (PCL): is Pakistan's premium manufacturer of electrical cables, wires, copper rod, PVC compound and aluminum sections with annual revenues of over 9.5 billion.

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

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

IIL also has a credible export pedigree with an ever-expanding footprint in 60 countries across 6 continents. As a result, IIL has been awarded the "FPCCI Export Performance Award" consecutively for 18 years.

With an unshakeable focus on health, safety & environment, IIL is a reputable corporate citizen and signatory to the United Nations Global Compact. The Company is ISO 9001, ISO 14001, ISO 45001, OHSAS 18001, API 5L, API 15LE, PSQCA, UL, PNAC/ILAC and CE certified and manufactures its products according to the highest international standards and specifications. IIL is the first company in Pakistan to achieve ISO 45001 certified by Lloyds Register Quality Assurance.

For further information please visit our website, www.iil.com.pk

Company Information

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

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

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

Chief Executive Officer
Mr. Riyaz T. Chinoy

Advisor
Mr. Towfiq H. Chinoy

Chief Financial Officer
Mr. Nadir Akbarali Jamal

Group Company Secretary and Head of Legal
Ms. Uzma Amjad Ali

Group Chief Internal Auditor
Ms. Asema Tapal

Internal Auditors
M/s EY Ford Rhodes

External Auditors
M/s KPMG Taseer Hadi & Co.

Bankers
Allied Bank Ltd.
Askari Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

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

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

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

Islamabad Office
3rd Floor, Evacuee Trust, Plot No. 4, Agha Khan Road, F-5/1, Islamabad

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

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

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

Factories

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

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

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

Website
www.iil.com.pk

Investor Relations Contact

Shares Registrar
Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block "B", S.M.C.H.S,
Shahrah-e-Faisal, Karachi.
Telephone Nos: +9221-111-111-500
FAX: +9221-34326053, E-mail : info@cdcpak.com

Assistant Company Secretary

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

Business at a Glance

Principal Business Activities:

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

Key Markets:

The Company is the market leader in Pakistan with sales across the Nation. Sales are led by the North region consisting of Punjab, KPK, AJK & GB followed by the South region consisting of Sindh & Balochistan.

Additionally, IIL is Pakistan's main exporter of pipes & tubes with a significant export footprint spanning 60 countries across 6 continents with over 800,000 tons of pipe exported to date.

Key Brands & Products:

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

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

STEEL

IIL Galvanized Iron Pipes

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

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

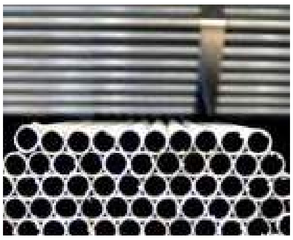
IIL GI pipes are available in nominal diameters of 15mm (1/2") to 200mm (8") and in thickness from 1.80mm to 5.40mm

IIL Hollow Structural Sections

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

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

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



IIL Cold Rolled Steel Tubes

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

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

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

IIL Scaffolding Pipes (SAFESCAF)

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

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

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

IIL Firefighting Pipes

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

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

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

IIL Pre-Galvanized Tubes

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

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

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

IIL CRS Tubes

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

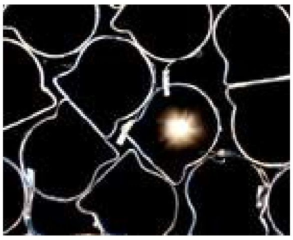
These pipes are available in various thicknesses ranging from 0.9mm to 1.8mm.

IIL API Line Pipes

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

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

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



IIL LTZD Profiles

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

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

Business at a Glance

STAINLESS STEEL

IIL Cosmo (SS Grade 304)

IIL Cosmo is a (SS Grade 304), rust resistant, premium stainless steel tube that can be used in a variety of ornamental applications.

IIL Cosmo (SS Grade 304) are made in accordance to ASTM A240 & A554, JIS G-4305

IIL Cosmo (SS Grade 304) are available in round, square and rectangle shapes in various sizes with thickness range from 0.8mm to 1.5mm. IIL Cosmo SS Grade 304 are available in bright, satin/euro and hairline surface finish.

IIL Forza (SS Grade 409)

IIL FORZA is a (SS Grade 409) premium stainless steel tube that is manufactured for use in automotive exhausts, trims & frames, mufflers and home geysers.

IIL Forza (SS Grade 409) is manufactured in accordance to ASTM A240 & A554.

IIL Forza (SS Grade 409) are available in diameter range from 12.0mm to 63.50mm with wall thickness range from 0.8mm to 1.5mm.

POLYMERS

IIL PPRC Pipes & Fittings

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

IIL PPRC Pipes & Fittings are manufactured in accordance to the highest quality international standards (DIN 16962, DIN 8077, DIN 8078). IIL PPRC Pipes & Fittings are the only PSQCA certified PPRC pipes & fittings in Pakistan.

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

IIL HDPE Water Pipes

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

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

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

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

IIL MDPE Gas Pipes

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

IIL MDPE gas pipes are made in accordance to the highest quality international standards (API 15LE, BGC/PS/PL2: Part 1, ISO 4437 and ASTM D-2513).

IIL MDPE gas pipes are available in PE-80 and PE-100 and SDR 7-17.6, with diameter range from 20mm to 250mm and wall thickness range from 1.mm to 22.7mm.

IIL HDPE Duct Pipes

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

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

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

Vision

To be a globally respected, innovative and entrepreneurial company, influencing lives while remaining focused on providing high-quality engineering products & services.

Mission

International Industries Limited is a quality conscious company committed to economies of scale.

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

Team work, continual improvement, prevention of pollution, waste reduction, protection of environment, care for health and safety of people and equipment, reduction of accidents, improvement in safety practices, a fair return to shareholders and fulfillment of social responsibility shall be the hallmark of all activities.

Strategic Objectives

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

Our Values

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

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

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

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

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

Fairness: IIL believes in fairness to all stakeholders.

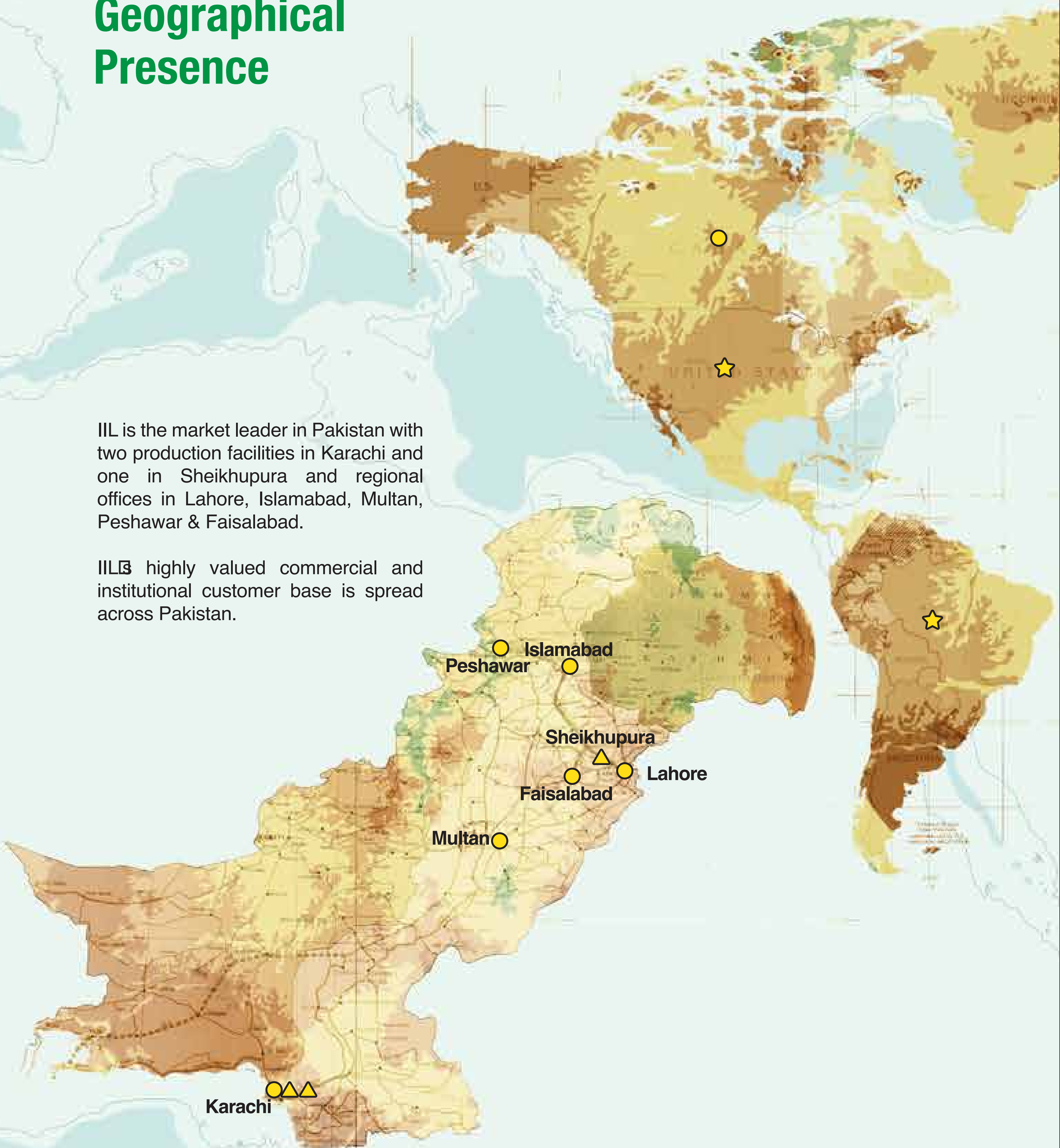
Responsibility: IIL considers quality health, safety and the environment an integral part of its activities and way of life.

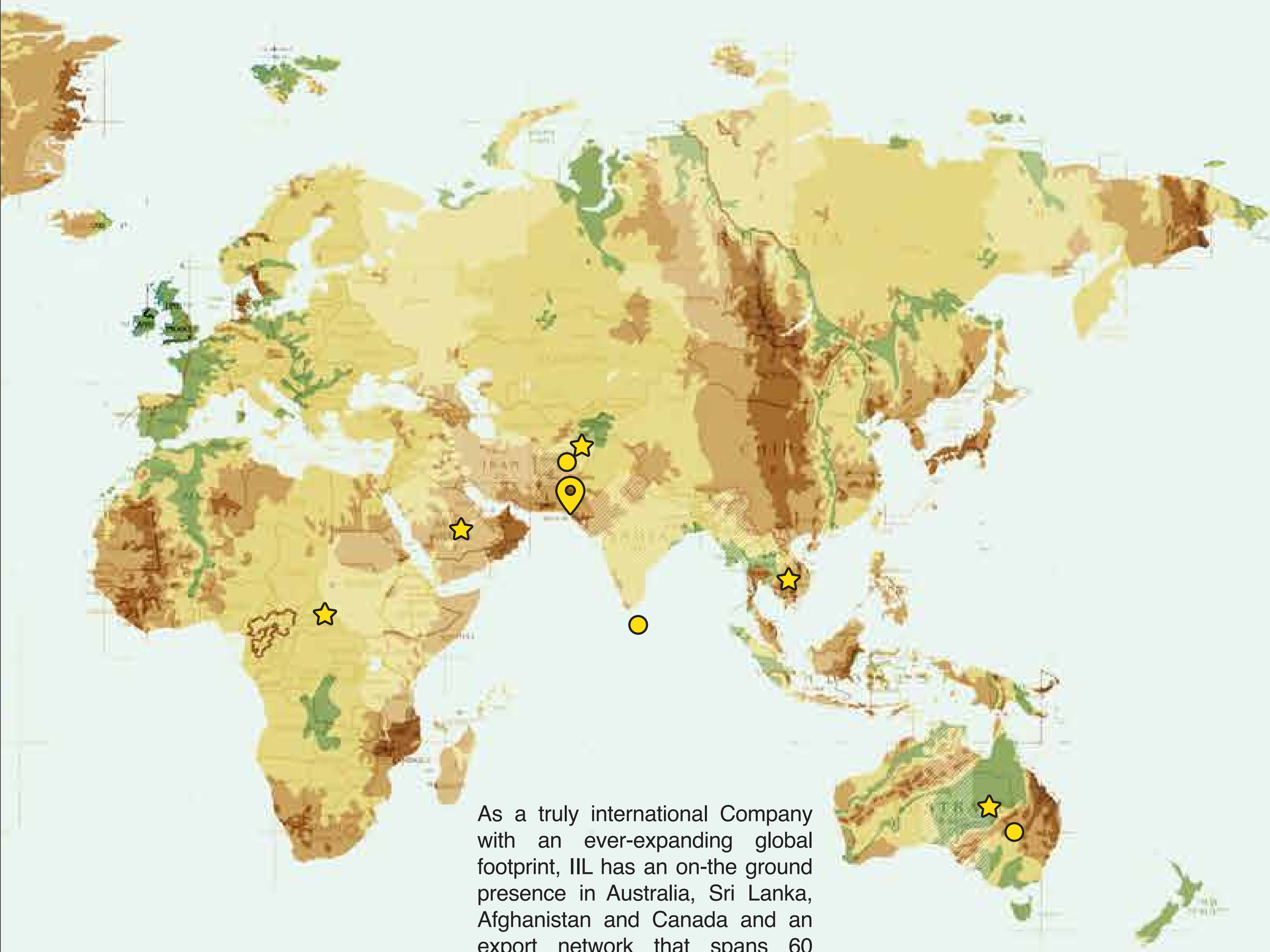
Reliablity: IIL has established itself as a reliable and dependable supplier.

Geographical Presence

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

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





As a truly international Company with an ever-expanding global footprint, IIL has an on-the ground presence in Australia, Sri Lanka, Afghanistan and Canada and an export network that spans 60 countries across 6 continents with over 800,000 tons of sales till date.

Offices Factories Sales Regions

Milestones

1948 Established as Sir Sultan Chinoy & Company

1949 Incorporated as International Industries Ltd. (IIL)

Sponsored Pak Chemicals Ltd.

1953 Sponsored Pakistan Cables Limited in a joint venture with BICC UK.

1984 IPO and listing on Karachi Stock Exchange.

1992 Turnover crossed Rs. 1 Billion

1995 Entered the international market with export of Galvanized Pipe.

2007 Incorporated International Steels Ltd. in cooperation with Sumitomo Corp. and IFC

2013

Turnover crossed Rs. 20 billion

2014

Incorporated IIL Australia Pty Ltd.

2015

Incorporated IIL Stainless Steel Pvt. Ltd.

Completed 50 years of pipe manufacturing

Inaugurated 15-acre warehouse facility in Sheikhupura

2016

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

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

2017

Inaugurated PPRC pipes & fittings factory in Sheikhupura

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

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

Largest single order of API line pipes in Company's history

2018

Celebrated **70 years** since incorporation in 1948

Turnover crossed **Rs. 25 billion**

Highest ever sales volume of **270,000 Tons**

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

First and **only PSQCA certified** company for PPRC Pipes & Fittings

18th Consecutive FPCCI Best **Export Performance Award**

Awards & Accolades

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

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

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

Certifications

Standard	Description	Location	Certified by	Certified since	License #
ISO 9001	Quality Management System	Head Office, Branch Office, Factory 1, 2 & 3.	Lloyds Register Quality Assurance (UK)	1997	ISO 9001 – 0049981
ISO 14001	Environment Management System	Head Office		2000	ISO 14001 – 0049980-002
		Branch Office (Lahore)			14001 – 0049980-001
		Factory 1			ISO 14001 – 0049980-002 (2)
		Factory 2			ISO 14001 – 0049980-003
		Factory 3			ISO 14001 – 0049980-004
ISO 45001 (Old Standard OHSAS 18001)	Occupational Health & Safety Management Systems	Head Office		2007	ISO 45001 – 0049979
		Branch Office (Lahore)			ISO 45001– ISO 45001 – 0049979-001
		Factory 1			ISO 45001 – 0049979-002
		Factory 2			ISO 45001 – 0049979-003
		Factory 3			ISO 45001 – 0049979-004
API Specification Q1 ® & 5L	Manufacturing of Steel Line Pipe	Factory 1	American Petroleum Institute (USA)	2000	5L-0391
	Manufacturing of Steel Line Pipe	Factory 2		2016	5L-1104
API Specification Q1 ® & 15LE	Manufacturing of Polyethylene Line Pipe			2006	15LE-0014
BS EN 10255 & 10266	CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes		CNC Services (Germany)	Oct-11	CNC/EEC/4112/11
	CE Mark for ERW Tubes from Cold Rolled Carbon Steel			Oct-11	CNC/EEC/4113/11

Standard	Description	Location	Certified by	Certified since	License #
UL-852 ASTM 795	UL Certification (ERW & Galvanized Pipes for Fire Sprinkler System)	-	Underwriter Laboratories UL (United States)	Apr-17	20170425-EX27362
ISO / IEC 17025	Certificate of Lab Accreditation	-	Pakistan National Accreditation Council (PNAC)	Apr-17	ISO-17025-Certificate
PS:4533-34/1999 (R)	License for the use of Pakistan Standard Mark for PPRC Pipe	-	Pakistan Quality Control Authority (PSQCA)	May-18	CML/N/1287/2018
				May-18	CML/N/1288/2018
DIN 16962 / 1980	License for the use of Pakistan Standard Mark for PPRC Fittings			Feb-15	CSDC/L-170/2015 (R)
PS:3580-2014(R)	Polyethylene Pipe for water Supply “MEGAFLO” Brand			Mar-17	CSDC/L-205/2017
ASTM A53/2012	MS Pipe (Mild Steel Pipe) - FACTORY-1			Jul-17	CSDC/L-206/2017
ASTM A53/2012	MS Pipe (Mild Steel Pipe) - FACTORY-2				

SWOT Analysis

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

STRENGTHS

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

S

WEAKNESSES

- High freight cost
- Wrapping & packaging for export customers
- Space constraints for future expansion in Karachi
- Lack of awareness of IIL brand in advanced markets

W

OPPORTUNITIES

O

- GDP growth and increasing urbanization
- Growth in key market segments
- Mega-projects and infrastructural growth in Pakistan
- CPEC and ancillary projects
- Demand for new product variations within existing product range
- Devaluation of PKR will support global sales
- Export opportunities in various near-home markets

T

THREATS

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

Steeples Analysis

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

SOCIAL

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

TECHNOLOGICAL

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

ENVIRONMENTAL

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

ECONOMIC

- Improvement in GDP & LSM growth rate
- Growth of domestic flat rolled steel industry will eliminate imports
- Steel consumption expected to grow at multiples of LSM
- Borrowing rates are likely to increase
- Limited tax net in Pakistan
- Increasing tariff barriers in export markets
- Regional exchange rate fluctuation
- Increasing sea freight rates for exports
- Increasing labor costs
- Stagnant/declining foreign remittances
- CPEC led infrastructure development
- Volatile commodity prices

POLITICAL

- Uncertainty about government policies
- Implications of political uncertainty in Middle East & Afghanistan
- Lack of implementation of tax reforms across the board in Pakistan
- Improvement in law and order situation in Pakistan
- Growing Chinese influence

LEGAL

- Import barriers in international market
- Anti-dumping rules in international market & intensified international trade measures
- SRO culture finishing in Pakistan
- Slow court procedures in Pakistan

ETHICAL

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

SEASONALITY

- Nationwide construction & business activity slowdown during Ramzan, Eid & Muharram
- Construction slowdown during winter months in Punjab, parts of Balochistan and Northern regions of Pakistan
- Export activities impacted during Christmas, New Years and other major holidays
- Chinese New Year affects any dealings with China
- **Note: IIL production is not significantly impacted by any of these seasonal issues**

Calendar of Major Events

Quarter 1

- Annual General Meeting (AGM) held in Karachi
- Received Corporate Report Award by ICAP & ICMAP
- Distribution of 'Long Service Awards' to IIL employees
- IIL PPRC Grand Launch Event (Lahore)
- ABAD Expo 2017 Exhibition (Karachi)
- Tube South East Asia Exhibition (Bangkok, Thailand)
- CR & CRS Fabricators Event (Karachi)
- 323rd Board of Directors Meeting, August 17, 2017
- 324th Adjourned Board of Directors Meeting , August 25, 2017

Quarter 2

- 18th Consecutive FPCCI Best Export Performance Award
- Annual Sales Conference
- Customer Conventions (Karachi, Sukkur, Multan, Rawalpindi, Peshawar)
- Big 5 Exhibition (Dubai, UAE)
- IIL Growth Celebration (Karachi)
- Employees Picnic (Karachi)
- "Hua Kuch Yoon" – Customer Theatre Nights (Multan, Lahore)
- 324th Board of Directors Meeting, October 19, 2017
- Payment of final cash dividend of 20% for the year 2016-17

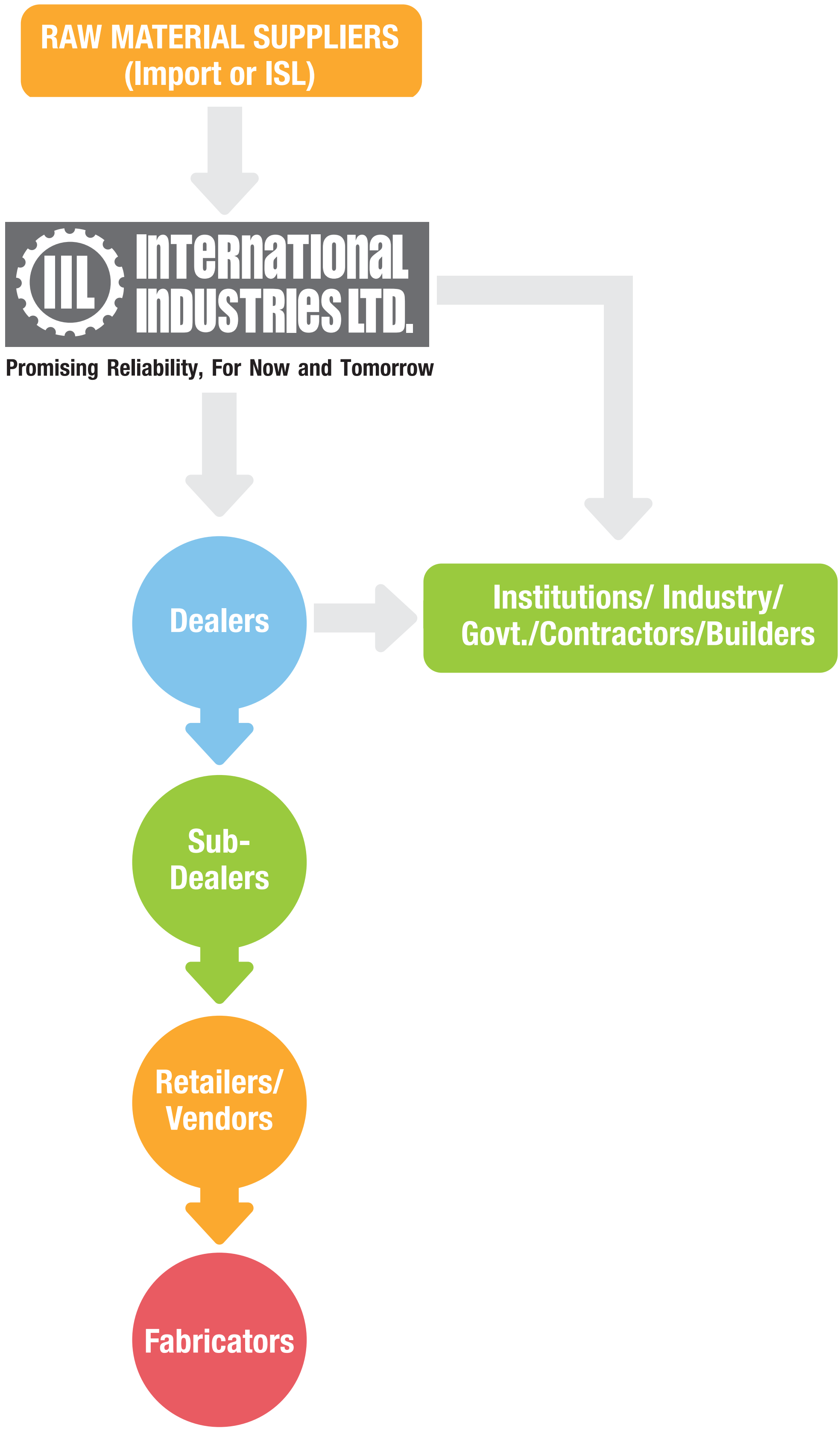
Quarter 3

- Single Country Exhibition (Colombo, Sri Lanka)
- Tribute to Habib Fida Ali (Karachi)
- "Hua Kuch Yoon" – Employees Theatre Night (Karachi)
- Annual Strategy Retreat 2018
- IIL & Institute of Architects Pakistan (IAP) MoU signing for IAP House (Karachi)
- Pakistan Auto Show Exhibition (Lahore)
- IAPEX Exhibitions (Karachi & Lahore)
- IIL GI Customer Extravaganza (Karachi)
- 325th Board of Directors Meeting, January 25, 2018
- 326th Board of Directors Meeting, March 22, 2018

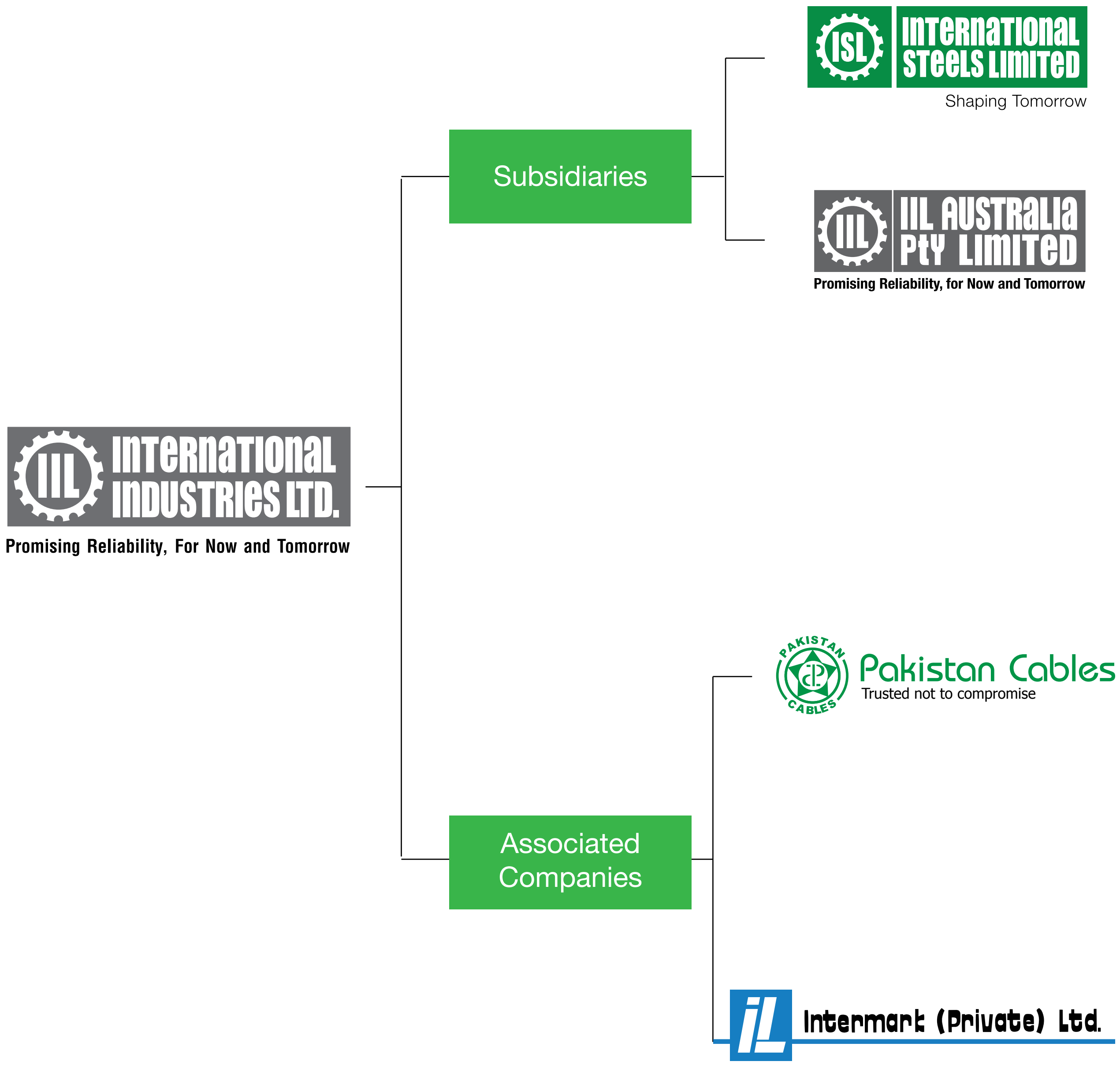
Quarter 4

- First Company in Pakistan to achieve ISO 45001:2018 Certificate by LRQA
- First and only PSQCA certified company for PPRC Pipes & Fittings
- IIL PPRC Grand Launch Event (Karachi)
- Tube Dusseldorf Exhibition (Dusseldorf, Germany)
- IAPEX Exhibition (Islamabad)
- "Hua Kuch Yoon" Theatre Night, (Islamabad)
- IIL Customers Gathering Event, (Hyderabad)
- Project Qatar Exhibition (Doha) – IIL/ISL/PCL joint participation
- Construction Partners for Pakistan Pavilion at Venice Biennale (Venice)
- Stainless Steel Customers Event (Karachi)
- 327th Board of Directors Meeting, April 20, 2018
- Extra Ordinary General Meeting (EOGM), May 21, 2018
- 328th Board of Directors Meeting, June 29, 2018
- Payment of interim cash dividend of 20%

IIL's Position in the Value Chain



Group Structure




156-168)

Strategic Objectives, Strategies & Key Performance Indicators

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

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

The Company has been successful in achieving its objectives by employing a consistent strategy that has emphasized ethics, innovation, quality, competitiveness, backward integration, product diversity, sustainable business practices, and continuous growth in higher value products.

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

* The Company believes that the current critical performance measures continue to be relevant in the future as well.

Significant changes in objectives and strategies from previous periods

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

Resource Allocation Plans

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

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

Significant Plans & Decisions

This year, IIL Stainless Steel (Pvt.) Ltd. was merged into International Industries Limited with effect from April 1st 2018. IIL will continue to produce the stainless steel tube that was previously manufactured by IIL Stainless Steel (Pvt.) Ltd. Aside from this, there was no significant corporate restructuring during the year and no significant plans for the coming year. IIL did not experience any disruption or discontinuance of operations during 2017-18 and does not foresee any in the coming year.

Relationship between Company's result and managements objectives

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

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

Stakeholder Engagement

Relationship with Stakeholders

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

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

Stakeholders	Why they are important	Nature of engagement	Frequency
Shareholders	1. They are the owners of the Company 2. They expect a return on their investment 3. Decisions are made in line with increasing shareholder value	1. AGM 2. EOGM's 3. Interim Reports 4. Annual reports 5. Website 6. Social media	1. Annually 2. If/when needed 3. Quarterly 4. Annually 5. Continuously available 6. Continuously available
Customers	1. They buy our products which, in turn, drives our revenue 2. They expect quality and drive demand for our products through word-of-mouth 3. They are our business partners	1. Direct relationships 2. Customer gatherings 3. Satisfaction surveys 4. Website 5. Social media	1. Continuous/ongoing 2. Regularly 3. Annually 4. Continuously available 5. Continuously available
Employees	They deliver IIL's success Company could not function without its employees	1. Interaction with management 2. Appraisals 3. Job satisfaction survey 4. Union interactions 5. Employee events 6. Newsletter 7. Website 8. Social media 9. Gym	1. Daily 2. Annual/semi-annual 3. Annual 4. Regularly 5. Regularly 6. Continuous 7. Quarterly 8. Continuous 9. Continuously available
Suppliers	Reliable and reasonable provision of raw materials determines our ability to supply finished goods	1. Direct relationships 2. Meetings 3. Trade shows 4. Website 5. Social media	1. Daily 2. Regularly 3. Regularly 4. Continuously available 5. Continuously available
Government Bodies	Determine trade policies that could positively or negatively impact IIL	1. Issue specific meetings/ discussions/correspondence 2. Submission of statutory returns and reports 3. Website 4. Social media	1. As required 2. As required 3. Continuously available 4. Continuously available
Local Community	1. Provide manpower for our operations 2. Their living environment depends on the environmental friendliness of our operations 3. Our CSR initiatives are primarily aimed towards them	1. IIL TCF school 2. IIL-SINA health clinic 3. Mosque in Majid Colony 4. Bus stop in Majid Colony 5. Union & employees 6. Website 7. Social media 8. Street School	1. Continuous 2. Continuous 3. Continuous 4. Continuous 5. Continuous 6. Continuously available 7. Continuously available 8. Continuously available

Stakeholders	Why they are important	Nature of engagement	Frequency
Banks	Provision of finance and trade facilities	1. Direct Relationships 2. Meetings 3. Financial reporting 4. Website / Social media	1. Regular 2. As needed 3. Periodic 4. Continuously available
Media	Ability to influence brand awareness and perception	1. Advertising Campaign 2. Press releases 3. Interviews	1. Periodic 2. Periodic 3. Periodic

Investor Relations Section on the corporate website:

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

Risk & Opportunity Report

Risk/Opportunity Category	Major Business Risk/Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
Financial Risk	Devaluation of PKR against foreign currencies may negatively impact Company's financial performance	High	External	- Ensuring a balanced ratio between export & domestic sales as needed - Appropriate hedging instruments such as forward cover & currency options if/when needed
	Payment defaults by customers	Low	External	- Credit worthiness is assessed for each customer and credit limits are assigned according to our credit policy
Financial Opportunity	Devaluation of PKR could make IIL exports more competitive in international markets & provide opportunities for inventory gain	High	External	- Maintaining an opportunistic position and supply flexibility to take advantage of devaluing PKR to increase exports to certain export markets
Operational Risk	Volatility in the international price of steel	High	External	- Well versed and dedicated procurement department matched with 5 decades of steel buying experience along with a diversified supplier base and large volumes keep IIL relatively insulated from volatility in steel prices
	Energy & water shortage in Pakistan	High	External	IIL has its own captive power generation and water supply. The management keeps an eye on alternate energy sources
	Employee turnover amongst senior management positions	Medium-Low	Internal	- Strong succession planning & HR policies, employee engagement initiatives, workplace satisfaction surveys, training/development, rotational policies and compensation audits are in place.
	Work place injuries & safety incidents	Medium	Internal	- Strong OHSE culture enforced through regular 'safety walks' by senior management, safety trainings & drills and enforcement of safety equipment and protocols. Appropriate health insurance policies are also in place.
Operational Opportunity	Sell excess electricty to the national grid	Medium	Internal	- Agreed contracts in place with relevant utility companies to sell excess electricty as per availability
	Generate incremental revenue from increased scrap due to enhanced production	Medium	Internal	- Establish scrap prices in-line with commercial product prices, diversify customer base
	Improve delivery times due to improved warehousing near major markets	High	Internal	- Increase in finished goods stock to ensure timely delivery to customer base.

Risk/Opportunity Category	Major Business Risk/Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
Commercial Risk	Economic downturn may impact demand for IIL products	Medium	External	- IIL's diversified product portfolio and strong export footprint allow the Company to counter economic cyclicality
	Trade protectionism amongst export markets via imposition of tariffs and anti-dumping duties could impact Company sales	Medium-High	External	- Ensuring that prices and quantum of exports do not pose potential for dumping inquiries. Additionally, maintaining diversity of export markets to limit dependance on one single destination
	Unethical practices by market players leading to lower prices of similar products	Medium-High	External	- IIL has differentiated itself from any competition by providing consistent quality for over 50 years. This has allowed the Company to develop a strong brand name which customers seek out and are willing to pay a premium for (if applicable). Additionally, IIL is able to leverage economies of scale and procurement expertise to maintain price competitiveness regardless of competitor activities.
Strategic Risk	Shift in market dynamics away from steel pipe	Low	External	- Mostly only applicable to water & gas applications. IIL has already established itself in the plastic pipe segment for these applications. IIL also maintains a constant focus of developing diversified markets for its products.
	Shift in production technologies may make IIL's processes obsolete and its product and prices non-competitive in local and/or international markets	Low	External	- IIL strongly believes in the philosophy of 'Continuous Improvement' and firmly applies this to its processes and plants. Accordingly, modernization and upgradation of production facilities and investment in new technologies allows IIL to respond adequately to any changes in production technologies.

Code Of Conduct

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

A. BUSINESS ETHICS

i. The company's policy is to conduct its business with honesty and integrity and be ethical in its dealings, showing respect for the interest of all stakeholders including its shareholders, employees, customers, suppliers and the society.

ii. The company is dedicated to providing a safe and non-discriminatory working environment for all employees.

iii. The company does not support any political party or contributes funds to groups whose activities promote political interests.

iv. The company is committed to provide products which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations.

v. The Board of Directors and the Management both are committed to ensure that the company is a responsible corporate citizen and the business shall be carried out in a sustainable manner.

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

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

B. CONFLICTS OF INTEREST

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

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

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

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

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

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

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

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

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

D. ENVIRONMENT

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

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

E. REGULATORY COMPLIANCE

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

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

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

F. PERSONAL CONDUCT

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

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

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

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

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

G. MISCELLANEOUS

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

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

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

Chairman's Review

Green Line Bus Station (Karachi) Built using IIL HSS

From The Chairman's Desk

This year marked the 70th anniversary of our organization. Having started from humble beginnings, it has taken decades of perseverance & hard work to reach this milestone. With the continued dedication of all our employees, customers, suppliers and stakeholders, today we are proud to be Pakistan's first million ton steel Group. By the Grace of Allah, IIL and ISL sold over 815,000 metric tons (MT) of steel including exports of almost 95,000 MT and sales turnover of over Rs. 85 billion for the year under review. Group contributions to the National Exchequer during the year was Rs. 16.7 billion.

Despite the political, economic and security challenges the country has had to face in the recent past, we should be encouraged to see the economy growing by 5.8%, Large Scale Manufacturing (LSM) posting growth in excess of 6% and the iron and steel sector in particular, growing at a phenomenal rate. The incoming government shoulders great responsibility in preventing the economy from derailing and losing its momentum at this very critical juncture. We are hopeful that the new government recognizes that industrial growth and development must be prioritized as it shall act as one of the primary catalysts for the rest of the economy.

By the Grace of Allah I am once again pleased to report that your company has performed well in a changing economic environment. Profit after Tax (PAT) was Rs. 1,582 million. PAT excluding divided income from our subsidiary International Steels Limited (ISL) was Rs. 1,079 million, which is marginally higher than last year. There was 30% volumetric growth and gross turnover was up approximately 50%.

We have successfully delivered our single largest institutional tender of 1,550 Km of API line pipes to Sui Northern Gas Pipe Line Company (SNGPL) during the outgoing year. This was the single largest order of pipes in our company's history, and although tender based business is relatively low margin compared to commercial business, we strongly believe that it is in the national interest to support our state institutions in such endeavors. Such initiatives will allow your company to play a vital role in helping the nation meet its energy requirements for years to come.

The new business undertakings we initiated during the last 2-3 years are finally starting to come to fruition. In line with our re-imagined vision, "To be a globally respected, innovative and entrepreneurial company, influencing lives while remaining focused on providing high-quality engineering products & services". We are proud to have been associated with the following key projects this year:

1. Orange Line, Lahore: IIL's Hollow Structural Sections (HSS) were used for the construction of 26 stations, covering 27 km of the Orange Line route.

2. Green Line, Karachi: IIL's HSS were used for the construction of 21 stations, covering 22 km of the Green Line route.

3. IIL entered into an agreement with the Institute of Architects (IAP) Pakistan to provide its HSS for the construction of a 12,000 square feet covered area IAP House in Karachi.

4. IIL's Stainless Steel "Cosmo" brand of tubes were used in the renovation of National Stadium Karachi in the preparation of the historic PSL final on 25th March 2018.

5. IIL has signed off on a project to supply its HDPE Duct Pipes for use in the fiber optic cable route from Lahore to Hyderabad, which is part of one of the CPEC project undertakings.

6. Pakistan's first residential project using IIL HSS was formally initiated. We are challenging set construction norms by encouraging the use of HSS instead of cement/rebar in construction projects. Other than the aesthetic appeal of HSS, construction can be carried out at a faster pace using this product.

7. IIL has also contributed completely free of cost structures to the Indus hospital, Jinnah Medical Center, Hunar Foundation, The Society for Rehabilitation of Special Children and a mental illness rehab center for the Caravan of Life Trust.

Our PPRC pipe and fittings facility in Sheikhupura is fully operational and we have launched an aggressive print and electronic media campaign to support our marketing efforts. The initial response from the market is very positive and sales and technical teams are continuously engaging plumbers and dealers nationwide.

The Company's wholly owned subsidiary, IIL Australia (Pty.) Ltd. performed well during the outgoing year. Net turnover increased 20% year on year and there was an exceptional increase in profitability.

I am also very proud of the efforts of our stainless steel team. Having received a very encouraging response from our commercial and institutional clients we have initiated another phase of expansion which should be completely operational by Q3 of this year. The expansion will increase our output and broaden our product range.

International Steels Limited (ISL), reported PAT of Rs. 4.3 billion, which is 43% greater than the previous year. Gross turnover was also up from Rs. 40 billion last year to Rs. 56 billion in FY 2017-18. The Company successfully completed its expansion in June 2018 to enhance its capacity to more than 1 million MT. The results of this expansion will appear in the FY 2018-19. After this expansion the Company now has sufficient capacity to meet domestic demand for cold rolled (CRC) and hot dipped galvanized (HDGC) sheets and coils.

Board Performance

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

Immediately on the election of the new Board an orientation session is held where the Board is introduced to the management and is taken through the working of the Company.

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

The Board recognizes that well defined Corporate Governance processes are vital to enhancing corporate accountability and is committed to ensure high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed in the decision making process of the Board.

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

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

This was the sixth year that the Board as a whole carried out its self-evaluation, and for the first time individual Directors were also self-evaluated. The evaluations identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management. Along with the Boards' self-evaluation, the Board Audit Committee and Human Resources Remuneration Committee also carried out their independent evaluation. The casual vacancy arising out of the resignation of a nominee director, Mr. Naveed Kamran Baloch was duly filled by election of Mr. Shoaib Mir.

The BAC is chaired by Mr. Ehsan A. Malik and the Board Human Resources Remuneration Committee (HRRC) is chaired by Mr. Tariq Ikram.

Apart from the BAC and the HRRC, the Board met six (6) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year to consider the budget for the following year whereas one meeting is focused on strategy.

The Company, in keeping with tradition, was the proud recipient of the FPCCI Best Export Performance Award 2017 for the 18th consecutive time.

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

1. ABAD International Expo 2017: The premier building and construction exhibition in Pakistan.
2. The Big 5 Exhibition held in November 2017 in Dubai. IIL and ISL jointly participated at this annual event.
3. Single Country Exhibition in January 2018 in Colombo, Sri Lanka.
4. Pakistan Auto Show 2018: The largest gathering of auto parts vendors in Pakistan. IIL and ISL showcased their range of auto industry related products at the event.
5. IAPEX (Karachi, Lahore & Islamabad): The leading architectural exhibition in Pakistan.
6. Project Qatar, Doha, May 2018.
7. Tube South East Asia in Bangkok in September 2017.
8. Tube Dusseldorf April 2018, Germany, the world's leading tube and pipe fair, where IIL was the only manufacturer representing Pakistan.
9. IIL was the "Construction Partner" for Pakistan's first ever Pavilion at the world renowned Venice Biennale 2018 held in Venice, Italy.

In addition to the above, your Company has made significant efforts to increase nationwide brand visibility through enhanced branding at the retail, print and electronic media level.

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

The Board looks forward with confidence to the year ahead.

Mustapha A. Chinoy
Chairman
Dated: 16th August 2018

بورڈ نے اپنے فرائض اور ذمہ داریاں بخوبی ادا کی ہیں اور کمپنی کو اپنی حکمت عملی کے معاملات میں موثر طور پر رہنمائی کی ہے۔ بورڈ نے انتظامیہ کی کارکردگی مانیٹر کرنے اور شدید رسک والے شعبہ جات پر پوری توجہ دی ہے۔ بورڈ حکمت عملی کی منصوبہ سازی کے طریقہ کار اور کمپنی کے وژن کو ابھارنے میں برابر کا شریک رہا ہے۔

بورڈ یہ تسلیم کرتا ہے کہ کڑے احتساب کیلئے ایک عمدہ کارپوریٹ گورننس کے طریقہ پر عمل کرنا لازمی ہے اور اسٹیک ہولڈرز کی اقدار کے تحفظ اور بقا کیلئے کارپورٹ گورننس کے اعلیٰ ترین معیار کو یقینی بنانا لازمی ہے۔ تمام ڈائریکٹرز بشمول انڈیپنڈنٹ ڈائریکٹرز نے اجلاس میں بھرپور طریقے سے شرکت کی اور بورڈ کی فیصلہ سازی میں حصہ لیا۔

آپ کی کمپنی کے چیئرمین کی حیثیت سے میں بورڈ کو کھلے پن اور تعمیری بحث و مباحثہ کے کلچر کو فروغ دینے میں اپنی ذمہ داریاں ادا کرتا رہوں گا جس میں تمام شرکاء کی رائے سنی جاتی ہے اور میں یقین دلاتا ہوں کہ بورڈ سینئر مینجمنٹ کے افراد کی باتیں بھی سنتا ہے۔ میں پرعزم ہوں کہ آپ کو یقین دلاؤں کہ آپ کی کمپنی متعلقہ کوڈز اور ضوابط پر عمل کرتی ہے اور اس بات کو یقینی بناتی ہے کہ ہماری انتظامیہ کی ٹیم جو فیصلے کرے گی جو کم مدت، درمیانی مدت اور طویل مدت کیلئے آپ کو قیمتی خدمات کی فراہمی کی غرض سے کرتی رہے گی۔

کمپنی کا ایک اندرونی خودمختار آڈٹ ڈپارٹمنٹ ہے جو رسک پر مبنی آڈٹ کے طریقہ کار پر یقین رکھتا ہے اور اندرونی آڈٹ کے امور کو بیرونی آڈٹ فرم کے ساتھ مل کر انجام دیتا ہے۔ اندرونی آڈٹ کی رپورٹس سہ ماہی کی بنیاد پر بورڈ آڈٹ کمیٹی (بی اے سی) کو پیش کی جاتی ہیں جن میں بہتری کی ضرورت کے مقامات کی نشاندہی کی جاتی ہے۔

یہ چھٹا سال تھا جب بورڈ نے مکمل طور پر سالانہ خود جانچ پڑتال کا انعقاد کیا اور پہلی مرتبہ انفرادی طور پر ڈائریکٹرز نے اپنا احتساب کیا۔ اس جانچ پڑتال کے نتیجے میں بہترین عالمی معمولات کے مطابق مزید بہتری کی جگہوں کی نشاندہی کی گئی۔ اس میں اہم توجہ ترقی کی حکمت عملی، کاروباری مواقع، رسک مینجمنٹ، بورڈ کی تشکیل اور انتظامیہ کو عمومی جائزہ پیش کرنے پر دی گئی۔ بورڈ کے از خود احتساب کے ساتھ ساتھ بورڈ آڈٹ کمیٹی (BAC)/بورڈ ہیومن ریسورس ریمونریشن کمیٹی (HRRC) نے بھی خودمختار جانچ کا اہتمام کیا۔ نامزد ڈائریکٹر جناب نوید کامران بلوچ کے استعفیٰ سے خالی ہونے والی اسامی پر الیکشن کے ذریعہ جناب شعیب میر کا تقرر کیا گیا۔

بورڈ آڈٹ کمیٹی (BAC) اور بورڈ ہیومن ریسورس ریمونریشن کمیٹی (HRRC) کے علاوہ بورڈ نے اس سال چھ میٹنگز کیں۔ بورڈ عام طور پر ہر سہ ماہی میں ایک میٹنگ ضرور کرتا ہے جس میں عام طور پر آپریٹنگ کے نتائج پر غور کرنے اور ان کی منظوری دینے کا عمل انجام دیتا ہے اور سال میں ایک مرتبہ آنے والے سال کے لئے بجٹ پر غور کرتا ہے اور منظوری دیتا ہے۔ ایک میٹنگ حکمت عملی پر غور و خوض کیا جاتا ہے۔

کمپنی کو فخر ہے کہ اس نے اپنی روایت کے مطابق اس مرتبہ بھی ایف پی سی سی آئی بیسٹ ایکسپورٹ پرفارمنس ایوارڈ 2017 حاصل کی جو مسلسل 18 ویں مرتبہ حاصل ہوا ہے۔

ہم اپنے برانڈ کو مزید تقویت دینے کیلئے مقامی اور بین الاقوامی فورم پر اپنی پروڈکٹس کی نمائش کی کوششیں جاری رکھیں گے۔ سال کے دوران میں جن معروف نمائشوں میں ہم نے شرکت کی ہے ان میں سے چند درج ذیل ہیں:

۱۔ آباد انٹرنیشنل ایکسپو 2017، منعقدہ ایکسپو سینٹر، کراچی۔ یہ پاکستان کی ایک شاندار اور باوقار نمائش گاہ ہے۔

۲۔ بگ 5 ایگزیبیشن منعقدہ نومبر 2017 بمقام دبئی۔ اس سالانہ تقریب میں آئی آئی ایل اور آئی ایس ایل نے مشترکہ طور پر شرکت کی۔

۳۔ سنگل کنٹری ایگزیبیشن منعقدہ جنوری 2018 بمقام کولمبو، سری لنکا

۴۔ پاکستان آٹو شو 2018 منعقدہ مارچ 2018 بمقام لاہور جس میں پورے پاکستان سے آٹو پارٹس وینڈرز کا سب سے بڑا اجتماع ہوا۔ آئی آئی ایل اور آئی ایس ایل نے اس نمائش میں اپنی کولڈ رولڈ، اسٹین لیس اور گیلونائزڈ ٹیوب اور شیٹ پروڈکٹس کی وسیع رینج پیش کی۔

۵۔ آئی اے پی ایکس (کراچی، لاہور اور اسلام آباد) پاکستان کی ایک معروف آرکیٹیکچرل نمائش ہے جس میں صف اول کے آرکیٹیکچرل اور کنسٹرکشن کمپنیوں نے شرکت کی۔

۶۔ پروجیکٹ قطر، دوحہ، مئی 2018

۷۔ ٹیوب ساؤتھ ایسٹ ایشیا منعقدہ ستمبر 2017 بمقام بینکاک، تھائی لینڈ

۸۔ ٹیوب ڈیسل ڈورف منعقدہ اپریل 2018 بمقام جرمنی، جو دنیا کا مشہور ترین ٹیوب اور پائپ میلہ ہوتا ہے جہاں آئی آئی ایل پاکستان کی نمائندگی کرنے والا واحد مینوفیکچر رتھا۔

۹۔ آئی آئی ایل دنیا کے معروف ترین وینس بائینیل 2018 میں پاکستان کے سب سے پہلے پویلین کا کنسٹرکشن پارٹنر تھا جس کی ڈیزائننگ پاکستان کے نوجوان آرکیٹیکچرز کی ٹیم نے کی اور جو آئی آئی ایل اسکوائر ٹیوبس کے استعمال سے تیار کیا گیا تھا۔

درج بالا کے علاوہ آپ کی کمپنی نے ریٹیل، پرنٹ اور الیکٹرونک میڈیا کی سطح پر بھرپور برانڈنگ کے ذریعہ ملک بھر میں برانڈ کے نام کو نمایاں ترین بنانے کے لئے کامیاب کوششیں کیں۔

آخر میں میں بورڈ کی جانب سے اپنے تمام ملازمین کی کاوشوں کا اعتراف کرتا ہوں جن سے کمپنی کو کامیابیوں سے ہمکنار کیا۔ میں اپنے شیئر ہولڈرز، کسٹمرز، سپلائرز، بینکرز اور دیگر اسٹیک ہولڈرز کا بھی شکرگزار ہوں جنہوں نے ہم پر بھروسہ کیا اور ہم سے تعاون کیا۔

بورڈ آنے والے سال میں مزید کامیابیوں کے اعتماد کا اظہار کرتا ہے۔

مصطفیٰ اے چنائے
چیئرمین
16 اگست 2018

چیئرمین کا جائزہ

اس سال ہمارے ادارے کی 70 ویں سالگرہ ہے۔ ایک عام شروعات سے اس منزل تک پہنچنے تک سخت محنت وجدوجہد کی کئی دہائیاں گزری ہیں۔ اپنے تمام ملازمین، کسٹمرز، سپلائرز اور اسٹیک ہولڈرز کے مسلسل تعاون کے ساتھ آج ہم فخریہ طور پر ہم پاکستان کے سب سے پہلے ملین ٹن اسٹیل گروپ کا درجہ رکھتے ہیں۔ اللہ کے فضل سے آئی آئی ایل اور آئی ایس ایل 815,000 میٹرک ٹن (ایم ٹی) سے زیادہ کا اسٹیل فروخت کر چکے ہیں۔ جس میں تقریباً 95,000 MT برآمد کیا ہے اور زیر جائزہ سال میں ہماری سیلز کی آمدنی 85 بلین روپے سے زیادہ ہوئی۔

ملک میں گزشتہ عرصہ میں سیاسی، معاشی اور سیکورٹی کے مسائل کے باوجود ہماری ترقی کی شرح 5.8% رہی جو امید افزا ہے۔ بڑے پیمانے پر مینوفیکچرنگ (ایل ایس ایم) میں 6% کا اضافہ ریکارڈ کیا گیا جب کہ آئرن اور اسٹیل کے شعبہ میں خاص طور پر معمول کی شرح سے اضافہ ہوا۔ آنے والی حکومت کے کندھوں پر اس نازک وقت میں معیشت کو سنبھالنے کی ایک بہت بڑی ذمہ داری کا بوجھ ہے۔ ہمیں امید ہے کہ نئی حکومت یہ تسلیم کرتی ہے کہ صنعتی ترقی اور ڈیولپمنٹ کو اولین ترجیح دی جائے کیونکہ یہ ہماری معیشت کا بنیادی ستون ہے۔

اللہ کے فضل سے میں ایک بار پھر بمسرت آگاہ کرتا ہوں کہ آپ کی کمپنی نے ایک چیلنجنگ معیشت کے ماحول میں اچھی کارکردگی کا مظاہرہ کیا ہے۔ بعد از ٹیکس منافع (پی اے ٹی) 1,582 ملین روپے حاصل ہوا۔ اس منافع میں دوسری ذیلی کمپنی انٹرنیشنل اسٹیلز لمیٹڈ (آئی ایس ایل) سے ہونے والی آمدنی 1,079 ملین روپے شامل نہیں ہے جو گزشتہ سال کے مقابلے میں خاصی زیادہ ہے۔ مقدار میں 30% اضافہ ہوا جب کہ مجموعی آمدنی میں تقریباً 50% اضافہ دیکھا گیا۔

رواں سال میں ہم نے سوئی ناردرن گیس پائپ لائن کمپنی (ایس این جی پی ایل) کو 1,550 کلومیٹر اے پی آئی لائن پائپس کی فراہمی کا سب سے بڑا ادارے کا سنگل ٹینڈر حاصل کرنے میں کامیابی حاصل کی۔ یہ ہماری کمپنی کی تاریخ کا سب سے بڑا واحد آرڈر تھا۔ اگرچہ کمرشل کاروباری کی نسبت ٹینڈر کی بنیاد پر کاروبار میں مارجن کم ہوتا ہے تاہم قومی مفاد کو ترجیح دیتے ہوئے سرکاری اداروں کو سپورٹ کرتے ہیں۔ ایسے اقدامات سے آپ کی کمپنی کو قوم کی خدمت کرنے اور آنے والے سال میں توانائی کی ضروریات پوری کرنے کا موقع ملا گزشتہ تین سالوں کے دوران میں ہم نے جن نئے کاروباری سلسلوں کا آغاز کیا تھا اب وہ شروع ہونے جا رہے ہیں۔ اپنے نئے وژن "عالمی سطح پر محترم، جدت پسند اور انٹرپرینیور کمپنی" جو زندگیوں پر اثر انداز ہوتی ہے اور اعلیٰ معیار کی انجینیئرنگ پروڈکٹس اور مصنوعات فراہم کرنے پر توجہ مرکوز رکھتی ہے۔ ہمیں فخر ہے کہ ہم اس سال درج ذیل بڑے منصوبوں سے وابستہ ہوئے ہیں:

۱۔ اورنج لائن، لاہور: آئی آئی ایل کے ہالو اسٹرکچرل سیکشنز (ایچ ایس ایس) 28 اسٹیشنوں کی تعمیر میں استعمال ہوئے جو اورنج لائن کے 27 کلومیٹر طویل روٹ پر بنائے گئے ہیں۔

۲۔ گرین لائن، کراچی: آئی آئی ایل کے ایچ ایس ایس گرین لائن کے 22 کلومیٹر کے روٹ پر 21 اسٹیشنوں کی تعمیر میں استعمال ہوئے

۳۔ آئی آئی ایل نے انسٹی ٹیوٹ آف آرکیٹیکٹس پاکستان (آئی اے پی) کے ساتھ ایک معاہدہ کیا ہے جس کے مطابق کراچی میں 12,000 فٹ کے کورڈ ایریا پر آئی اے پی ہاؤس کی تعمیر ایچ ایس ایس فراہم کیا جائے گا۔

۴۔ آئی آئی ایل کے اسٹین لیس اسٹیل کو سموبالاٹیس نیشنل اسٹیڈیم کراچی میں 25 مارچ 2018 کو ہونے والے تاریخی پی ایس ایل کے سلسلے میں اسٹیڈیم کی تزئین نو کے لئے استعمال کیا گیا۔

۵۔ آئی آئی ایل نے اپنی ایچ ڈی پی ای ڈکٹ پائپس کی فراہمی کے پروجیکٹ پر دستخط کئے ہیں جو لاہور سے حیدرآباد تک فائبر آپٹک کیبل روٹ میں استعمال ہوں گے۔ یہ پروجیکٹ سی پیک کے پروجیکٹ کا ایک حصہ ہے۔

۶۔ پاکستان کے سب سے پہلے آئی آئی ایل، ایچ ایس ایس استعمال کرنے والے رہائشی منصوبے کا باقاعدہ آغاز ہو گیا ہے۔ ہم تعمیر کے ایک نئے بڑھتے ہوئے تعمیر کو ترویج کرتے ہوئے تعمیری منصوبوں میں سیمنٹ اور اینٹوں کی بجائے ایچ ایس ایس کا استعمال کر رہے ہیں۔ ایچ ایس ایس کی خوبصورتی کی خوبی کے علاوہ اس پروڈکٹ کے استعمال سے تعمیر کو کہیں زیادہ بہتر انداز میں کیا جا سکتا ہے۔

۷۔ آئی آئی ایل نے انڈس ہسپتال، جناح میڈیکل سینٹر، ہمدرد فاؤنڈیشن، دی سوسائٹی فار دی ری ہیبلیٹیشن آف اسپیشل چلڈرن اور ٹی بی بیماری کے علاج سینٹر کو اور آف لائف ٹرسٹ کے لئے بالکل مفت اسٹریچر فراہم کیا ہے۔

شیخوپورہ میں ہماری پی پی آر سی پائپ اور فٹنگ فیسلیٹی پوری استعداد سے کام کر رہی ہے اور ہم نے اپنی مارکیٹنگ کی کاوشوں کو سپورٹ کیلئے بھرپور پرنٹ اور الیکٹرونک اشتہاری مہم شروع کی ہے۔ ابتدائی طور پر مارکیٹ سے اس کا مثبت تاثر موصول ہوا ہے اور سیلز اور ٹیکنیکل ٹیمیں ملک بھر میں پلمبرز اور ڈیلرز کے ساتھ رابطوں میں بھی مصروف عمل ہیں۔

کمپنی کا کل ملکیتی ذیلی ادارہ آئی آئی ایل آسٹریلیا (پرائیویٹ) لمیٹڈ نے رواں سال میں اچھی کارکردگی کا مظاہرہ کیا۔ سال بہ سال خالص آمدنی میں 20% اضافہ ہوا اور منفعت میں غیر معمولی اضافہ ہوا۔

اپنی اسٹین لیس اسٹیل کی مہم پر مجھے بہت فخر ہے کہ ہمیں کمرشل اداروں کی جانب سے بڑا حوصلہ افزا ردعمل ظاہر ہوا ہے۔ ہم نے توسیع کا دوسرا مرحلہ شروع کر دیا ہے جو اس سال کی تیسری سہ ماہی سے مکمل طور پر کام شروع کر دے گا۔ اس توسیع سے ہماری آؤٹ پٹ میں اضافہ ہوگا اور ہماری پروڈکٹ رینج بھی زیادہ بڑھ جائے گی۔

انٹرنیشنل اسٹیلز لمیٹڈ (آئی ایس ایل) نے بعد از ٹیکس منافع 4,385 ملین روپے حاصل کیا۔ مجموعی آمدنی بھی گزشتہ سال کے 40 بلین روپے سے بڑھ کر مالی سال 2017-18 میں 56 بلین روپے ہو گیا۔ کمپنی نے اپنی گنجائش میں ایک ملین میٹرک ٹن سے زیادہ اضافہ کرنے کیلئے اپنے توسیعی منصوبہ کو جون 2018 میں کامیابی کے ساتھ مکمل کر لیا ہے۔ اس توسیع کے نتائج مالی سال 2018-19 میں ظاہر ہونا شروع ہوں گے۔ اس توسیع کے بعد کمپنی اب کولڈ رولڈ (سی آر) اور ہاٹ ڈپ گیلونائزڈ (ایچ ڈی جی سی) شیٹس اور کوائل کی ملکی طلب کو پورا کرنے کیلئے کافی گنجائش ہوگی۔

Director's Report

Directors' Report

The Directors' of the Company are pleased to present their report along with the audited Financial Statements of the Company for the year ended June 30, 2018.

BOARDS COMPOSITION & REMUNERATION

Composition of the Board and the names of Members of Board sub-committees may be referred at Page No. 70 & 82 (Corporate Governance section).

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

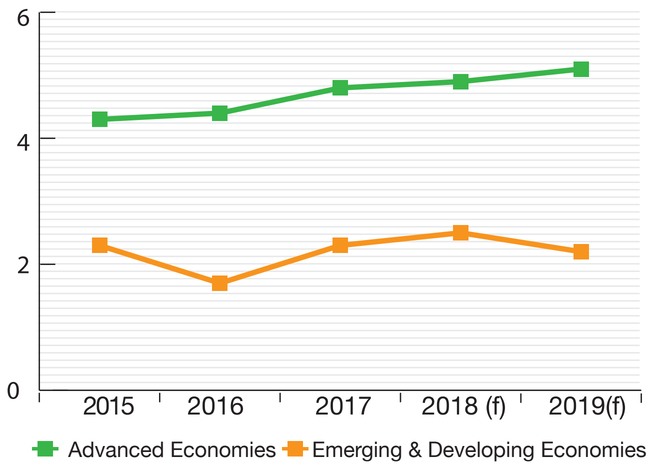
GLOBAL MACROECONOMIC OUTLOOK

The world economy grew by 3.8% during 2017 as per IMF World Economic Outlook (WEO) figures. This is a healthy increase over the previous year and growth is projected to sustain into 2018 and 2019, driven primarily by emerging & developing economies and The United States. However, despite the overall optimistic projections, real risks remain intact and are expected to re-surface from time to time.

World GDP Growth

Advanced vs. Emerging & Developing

2015 – 2019 (f)



Source: IMF World Economic Outlook, Apri¬l 2018

The rise of popular nationalistic policies remains a threat to the global trade and investment climate. Of late we have witnessed the re-emergence of protectionist policies in The United States, in the form of tariffs on steel and aluminum, which have led to retaliatory measures from China and Turkey. Although global trade in goods and services in 2017 showed a remarkable increase over the previous year, we cannot expect the same to hold in such a hostile trading environment. On the financial side, our expectations of monetary tightening in The United States, the resurgence of a stronger US Dollar and lower FDI from developed nations into emerging & developing economies have largely materialized. Furthermore, after a recovery in commodity prices in 2016 and 2017, we expect international prices to remain soft amidst trade tensions and an unstable geopolitical environment.

DOMESTIC ECONOMY

Pakistan achieved real GDP growth of 5.8% in FY 2017-18 against 5.4% in the previous year. Average inflation rates remained well under control; large scale manufacturing (LSM) registered healthy growth in excess of 6% and growth in agriculture and service sectors remained intact. All this points to strong aggregate demand in the domestic economy, however, it is unfortunate that despite this, Pakistan's deep structural problems remain unattended, and continue to cast a shadow on the health of our economy.

Our deteriorating external account position continues to be the primary factor limiting progress in the real economy and the incoming government will have to face grave challenges from the outset, most crucial of which will be, arranging external financing in a difficult geopolitical environment, a rising current account and fiscal deficit, mounting inflation and an unfavorable trend in international oil prices and domestic interest rates.

It is imperative that the government implements timely and progressive policies to curtail the rising trade deficit. **Specifically, the implementation of a cascading tariff structure is crucial**, as this will help to reduce the quantum of value added imported goods that are already being manufactured locally.

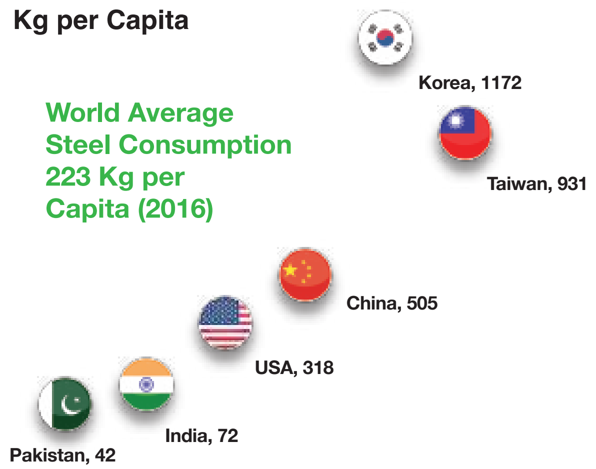
Steel remains one of the primary drivers of economic growth in the country. As per the Pakistan Economic Survey 2017-18, iron & steel manufacturing witnessed the second highest year-on-year growth of 30.85% out of all product categories.

We remain hopeful that despite the immense economic, political and security challenges the country is facing, effective and sustainable policies will be pursued by the incoming government to remedy the current state of our economy.

The World Steel Association's assessment of per capita steel consumption for 2016 indicates a world average of approximately 223 kg/capita. Pakistan remains well below the world average 42 kg/capita. However, this indicates the immense potential for growth in the domestic steel manufacturing and processing industry.

Per Capita Steel Consumption

Kg per Capita

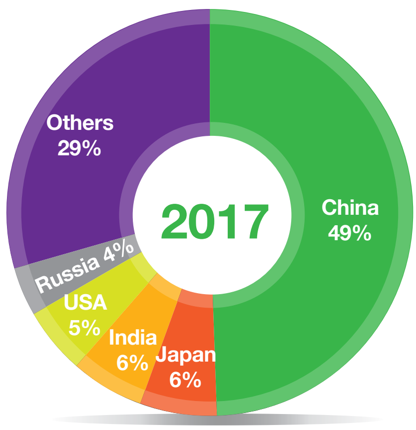


Source: World Steel Association

GLOBAL STEEL SCENARIO

World crude steel production was 1.69 billion metric tons (MT) in 2017, almost 3% higher than last year. China alone accounted for 832 million MT, which is roughly 49% of global crude steel output. Other major players include Japan (105 million MT), India (101 million MT), United States (82 million MT) and Russia (71 million MT).

Share of Global Crude Steel Production (%)



Source: World Steel Association

The year was dominated by developments following the Section 232 investigations on steel and aluminum products in The United States and rising steel production numbers from China. Resulting trade frictions as a result will continue to dampen sentiment in the global steel industry. Steelmakers in China however continued to enjoy steady margins and the industry seems to have benefited from stimulus measures directly impacting downstream sectors such as construction and engineering. In addition, we have also seen instances of a noticeable decoupling of the Chinese steel industry from the rest of the world as HRC export prices witnessed strong support at the $600/MT level, whereas other major exporting countries readily undercut their Chinese counterparts to push export volumes. Stringent environmental regulations requiring the removal of sub-standard capacities have also played a crucial role in lending support to prices in China.

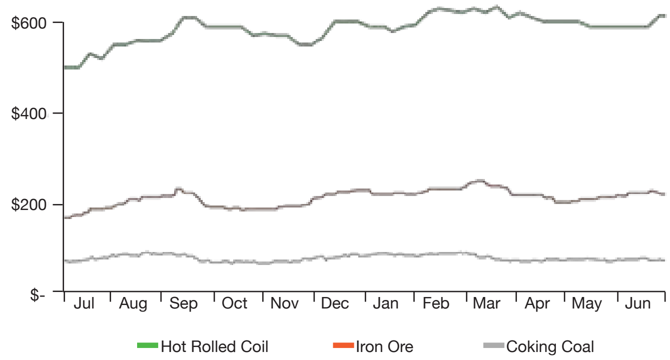
Prices of hot rolled steel coil varied between $500/MT and $630/MT over the course of the outgoing financial year.

Steel production in Pakistan is steadily rising with new capacities now coming online. Major investments in flats, longs and tube & pipe products have been undertaken, which will support the countries growing requirements of steel. Rising energy, infrastructure and white goods demand will drive steel demand in the coming years.

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

Iron Ore, Coking Coal and Hot Rolled Steel Coil Price

July 2017 – June 2018, USD per Ton



Source: Metal Bulletin

Steel Tube & Pipe Industry

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

Directors' Report

Global trade in steel tube & pipes was roughly 42 million MT in 2017, significantly up from 34 million MT during the previous year.

On the domestic front, expansion of natural gas distribution and transmission network is underway and tenders by gas utility companies continue to be floated at regular intervals.

Stainless Steel

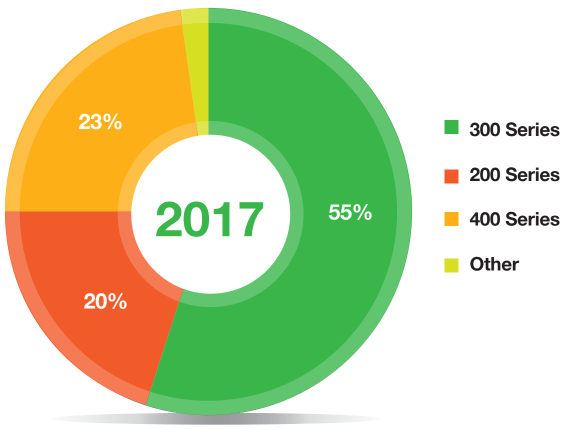
Global production of stainless steel was approximately 48 million MT in 2017 compared to 46 million MT in 2016. Output continues to grow aggressively at a CAGR of 6% over the last 5 years.

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

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

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

Stainless steel melt shop production by grade



Source: ISSF

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

OBJECTIVES, STRATEGIES & CRITICAL PERFORMANCE INDICATORS:

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

A detailed discussion on IIL's objectives, strategies & critical performance indicators can be found on Page No. 36.

COMPANY OPERATIONS

Market Share

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

Gross Sales

Your Company's achieved gross sales volume of approximately 270,000 MT during the outgoing financial year, with gross turnover of Rs. 29.6 billion.

Non-Financial Performance

Customer satisfaction, employee development, quality, transparency, accountability, good governance and professional standards are the main areas of focus for improvement. The Company is currently, producing and supplying high quality products meeting international specifications that ensure maximum customer satisfaction.

Production

The production department paid a pivotal role in achieving the highest-ever sales by supplying high-quality products in a timely manner, despite gas shortages No significant production related issue were experienced during the year.

SEGMENT REVIEW

Steel Sales

Domestic sales volume was up substantially over the previous year as all our product lines performed well.

Our line of GI Pipe, Black Pipe and HSS performed well on account of higher infrastructure and project related spending. Demand for commercial grade CR Tubing remained robust throughout the year on account of strong growth in two-wheelers, three-wheelers and general fabrication requirements. Our largest ever API tender secured at the end of last year was completed within time and added significant volumetric growth to our sales.

During the year, we actively enhanced commercial and institutional customer engagement via nationwide events, participation in trade exhibitions, sponsorships and direct engagement mechanisms to positive effect.

Export sales Protectionism in our key export markets, an overvalued rupee for the major part of the last 2 years and a strong domestic demand has had a dampening effect on exports. However, with the recent depreciation of the rupee, exports have once again become viable, and a strong team is in place to re-claim market share and explore new markets. During the year, IIL participated in 5 international trade exhibitions including the Tube and Pipe exhibition in Dusseldorf, to help in business development and to enhance brand awareness.

IIL Stainless Steel (Pvt.) Ltd was amalgamated into IIL during the outgoing year, and ceased to be a separate entity. Sales and operations of the company remain as they were. Our stainless steel pipe sales volume was up more than 22% over the previous year. Further, based on the encouraging response from the market, we have ordered additional pipe and polishing mills to cater to rising demand. The equipment is expected to arrive before December 2018.

Our stainless steel tubes were used in the landmark renovation of National Stadium Karachi which is a testament to our quality and the market acceptance of our product.

Steel Segment Financial Performance:

	2018	2017
	Rs. in million	
Revenue	22,792	15,460
Gross profit	3,089	2,831

Polymer Sales

The Company's polymer sales volume grew by over 50% over the previous year. This was made possible due to exceptional increases in tender based sales of MDPE gas pipe and steady growth in HDPE water pipe segment. With the easing of gas supplies and related funding, we expect further improvement in these two segments. Being one of a handful of API certified polymer mills in the world today we continue to try and persuade SSGC and SNGPL to implement the same supplier evaluation and safety protocols on polymer pipe as they do with API Steel Pipes by way of procuring only API certified polymer pipe in line with best practices.

Commissioning of our PPRC pipe and fitting plants in Sheikhupura was completed during the outgoing year. Production is underway and we have initiated a comprehensive, 360-degree advertising campaign on TV, radio, print, digital media and hoardings to create awareness and build our brand name in this segment. We are working towards developing the same customer centric approach in this segment that is associated with our brand name in the steel segment, and our sales and technical teams are continuously engaging our customers in this regard.

Polymer Segment Financial Performance:

	2018	2017
	Rs. in million	
Revenue	2,209	1,247
Gross profit	216	99

IIL Australia Pty Ltd

IIL Australia Pty Ltd. posted healthy growth during the financial year. Steady volumes and healthy margins have positioned our brand as one of the most reliable in Australia. **Net turnover increased 20% year on year to AUD 17.4 million.**

FINANCIAL REVIEW

Key Financial Highlights

	2018	2017
	Rs. in million	
Net Sales	25,001	16,707
Gross profit	3,305	2,930
Profit after taxation	1,582	1,842
EPS	13	15

Directors' Report

Company Results

The Company posted net sales of Rs. 25,001 million, which was 50% higher than last year, earning Gross Profit of Rs. 3,305 million, Profit before Tax of Rs. 2,149 million and Profit after Tax of Rs. 1,582 million. **We had a growth in sales volume of 30% over the SPLY as our export volume dropped as we gave priority to the domestic market over exports.** Earnings per Share for the year were Rs. 13.2. There has been no change in the nature of business of the Company.

The operating profit is marginally better than last year and there was visible volumetric growth.

Cost of Goods Sold for the year at Rs. 21,696 million was 57% higher than last year, which was in line with the turnover.

Selling and Distribution Expenses of Rs. 1,126 million were 29% higher than last year mainly on account of higher freight charges.

Administrative Expenses of Rs. 298 million were 0.3% higher than last year.

Other Operating Charges of Rs. 172 million were 4% lower than last year. Other income showed a decrease of Rs. 154 million mainly due to dividend income from International Steels Limited (ISL) received in prior year.

Financial Charges during the year increased by Rs. 218 million which is 97% higher than last year, primarily due to higher stock holding.

Cash Flow Management & Borrowing Strategy

The Company's cash flow management system projects cash inflows and outflows on a regular basis and monitors the cash position on a daily basis.

During the year 2017-18, the weighted average cost of borrowing continued to increase resulting in a 16% higher cost than last year.

Capital Structure

Debt to equity ratio on 30 June 2018 was 60:40 compared to 58:42 as on 30 June 2017. Interest cover and debt servicing ratios improved compared to last year.

DIVIDEND

The Board of Directors has recommended a final cash dividend of Rs 6.50 (65%) per share. With the interim dividend of Rs. 2 (20%) per share already paid during the year, the total dividend for the year 2018 amounts to Rs 8.50 (85%) (2017: Rs 9) per ordinary share of Rs 10 each. The total profit distributed by way of dividend amounts to 64% (2017: 59%).

PATTERN OF SHAREHOLDING

Information on the pattern of holding may be referred at Page No. 241.

AUDITORS

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

The Board of Directors has recommended their re-appointment as auditors of the company for the year ending June 30, 2019, at a fee to be mutually agreed.

The recommendations of the audit committee for appointment of an auditor may be referred at Page No. 86 (Report of the Audit Committee The Code of Corporate Governance).

SOCIAL IMPACT

IIL prides itself in being a responsible corporate citizen and positive contributor to the society at large and the communities in which it operates. A detailed look into IIL's social, philanthropic and environmental protection initiatives can be found in the 'Group Sustainability Report' provided in this CD or available on the Company's website.

HUMAN RESOURCE MANAGEMENT

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

Industrial Relations

The bilateral negotiation settlement 2017-2018 was reached in January 2018 in a peaceful manner with no production loss and/or go slow. WPPF dues for 2016 – 2017 were distributed in June 2018.

Long Service Awards

Long Service Award ceremony was held for the staff members completing their respective service years' milestones on 30 June 2017. Overall 42 managements and 78 non-management staff qualified for the long service award. Retired workers were also awarded souvenirs.

The Apprenticeship Training Program

The Apprenticeship Training Program was restarted in the last fiscal year and apprentices are currently obtaining training in the Company at its three Factories.

Annual Corporate Event

IIL Growth Celebration Corporate Dinner was held at PC Hotel, Karachi to celebrate highest quarterly turnover in its history, which was well attended by the staff and their spouses. The event included multimedia presentations and videos of IIL through the years as well as a performance by Shehzad Roy.

In March 2018, IIL celebrated its 70th birthday and with highest ever sales volume and production. In order to commemorate this achievement, IIL provided souvenirs to its staff and a series of ongoing events also marks the occasion.

Recreational Activities

o Growth Celebration Dinner

o Long Service Awards

o Managers Dinners

o Employee Theatre Nights

o 70th year celebration souvenirs

o Employees picnic

o Participation in Group Cricket Tournament

Gratuity Scheme and Provident Funds

The Company provides retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities. The values of the Provident and the Gratuity Funds at the year-end were Rs. 365 million and Rs. 417 million respectively.

Employment of Special Persons

Complying with the legal requirement to hire physically handicapped persons, IIL's workforce has 17 such special people.

Trainings

During the year 2017-2018, over 25 in-house sessions were conducted for 357 employees on various technical topics including Special Process Training on Injection Molding, HF Welding & Seam Annealing, Extrusion, Tube Mills Setting and Roll Gauging, Tig Welding, Quality Management Systems,

Directors' Report

Basic Quality Tools, and their Application Safe Crane Operations, Extrusion Process, Pickling Process, Risk Assessment and Preventive Measures, API Standards, API Standard 5L B 45th edition, Eddy Check System.

In addition, 51 employees attended external (local & foreign) programs arranged by various well-reputed institutes including EFP, PSTD, St. John, Homework Pak., GF-mea, ICMA, Marcus Evans, PICG, NILAT, OSALP International, PBC, Viftech, Dellsons Associate, IBA, PNAC, AOTS Japan.

Succession Planning

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

Occupational Health Safety and Environment Systems (OHSE)

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

In order to improve the safety standards and to prevent any unforeseen incident at work HSE Department distributed safety helmets, harness, gloves, shoes and other safety gadgets amid its workforce and provided them various trainings as part of their recurring function. In addition the management distributed motorcycle helmets to all workers and junior management staff in a bid to enhance road safety.

A well-equipped gym was inaugurated at the IIL factory to encourage employees to engage in healthy activities.

Contribution to The National Exchequer

Your Company is registered with the Large Taxpayers Unit (LTU) and contributed over Rs. 4.9 billion towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year.

INTERNAL CONTROL FRAMEWORK

The Board has in place an effective Internal Control framework which may be referred at Page No. 78 (Internal Control Framework)

RISK, OPPORTUNITY & MITIGATION REPORT

IIL endeavors to explore new business opportunities to add value to its business while keeping a close eye on existing and potential risks to its current and future businesses as well as strategies to mitigate this risk. A detailed Risk & Opportunity Report can be found on Page No. 40.

However, it is pertinent to mention here that The Canadian Border Services Agency (CBSA) and Canadian International Trade Tribunal (CITT) have commenced a preliminary injury and dumping inquiry against the import of Circular Welded Steel Pipe into the Canadian market from Pakistan to determine whether the evidence discloses a reasonable indication that the alleged injurious dumping of certain carbon steel welded pipe originating in or exported from Pakistan, Philippines, Turkey and/or Vietnam has caused injury or retardation or are threatening to cause injury.

Despite this, there is no financial exposure to International Industries Limited (IIL) for any of our exports to date to Canada. IIL has engaged proficient law firms l ocally and internationally to contest the inquiries initiated by CBSA & CITT and we are very confident that we will win this case as our exports to Canada in the investigation period are less than the previous year.

RELATIONSHIP WITH STAKEHOLDERS

IIL greatly values all of its stakeholders and tries to sustain an amicable relationship with stakeholders via effective and timely communication and interaction. Please refer to Page No. 38 for a detailed Stakeholder Engagement analysis.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

The quarterly unaudited financial statements of the Company along with Director's Review, are approved, published and circulated to the shareholders on a timely basis. The half-yearly financial statements were subjected to a limited scope review by the statutory auditors.

This annual financial statement has been audited by the external auditors and approved by the Board and will be presented to the shareholders at Annual General Meeting for approval.

Periodic financial statements of the Company were circulated to Directors duly endorsed by the CEO and the CFO. Half-yearly and annual accounts were initialed by the external auditors before presenting it to the Audit Committee and the Board of Directors for approval.

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

The Chief Financial Officer (CFO) and the Head of Internal Audit possesse the requisite qualification and experience as prescribed in the Code of Corporate Governance. The Company Secretary possesses the requisite qualification and experience as prescribed in the Companies Act, 2017.

The appointment, remuneration and terms and conditions of employment of CFO, the Company Secretary and the Head of Internal Audit were determined by the Board of Directors. The removal of CFO and Company Secretary whenever applicable is made with the approval of Board of Directors.

COMPLIANCE

At IIL, we are firmly committed to ensuring the highest level of good governance through the adoption of best business practices and standards. The Board reviews the Company's strategic direction and business plans on regular basis. The

Audit committee is empowered for effective compliance of the Code of Corporate Governance. All related party transactions are placed before the Audit Committee and upon recommendation of the Audit Committee, the same is placed before the Board for review and approval. The Board is strongly committed to maintain a high standard of good corporate governance. For further details, kindly refer to the Code of Corporate governance section of this report.

INFORMATION SYSTEMS AND RE-ENGINEERING

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

JCR RATING

The rating exercise has been conducted and we maintained the rating of A- for long term and A-1 for short term. We are also amongst a select few companies selected by JCR for grading on the basis of investment strength, governance and environmental and social responsibility.

INVESTMENTS

The Company holds 56.33% ownership interest in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. ISL ended the financial year with sales volume in excess of 545,000 MT, Gross Sales of Rs. 56 billion and PAT of Rs. 4,365 million.

During the preceding year, ISL successfully enhanced its capacity to more than 1 million MT per annum.

During the year your Company also purchased additional shareholding of Pakistan Cables Ltd and IIL now holds a 17.12% ownership interest in Pakistan Cables Limited (PCL) a company which it set up in 1953. PCL, a listed Company, is Pakistan's premium manufacturer of electrical wires, cables and copper rod and is the country's first manufacturer of copper cables and wiring.

ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the entire IIL team. The team's hard work has helped the Company achieve record profit this year. With the extensive additions to our product lines now almost complete, I expect our sales team to build on last year's achievement and target aggressive volumetric growth next year and thereafter. I also thank all other stakeholders including our esteemed customers, suppliers and bankers for their commitment to the company and look forward to sharing more successes with them in the coming years.

For and on behalf of the Board of Directors

Riyaz T. Chinoy	**Ehsan A. Malik**
Chief Executive Officer	Director / Chairman BAC

Karachi
Dated: 16th August 2018

سی ایف او، کمپنی سیکرٹری اور ہیڈ آف انٹرنل آڈٹ کے ملازمت پر تقرر، مشاہرے اور شرائط وضوابط کا تعین بورڈ آف ڈائریکٹرز کرتے ہیں۔

سی ایف او اور کمپنی سیکرٹری کو، حسب ضرورت فارغ کرنے کیلئے بورڈ آف ڈائریکٹرز کی منظوری لازمی ہے۔

عمل درآمد

آئی آئی ایل میں ہم بہترین کاروباری معمولات اور معیارات کو اپنا کر گڈ گورننس کے بہترین لیول کو یقینی بناتے ہیں۔ بورڈ باقاعدگی کے ساتھ کمپنی کی حکمت عملی کی سمت اور کاروباری منصوبوں کا جائزہ لیتا ہے۔ آڈٹ کمیٹی کو یہ اختیار حاصل ہے کہ وہ کوڈ آف کارپوریٹ گورننس پر موثر عمل درآمد کرائے۔ تمام پارٹیوں سے متعلق لین دین کی تفصیل کو آڈٹ کمیٹی کے سامنے پیش کیا جاتا ہے اور آڈٹ کمیٹی کی سفارشات کے بعد بورڈ کو جائزے اور منظوری کیلئے پیش کی جاتی ہے۔ بورڈ نہایت سختی کے ساتھ گڈ کارپوریٹ گورننس کے اعلیٰ معیارات کو برقرار رکھنے کا پابند ہے۔ مزید تفصیلات کیلئے برائے مہربانی اس رپورٹ میں کوڈ آف کارپوریٹ گورننس سیکشن ملاحظہ کریں۔

معلومات کا نظام اور ری انجینیئرنگ

ہم مستقل بنیادوں پر اپنے آئی ٹی انفراسٹرکچر کو اپ گریڈ کرنے اور بہتر بنانے میں مصروف رہتے ہیں اور بہتر پروسیس آٹومیشن اور بنا کاغذ ماحول کی طرف بڑھ رہے ہیں۔ اس کے علاوہ ہم اپنے end user کے ساتھ قریبی رابطوں کے ذریعہ ان کی روزمرہ سرگرمیوں سے آگاہ رہتے ہیں اور مختلف کاموں میں آٹومیٹ اور ان سے ہم آہنگ ہونے کی کوشش کرتے ہیں۔ اس سلسلے میں کاروباری طریقوں کے تجزیئے اور ای آر پی سسٹم میں خلا کی معلومات کیلئے کاروباری صارفین کے ساتھ گفت وشنید کی موثر کوششیں کرتے ہیں۔

جے سی آر ریٹنگ

ریٹنگ کے سلسلے میں ہم نے طویل مدت کیلئے A- اور قلیل مدت کیلئے A-1 کی ریٹنگ حاصل کی ہے۔ ہم جے سی آر کی ان چند منتخب کمپنیوں میں ہیں جو سرمایہ کاری کی قوت، گورننس اور سماجی ذمہ داری کیلئے گریڈ میں شامل ہیں۔

سرمایہ کاری

کمپنی اپنی سبسڈری انٹرنیشنل اسٹیلز لمیٹڈ کے 56.33% ملکیتی انٹرسٹ کی حامل ہے جو فلیٹ اسٹیل پروڈکٹس کی پروسیسنگ کا کاروبار کرتی ہے۔ مالی سال کے اختتام پر آئی ایس ایل کا سیلز کا حجم 545,000 MT تھا جب کہ مجموعی سیلز 56 بلین روپے کی ہوئی اور بعد از ٹیکس منافع 4,365 ملین روپے حاصل ہوا۔ گزشتہ سال آئی ایس ایل نے کامیابی کے ساتھ اپنی گنجائش میں ایک ملین میٹرک ٹن سالانہ تک کا اضافہ کیا۔ سال کے دوران میں آپ کی کمپنی نے پاکستان کیبلز لمیٹڈ کے اضافی شیئرز خریدے اور اب آئی آئی ایل پاکستان کیبلز لمیٹڈ (پی سی ایل) میں 17.12% ملکیتی انٹرسٹ کی حامل ہے۔ پی سی ایل 1953 میں قائم ہوئی، اور یہ پاکستان کی لسٹڈ اور الیکٹریکل وائرز، کیبلز اور کاپر راڈز بنانے والی پریمیم کمپنی ہے جو ملک کی سب سے پہلی کاپر کیبلز اور وائر تیار کرنے والی کمپنی ہے۔

اعتراف

میں آئی آئی ایل کی پوری ٹیم کا بے حد شکر گزار ہوں۔ ٹیم کی سخت محنت سے کمپنی کو اس سال ریکارڈ منافع حاصل ہوا۔ اپنی پروڈکٹ لائن میں توسیعی اضافہ کی تقریباً تکمیل پر میں اپنی سیلز ٹیم سے توقع کرتا ہوں کہ وہ گزشتہ سال کی کامیابی پر عمل کرتے ہوئے اگلے سال اور آئندہ سیلز میں زیادہ سے زیادہ اضافہ ہوگی۔ میں تمام دیگر اسٹیک ہولڈرز بشمول معزز صارفین، سپلائرز اور بینکرز کا کمپنی کے ساتھ تعاون پر ان کا شکریہ ادا کرتا ہوں اور امید کرتا ہوں کہ آنے والے سالوں میں ہم ان کے ساتھ مزید کامیابیاں حاصل کریں گے۔

منجانب بورڈ آف ڈائریکٹرز

ریاض ٹی چنائے
چیف ایگزیکیٹو افسر

احسان اے ملک
ڈائریکٹر

16 اگست 2018
کراچی

ڈائریکٹرز کی رپورٹ

مشو بیشی / سیمنس پی ایل سی کے ذریعہ خرابی کی تلاش، ڈی سی موٹرز اور ڈی سی ڈرائیور کے آپریشنز/دیکھ بھال، کوالٹی منیجمنٹ سسٹمز، بیسک کوالٹی ٹولز اور آئی آئی ایل میں ان کا استعمال، کرین کا محفوظ آپریشن، ایکسٹروژن پروسیس، پیکنگ پروسیس، رسک کے اندازے اور اس سے بچاؤ کے اقدامات، اے پی آئی کے معیارات، اے پی ایل اسٹینڈرڈ 5L B، 45واں ایڈیشن، ایڈی چیک سسٹم وغیرہ کی تربیت دی گئی۔ اس کے علاوہ 51 ملازمین نے بیرونی (ملکی اور بیرون ملک) پروگراموں میں شرکت کی جو مختلف معروف اداروں نے منعقد کیے تھے جن میں ای ایف پی، پی ایس ٹی ڈی، سینٹ جان، ہوم ورک پاک، جی ایف میا، آئی سی ایم اے، مارکس ایوانس، پی آئی سی جی، نیلات، اوایس اے ایل پی انٹرنیشنل، پی بی سی، وف ٹیک، ڈیل سنز ایسوسی ایٹ، آئی بی اے، پی این اے سی، اے او ٹی جاپان شامل ہیں۔

عہدے پر ترقی کی منصوبہ بندی

کمپنی نے اگلے عہدے پر ترقی کا ایک منصوبہ بنایا ہے جس میں مستقبل کے قائدین کی تیاری کیلئے ان کی کارکردگی کی جانچ اور مختلف تربیت کی شرائط شامل ہیں۔ اس کے تحت ملازمین کو بھرتی، ان کے علم میں اضافہ اور ان کی صلاحیتوں کو اجاگر کرنے اور زیادہ چیلنج والے عہدے کیلئے ایڈوانسمنٹ اور ترقی کے لئے تیار کیا جاتا ہے۔

پیشہ ورانہ صحت، تحفظ اور ماحولیات کا نظام (OHSE)

آئی آئی ایل کے نزدیک ملازمین کی صحت اور تحفظ سب سے اہم ہے۔ ہم OHSE منیجمنٹ سسٹم (پیشہ ورانہ صحت، تحفظ اور ماحولیات کا نظام) کے تحت اپنے ملازمین اور کنٹریکٹرز کیلئے صحت اور زخمی ہونے سے محفوظ رکھنے کیلئے کوشاں ہیں جس پر عمل درآمد کیلئے ہمارا ایچ ایس ای ڈپارٹمنٹ ذمہ دار ہے۔

تحفظ کے معیار کو بہتر بنانے اور کام کی جگہ پر کسی اچانک حادثہ سے بچنے کیلئے ایچ ایس ای ڈپارٹمنٹ نے ملازمین کو ان کے کام کی مناسبت سے ہیلمٹ، ہارنس، دستانے، جوتے اور دیگر حفاظتی سامان فراہم کیا ہے۔ اس کے علاوہ مختلف تربیتی پروگرام بھی ان کے کام کا حصہ ہیں۔ جب کہ منیجمنٹ نے روڈ سیفٹی کیلئے تمام ورکرز اور جونیئر منیجمنٹ میں موٹر سائیکل ہیلمٹ تقسیم کیے ہیں۔

آئی آئی ایل فیکٹری میں ایک بہترین آراستہ جم کا افتتاح کیا گیا تا کہ ملازمین کو صحت بخش سرگرمیوں میں مصروف رکھا جائے۔

قومی خزانے میں حصہ

آپ کی کمپنی کا شمار بڑے ٹیکس گزاروں (ایل ٹی یو) میں ہوتا ہے۔ ہم نے مالی سال کے دوران میں انکم ٹیکس، سیلز ٹیکس اور دیگر ٹیکسز، ڈیوٹیز اور محصولات کے ذریعہ قومی خزانے میں 4.9 بلین سے زیادہ کی رقم جمع کرائی۔

رسک، موقع اور تخفیف

آئی آئی ایل اپنے کاروبار میں اضافی فوائد کیلئے نئی کاروباری سرگرمیاں دریافت کرنے میں مصروف رہتی ہے جب کہ موجودہ کاروبار اور موجودہ اور مستقبل کیلئے ممکنہ خدشات پر گہری نظر رکھتی ہے اور ان خدشات میں تخفیف کی حکمت عملی تیار کرتی ہے۔

خدشات اور مواقع کے بارے میں تفصیلات صفحہ نمبر 40 پر ملاحظہ کیجئے۔

تاہم یہاں یہ بتانا بھی ضروری ہے کہ کینیڈین بارڈر سروسز ایجنسی (سی بی ایس اے) اور کینیڈین انٹرنیشنل ٹریڈ ٹرابیونل (سی آئی ٹی ٹی) نے پاکستان سے کینیڈین مارکیٹ میں درآمد کیے جانے والے سرکلر ویلڈڈ اسٹیل پائپ کے سلسلے میں ابتدائی نقصان رسیدہ اینڈ ڈمپنگ انکوائری کا آغاز کر دیا ہے تا کہ اس بات کا تعین کیا جا سکے کہ کیا شہادتوں سے واضح اشارے ملتے ہیں کہ بعض کاربن اسٹیل ویلڈڈ پائپ پر الزام کے مطابق نقصان زدہ ڈمپنگ یہاں پر واقع ہوئی ہے یا یہ پاکستان، فلپائن، ترکی اور/یا ویت نام سے ایسے ہی درآمد ہوئے ہیں یا کیا وجہ ہے۔

اس کے باوجود اب تک انٹرنیشنل انڈسٹریز لمیٹڈ (آئی آئی ایل) پر کینیڈا کو ہماری برآمدات کے سلسلے میں کوئی مالی ایکسپوژر نہیں ہے۔ آئی آئی ایل نے مقامی اور بین الاقوامی سطح پر مستند قانونی فرمز کی خدمات حاصل کر رکھی ہیں جو سی بی اس اے اور سی آئی ٹی ٹی کی جانب سے کسی بھی انکوائری کا جواب دے سکتی ہیں اور ہمیں پختہ یقین ہے کہ ہم یہ کیس جیت جائیں گے۔ اس تفتیشی عرصے کے دوران میں ہماری کینیڈا کو برآمدات گزشتہ سال کے مقابلے میں کم رہی ہیں۔

اسٹیک ہولڈرز کے ساتھ تعلقات

آئی آئی ایل اپنے تمام اسٹیک ہولڈرز کی بہت قدر کرتی ہے اور موثر اور بروقت رابطوں اور باہمی گفت و شنید کے ذریعہ ان کو مزید مستحکم بنانے میں کوشاں رہتی ہے۔ اسٹیک ہولڈرز کے ساتھ معروفیات کے تجزیہ کی تفصیلات کیلئے برائے مہربانی صفحہ نمبر 38 ملاحظہ کریں۔

سہ ماہی اور سالانہ مالیاتی گوشوارے

کمپنی کے سہ ماہی غیر آڈٹ شدہ مالیاتی گوشوارے مع ڈائریکٹرز رپورٹ منظوری اور چھپنے کے بعد شیئر ہولڈرز کو سہ ماہی کی بنیاد پر بروقت ارسال کر دیئے جاتے ہیں۔ ششماہی مالیاتی گوشوارے قانونی آڈیٹرز کے محدود اسکوپ کے جائزے سے مشروط ہیں۔

سالانہ مالیاتی گوشواروں کا آڈٹ بیرونی آڈیٹرز نے کیا اور بورڈ نے اسے منظور کر لیا ہے جو شیئر ہولڈرز کو منظوری کیلئے سالانہ اجلاس عام میں پیش کر دیا جائے گا۔

کمپنی کے مختلف اوقات میں شائع ہونے والے مالیاتی گوشوارے سی ای او اور سی ایف او (CFO) کی تائید کے ساتھ ڈائرکٹر صاحبان میں سرکولیٹ کر دیئے جاتے ہیں۔ جب کہ ششماہی اور سالانہ حسابات منظوری کیلئے آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز کو بھیجنے سے پہلے بیرونی آڈیٹرز ان کا جائزہ لیتے ہیں۔

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

چیف فنانشل افسر (سی ایف او) اور ہیڈ آف انٹرنل آڈٹ مطلوبہ اہلیت اور تجربہ کا حامل ہوتا ہے جو کوڈ آف کارپوریٹ گورننس میں درج ہیں۔ کمپنی سیکرٹری کی مطلوبہ اہلیت اور تجربہ کمپنیز ایکٹ 2017 میں درج ہے۔

سماجی سرگرمیاں

آئی آئی ایل، ایک ذمہ دار کارپوریٹ شہری ہونے کے ناطے اس سوسائٹی اور کمیونٹی کے لئے جہاں وہ آپریٹ کرتی ہے، مثبت کردار ادا کرنے پر عمل پیرا ہے۔ ہماری فلاحی اور ماحول کے تحفظ سے متعلق سرگرمیوں کی تفصیلات گروپ سسٹین ایبلٹی رپورٹ میں دیکھی جا سکتی ہیں جو اس سی ڈی (CD) میں اور ہماری ویب سائٹ پر موجود ہے۔

ہیومن ریسورس مینجمنٹ

آئی آئی ایل اس بات پر یقین رکھتی ہے کہ اس کے ملازمین اس کا سب سے بڑا اثاثہ ہیں۔ ہمارا ادارہ ملازمین کو بااختیار بنانے، بامعنی کردار ادا کرنے، چیلنجنگ کام اور عالمی معیار کی صلاحیتوں کے سیکھنے کا پلیٹ فارم مہیا کرتا ہے۔ کمپنی نے سال کے دوران میں ملازمین کی ترقی اور فلاح کے کئی اقدامات کیے، جن میں سے چند درج ذیل ہیں:

صنعتی تعلقات

جنوری 2018 میں ایک دو طرفہ گفت و شنید کا مجموعہ 2017-2018 پر امن طریقے سے طے پایا جس میں پروڈکشن میں نقصان اور ایا سست روی نہ کرنے پر اتفاق کیا گیا۔ ڈبلیو پی پی ایف کے واجبات جون 2018 میں ادا کر دیئے گئے۔

طویل مدت کی ملازمت کا ایوارڈ

جن اسٹاف ممبرز نے 30 جون 2017 تک اپنی مدت ملازمت مکمل کر لی ان کیلئے طویل مدت کی ملازمت کے ایوارڈ کی تقریب منعقد کی گئی۔ مجموعی طور پر مینجمنٹ کے 42 اور نان مینجمنٹ کے 78 ملازمین طویل مدت کی ملازمت کے ایوارڈ کے اہل قرار پائے۔ ریٹائر ہونے والے ملازمین کو سووینئر بھی پیش کیے گئے۔

اپرنٹس شپ ٹریننگ پروگرام

گزشتہ مالی سال کے دوران میں قانون کے مطابق اپرنٹس شپ ٹریننگ پروگرام کا دوبارہ آغاز کیا گیا اور اس وقت کمپنی کی تین فیکٹریوں میں اپرنٹس ٹریننگ حاصل کر رہے ہیں۔

سالانہ عشائیہ تقریب

کمپنی کی تاریخ میں اس مرتبہ ایک سال میں سب سے زیادہ آمدنی کے حصول کی خوشی میں آئی آئی ایل گرینڈ سلیبریشن کارپوریٹ ڈنر کا اہتمام پی سی کراچی میں کیا گیا جس میں اسٹاف نے اپنے شریک حیات کے ساتھ بڑی تعداد میں شرکت کی۔ اس تقریب میں ملٹی میڈیا پریزنٹیشن کا انتظام بھی تھا جس میں آئی آئی ایل کی سال بہ سال سرگرمیوں کی ویڈیو دکھائی گئی۔ اس کے علاوہ مشہور گلوکار شہزاد رائے نے اپنے مقبول نغموں سے حاضرین کو محظوظ کیا۔

مارچ 2018 میں آئی آئی ایل نے اپنے قیام کی 70 ویں سالگرہ اور اس سال میں اب تک کی سب سے زیادہ سیل اور پروڈکشن کی خوشی منائی۔ اس شاندار کامیابی کے حصول پر آئی آئی ایل نے اپنے اسٹاف میں سووینئر تقسیم کیے اور مختلف تقریبات کا انعقاد کیا۔

تفریحی سرگرمیاں

- گرینڈ سلیبریشن ڈنر
- طویل مدت کی ملازمت کا ایوارڈ
- فیملی ڈنر
- ایمپلائز فیملی نائٹ
- 70 سالہ جشن کے سووینئر
- ایمپلائز کی پکنک
- گروپ کرکٹ ٹورنامنٹ میں شرکت

گریجویٹی اسکیم اور پروویڈنٹ فنڈ

کمپنی اپنے ملازمین کو ریٹائرمنٹ پر فوائد پیش کرتی ہے جن میں تمام ملازمین کیلئے ان کی حصہ داری کے گریجویٹی اسکیم کا فائدہ دیا جاتا ہے اور نان یونین ملازمین کو پروویڈنٹ فنڈ کی رقم دی جاتی ہے۔ ان دونوں اسکیموں کی فنڈنگ ٹیکس اتھارٹیز کی تسلیم شدہ ہے۔ سال کے اختتام پر پروویڈنٹ فنڈ اور گریجویٹی کی مد میں بالترتیب 365 ملین اور 417 ملین روپے کی رقم موجود تھی۔

خصوصی افراد کیلئے ملازمت

جسمانی طور پر معذور افراد کو ملازمت دینے کے قوانین کے مطابق آئی آئی ایل میں ایسے 17 خصوصی افراد کام کر رہے ہیں۔

ٹریننگ

سال 2017-2018 کے دوران 25 میں 357 ملازمین کو ان ہاؤس مختلف ٹیکنیکل موضوعات پر تربیت دی گئی جس میں انجیکشن مولڈنگ، پراسیس ٹریننگ، ایچ ایف ویلڈنگ اینڈ سسٹم ہینڈلنگ، ایکسٹروژن، ٹیوب مل سیٹنگ، رول کٹنگ اور لانگ ویلڈنگ شامل ہیں۔

ڈائریکٹرز کی رپورٹ

کمپنی کے نتائج

کمپنی کی خالص سیلز 25,001 ملین روپے رہی جو گزشتہ سال سے 50% زیادہ ہے۔ مجموعی منافع 3,305 ملین روپے رہا جبکہ منافع قبل از ٹیکس 2,148 ملین روپے اور منافع بعد از ٹیکس 1,582 ملین روپے رہا۔ ہماری سیلز کا حجم گزشتہ سال کی اسی مدت سے 30% زیادہ رہا جبکہ ہمارا برآمدات کا حجم کم رہا کیونکہ ہم نے برآمدات سے زیادہ مقامی مارکیٹ کو ترجیح دی۔ سال کیلئے آمدنی فی شیئر 13.2 روپے رہی۔ کمپنی کے کاروبار کی نوعیت میں کوئی تبدیلی نہیں آئی۔

آپریٹنگ کے منافع گزشتہ سال کے مقابلے میں کافی زیادہ تھا اور حجم میں بھی نمایاں اضافہ ہوا۔

سال میں فروخت ہونے والے سامان کی قیمت 21696 ملین روپے تھی جو گزشتہ سال کے مقابلے میں 57% زیادہ ہے جو آمدنی کی مطابقت سے ہے۔

فروخت اور تقسیم کاری کی لاگت 1126 ملین روپے تھی جو گزشتہ سال کے مقابلے میں 29% زیادہ رہی جو زیادہ تر ترسیل کے اخراجات کے سبب تھی۔

انتظامی اخراجات 298 ملین روپے رہے جو گزشتہ سال کے مقابلے میں 0.3% زیادہ ہیں۔

دیگر آپریٹنگ چارجز 172 ملین روپے، گزشتہ سال کے مقابلے میں 4% کم ہیں۔ دیگر آمدنی میں بھی 164 ملین روپے کی کمی دیکھنے میں آئی جو پچھلے سال انٹرنیشنل اسٹیل لمیٹڈ (آئی ایس ایل) سے حاصل ہونے والی ڈیویڈنڈ کی آمدنی کے سبب تھی۔

سال کے دوران میں فنانشل چارجز میں 216 ملین روپے کا اضافہ ہوا جو گزشتہ سال کے مقابلے میں 97% زیادہ ہے۔ جس کی بنیادی وجہ بڑی اسٹاک ہولڈنگ تھی۔

کیش فلو مینجمنٹ اور قرض کی حکمت عملی

کمپنی کا کیش فلو سسٹم میں نقد رقم کے وصول ہونے اور ادا کیے جانے کا حساب باقاعدگی سے رکھا جاتا ہے اور روزانہ کی بنیاد پر کیش کی پوزیشن کو مانیٹر کیا جاتا ہے۔

سال 2017-18 میں قرض لینے کی اوسط لاگت میں مسلسل اضافہ رہا جس کے نتیجے میں گزشتہ سال کے مقابلے میں 18% زیادہ لاگت رہی۔

کیپٹل اسٹرکچر

30 جون 2018 کو قرضہ اور ایکویٹی کی نسبت 60:40 تھی جبکہ اس کے مقابلے میں 30 جون 2017 کو 58:42 تھی۔ سود کے کور اور ڈیٹ سروسنگ کی نسبت میں گزشتہ سال کے مقابلے میں بہتری آئی۔

ڈیویڈنڈ

بورڈ آف ڈائریکٹرز نے حتمی نقد منافع منقسمہ 6.50 فی شیئر کی سفارش کی ہے۔ جو عبوری منافع 2.00 فی شیئر کے علاوہ ہے جو پہلے ہی سال کے دوران میں ادا کیا جا چکا ہے۔ اس طرح 2018 کے لئے کل ڈیویڈنڈ 8.50 روپے ہو گیا جو 10 روپے کے فی عمومی شیئر پر دیا جا رہا ہے۔ اس طرح ڈیویڈنڈ کا کل منافع 64% ہوا جو 2017 میں Re.8 فی شیئر اور 59% تھا۔

شیئر ہولڈنگ کے طرز

شیئر ہولڈنگ کے طرز کے بارے میں صفحہ نمبر 241 پر ملاحظہ فرمائیں۔

آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور انہوں نے خود کو دوبارہ تقرر کیلئے پیش کیا ہے۔ انہوں نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) سے تسلی بخش کیو سی آر ریٹنگ حاصل کی ہے اور انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق پر عمل درآمد کیا ہے جو ICAP نے اختیار کیا ہے۔

بورڈ آف ڈائریکٹرز نے ان کی کمپنی کے آڈیٹرز کے طور پر دوبارہ تقرری برائے سال مختتمہ 30 جون 2019 تک کی سفارش کی ہے جس کیلئے فیس کا تعین باہمی رضامندی سے کیا جائے گا۔

بورڈ آف آڈٹ کی سفارشات برائے تقرری آڈٹ کے بارے میں بورڈ آف آڈٹ کی رپورٹ برائے کوڈ آف کارپوریٹ گورننس کے صفحہ نمبر 86 پر ملاحظہ کریں۔

شعبہ جاتی جائزہ

اسٹیل سیلز

مقامی سیلز کا حجم نمایاں طور پر گزشتہ سال سے زیادہ تھا کہ ہماری تمام پروڈکٹ لائنز نے بہت اچھی کارکردگی کا مظاہرہ کیا۔

ہماری جی ایل پائپ، بلیک پائپ اور ایچ ایس ایس لائن نے اعلیٰ انفرا اسٹرکچر اور پروجیکٹ سے متعلق اخراجات میں اچھی کارکردگی دکھائی۔ کمرشل گریڈ کی سی آر ٹیوبنگ کی طلب سارا سال بہت زیادہ رہی جس کا سبب دو پہیوں کی، تین پہیوں کی گاڑیوں اور جنرل فیبریکیشن کی ضروریات میں بڑا اضافہ ہونا تھا۔ ہمارا اب تک کا سب سے بڑا حاصل کردہ پی آئی ٹینڈر گزشتہ سال کے آخر میں بروقت مکمل ہو گیا اور ہماری سیلز کے حجم میں نمایاں ترین اضافہ کا سبب بنا۔

سال کے دوران میں ہم نے ملک بھر میں تقریبات اور تجارتی نمائشوں میں شرکت کر کے اور اسپانسرشپ اور براہ راست شمولیت کے طریقہ کار کے ذریعہ کمرشل اور انسٹی ٹیوشنل صارفین کی شمولیت میں نمایاں اضافہ ہوا۔

ہماری بنیادی برآمدات کی مارکیٹس میں ایکسپورٹ سیلز کا تحفظ ہمارے گزشتہ دو سال کے بڑے حصہ کیلئے overvalued rupee رہا اور ایک مضبوط ملکی طلب سے برآمدات پر dampening اثر پڑا۔ تاہم روپے کی حالیہ قدر میں کمی کے سبب برآمدات میں ایک مرتبہ پھر کمی آئی اور مارکیٹ شیئرز میں حصے کے حصول اور نئی مارکیٹس کی تلاش کیلئے ایک مضبوط مہم سرگرم عمل ہو گئی۔ سال کے دوران میں آئی آئی ایل نے بزنس ڈیویلپمنٹ میں مدد اور برانڈ کی آگہی میں اضافہ کیلئے پانچ انٹرنیشنل تجارتی نمائشوں میں شرکت کی جس میں ڈوسل ڈورف میں ہونے والی ٹیوب اینڈ پائپ کی نمائش شامل ہے۔
گزشتہ سال کے دوران میں آئی آئی ایل اسٹین لیس اسٹیل (پرائیویٹ) لمیٹڈ آئی آئی ایل میں ضم ہو گئی اور اس کی ایک علیحدہ ادارے کی حیثیت ختم ہو گئی۔ کمپنی کی سیلز اور آپریشنز ویسے ہی رہیں جیسے تھیں۔ ہمارے اسٹین لیس اسٹیل پائپ کی سیل کا حجم گزشتہ سال سے 22% زیادہ رہا۔

مزید یہ کہ مارکیٹ سے حوصلہ افزا نتائج کی بناء پر ہم نے اضافی پائپ اور پالشنگ ملز کے آرڈرز دیئے ہیں تاکہ بڑھتی ہوئی طلب کو پورا کیا جا سکے۔ توقع ہے کہ یہ ایکویپمنٹ دسمبر 2018 سے پہلے پہنچ جائے گا۔
ہماری اسٹین لیس اسٹیل ٹیوبز نیشنل اسٹیڈیم کراچی کی شاندار آرائش کیلئے استعمال کی گئیں جو ہمارے معیار اور مارکیٹ میں ہماری پروڈکٹ کی مقبولیت کا آئینہ دار ہے۔

Rs in million	2018	2017
Revenue	22,792	15,460
Gross profit	3,089	2,831

پولیمر سیلز

کمپنی کی پولیمر سیلز کے حجم میں گزشتہ سال سے 60% اضافہ ہوا۔ اس کی بڑی وجہ ٹینڈر پر مبنی ایم پی ڈی ای گیس پائپ اور ایچ ڈی پی ای واٹر پائپ کے شعبہ جات میں کی سیلز میں غیر معمولی اضافہ تھا۔ گیس کی فراہمی میں سہولت اور اس سے متعلق فنڈنگ سے ہمیں ان دونوں شعبہ جات میں مزید بہتری کی توقع ہے۔ آج دنیا کے سرفہرست اے پی آئی سرٹیفائیڈ پولیمر ملز ہونے کے باعث ہم ایس ایس جی سی اور ایس این جی پی ایل کو پولیمر پائپ کیلئے سپلائر کی یکساں جانچ اور سیفٹی کے پروٹوکول پر عمل درآمد کرنے کی ترغیب کیلئے کوشاں ہیں جیسے وہ اے پی آئی اسٹیل پائپس کے ساتھ صرف اے پی آئی سرٹیفائیڈ پولیمر پائپ کی خریداری کیلئے کرتے ہیں۔

ہمارے پی پی آر سی پائپ اور فٹنگ پلانٹس کے شیخوپورہ میں کمشننگ گزرے سال کے دوران میں مکمل ہو گئی اور ہم نے اس شعبہ میں اپنے برانڈ کے نام کی آگہی اجاگر کرنے کیلئے ٹی وی، ریڈیو، پرنٹ اور ڈیجیٹل میڈیا اور ہورڈنگز کے ذریعہ ایک جامع، 360 ڈگری اشتہاری مہم جاری کی۔ ہم اس شعبہ میں صارفین پر مرکوز اسی نوعیت کی مہم ڈیولپ کرنے پر کام کر رہے ہیں جو اسٹیل کے شعبہ میں ہمارے برانڈ نیم سے منسلک ہو اور ہماری سیلز اور ٹیکنیکل ٹیمیں اس سلسلے میں صارفین کے ساتھ مسلسل رابطے میں ہیں۔

Rs in million	2018	2017
Revenue	2,209	1,247
Gross profit	216	99

آئی آئی ایل آسٹریلیا (پرائیویٹ) لمیٹڈ

آئی آئی ایل آسٹریلیا (پرائیویٹ) لمیٹڈ نے گزشتہ مالی سال میں ایک مضبوط ترقی کا مظاہرہ کیا ہے۔ بڑے حجم اور بڑے مارجن نے ہمارے برانڈ کو آسٹریلیا میں سب سے زیادہ قابل اعتماد حیثیت کا حامل بنا دیا ہے۔ خالص آمدنی میں سال بہ سال 20% کا اضافہ ہوا جو 17.4 ملین آسٹریلین ڈالر ہے۔

Rs in million	2018	2017
Net Sales	26,001	16,707
Gross profit	3,306	2,930
Profit after taxation	1,682	1,842
EPS	13	16

ڈائریکٹرز کی رپورٹ

اسٹین لیس اسٹیل

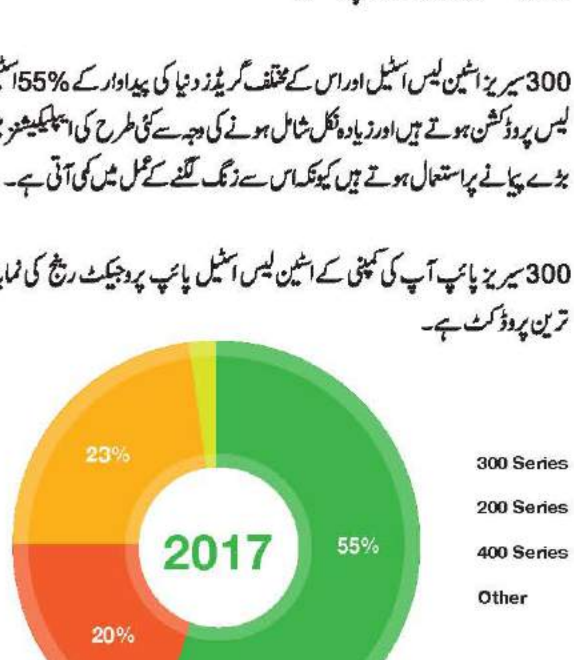
2017 میں اسٹین لیس اسٹیل کی عالمی پیداوار تقریباً 48 ملین میٹرک ٹن تھی جب کہ اس کے مقابلے میں 2016 میں 46 ملین ٹن ہوئی تھی۔ مجموعی طور پر گزشتہ پانچ سالوں میں آؤٹ پٹ تیزی کے ساتھ CAGR 6% رہی۔

اسٹیل اسٹین پائپس خاص طور پر زنگ نہ لگنے، ٹمپریچر سے مزاحمت اور خوبصورتی کی وجہ سے عام سطح پر استعمال کیئے جاتے ہیں۔ اسٹیل پائپس اور ٹیوبس کے بڑے استعمال میں شامل ہیں:

- کیمیکل اینڈ پیٹروکیمیکل پروسیسنگ
- مائع قدرتی گیس پائپنگ
- وہائٹ گڈز اور گھریلو استعمال کے برتن
- آٹوموٹیو ایگزاسٹ سسٹم
- ساحلوں کے نزدیک اور نمی کے ماحول کے علاقوں میں تعمیرات
- فوڈ اور فارماسیوٹیکل پروسیسنگ
- ڈی سیلینیشن اور ویسٹ واٹر پروجیکٹس

300 سیریز اسٹین لیس اسٹیل اور اس کے مختلف گریڈز دنیا کی پیداوار کے 55% اسٹیل لیس پروڈکشن ہوتے ہیں اور زیادہ نکل شامل ہونے کی وجہ سے کئی طرح کی ایپلیکیشنز میں بڑے پیمانے پر استعمال ہوتے ہیں کیونکہ اس سے زنگ لگنے کے عمل میں کمی آتی ہے۔

300 سیریز پائپ آپ کی کمپنی کے اسٹین لیس اسٹیل پائپ پروجیکٹ رینج کی نمایاں ترین پروڈکٹ ہے۔



پاکستان میں اسٹیل کا اوسط استعمال تقریباً 0.5 kg/capita ہے جب کہ اس کے مقابلے میں دنیا کی اوسط 5.7kg/capita ہے اس سے اس شعبہ میں بہت زیادہ گنجائش کا اندازہ ہوتا ہے۔

اہداف حکمت عملی

کارکردگی کے اشارات

آئی آئی ایل کا بنیادی مقصد مجموعی طور پر حکمت عملی کے تمام اہداف حاصل کرنا اور عالمی معیارات کی پیروی ہے اور اس کے مطابق اسٹیل انڈسٹری میں اہم کردار ادا کرنا ہے۔ کمپنی اپنے پروسیسز کی بہتری کیلئے کوشاں ہے تا کہ اپنے شیئر ہولڈرز کے لئے زیادہ سے زیادہ منافع حاصل کر سکے۔

آئی آئی ایل کے اہداف، حکمت عملی اور اہم کارکردگی کے اشارات کی تفصیلات صفحہ نمبر 36 پر ملاحظہ کریں۔

کمپنی کے آپریشنز

مارکیٹ شیئر

آپ کی کمپنی جی آر پائپس، سی آر ٹیوبس اور بلیک اور سکیفولڈنگ پائپ کیلئے مارکیٹ میں ٹیوب اور پائپ مینوفیکچرر کے لیڈر کی حیثیت کی حامل ہے اور اپنی متعلقہ شعبہ میں سب سے زیادہ پروجیکٹ رینج پیش کرتی ہے۔ کمپنی کو اپنے صارفین، ڈیلرز اور کاروباری پارٹنرز کا مسلسل اعتماد حاصل ہے۔ ہمارا پولیمر کا شعبہ پانی اور گیس کی ترسیل سے لے کر ٹیلی کمیونی کیشن ایپلیکیشنز کا احاطہ کرتا ہے اور اپنے صارفین کی طلب کو پورا کرنے کی مسلسل کوششیں جاری رکھے ہوئے ہے۔

مجموعی سیلز

آپ کی کمپنی نے گزرے مالیاتی سال کے دوران میں مجموعی سیلز کا تقریبا 270,000 میٹرک ٹن کا ہدف حاصل کرلیا ہے اور اس کی مجموعی آمدنی 29.6 بلین روپے ہوئی۔

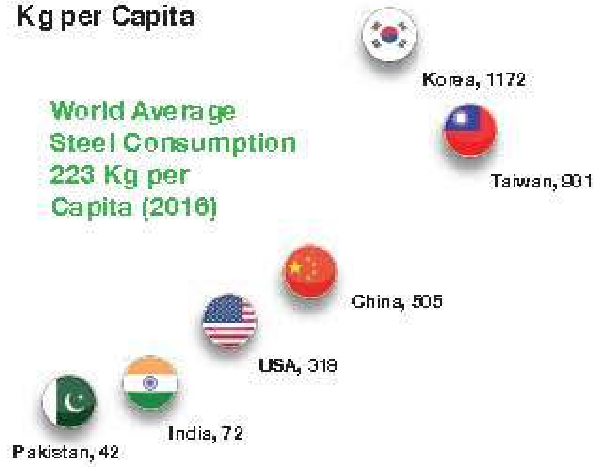
غیر فنانشل کارکردگی

صارفین کا اطمینان، ملازمین کی ترقی، معیار، شفافیت، احتساب، گڈ گورننس اور پیشہ ورانہ معیارات، بہتری کیلئے ہماری مرکزی توجہ کے شعبہ جات ہیں۔ کمپنی اس وقت اعلیٰ معیار کی پروڈکٹس تیار کر رہی ہے اور فراہم کر رہی ہے جو عالمی معیارات کے مطابق ہیں جو صارفین کیلئے انتہائی اطمینان بخش ہیں۔

پروڈکشن

پروڈکشن ڈپارٹمنٹ نے اعلیٰ معیار کی پروڈکٹس، گیس کی کمی کے باوجود بروقت فراہم کر کے اب تک کی سب سے زیادہ سیلز کے حصول کیلئے اہم کردار ادا کیا ہے۔ سال کے دوران میں کوئی نمایاں پروڈکشن سے متعلق مسائل سامنے نہیں آئے۔

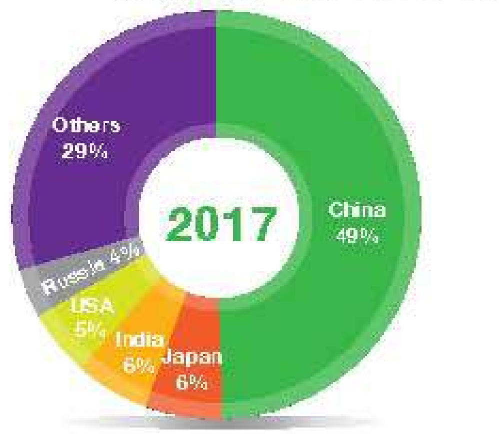
Per Capita Steel Consumption
Kg per Capita



Source: World Steel Association

اسٹیل کا عالمی منظرنامہ

2017 میں دنیا میں خام اسٹیل کی پیداوار 1,69 ملین میٹرک ٹن رہی جو گزشتہ سالوں کے مقابلے میں تقریباً 3% زیادہ ہے۔ اس میں صرف چین کی پیداوار 832 ملین (MT) تھی جو اندازاً دنیا کی کل پیداوار کا 49% ہے۔ دوسرے بڑے مینوفیکچررز میں جاپان (105 ملین MT)، انڈیا (101 ملین MT)، یونائیٹڈ اسٹیٹس (82 ملین MT) اور روس (71 ملین MT) شامل ہیں۔



Source: World Steel Association

سال میں ترقیاتی عمل تیز رہا جس کے ساتھ یونائیٹڈ اسٹیٹس کے اسٹیل اور المونیم پر سیکشن 232 کے تحت تحقیقات اور چین میں اسٹیل کی پیداوار میں ترقی شامل ہیں۔ جس کے نتیجے میں تجارتی حصہ پر پڑا اور اس کے نتیجے میں عالمی اسٹیل کی صنعت پر گہرے اثرات مرتب ہوئے۔ چین میں اسٹیل تیار کرنے والوں کا مارجن مستحکم رہا اور ان کی صنعت کو نچلی سطح کے شعبہ جات جیسے تعمیرات اور انجینئرنگ سے براہ راست کافی فائدہ حاصل ہوا۔ اس کے علاوہ ہم نے چین کی اسٹیل کی صنعت کے دنیا کے بعض حصوں سے اشتراک کے خاتمہ بھی دیکھنے میں آیا جب کہ ایچ آر سی کی برآمدات کی قیمتوں سے $600 MT کی سطح پر مضبوط سپورٹ حاصل ہوئی جب کہ دیگر برآمد کرنے والے ممالک نے اپنے چینی ہم مرتبہ اداروں سے تخفیف کرکے برآمدات کے حجم میں اضافہ کیا۔ سخت ماحولیاتی ضابطوں کے تحت غیر معیاری مال تیار کرنے والوں کو ہٹانے کے عمل نے چین میں قیمتوں کو سپورٹ کرنے میں اہم کردار ادا کیا ہے۔

گزرے مالی سال کے دوران میں ہاٹ رولڈ اسٹیل کی قیمتیں $500/MT اور $630 MT کے درمیان رہیں۔

نئی گنجائشوں کے شامل ہونے سے پاکستان میں اسٹیل کی پیداوار میں نمایاں اضافہ ہو رہا ہے۔ بڑی سرمایہ کاری فلیٹس، لونگز اور ٹیوب اور پائپ پروڈکٹس میں کی جا رہی ہے۔ جس سے ملک میں اسٹیل کی بڑھتی ہوئی طلب کو پورا کرنے میں مدد ملے گی۔ توانائی، انفرا اسٹرکچر اور وائٹ گڈز کی طلب میں اضافہ کے ساتھ آنے والے سالوں میں اسٹیل کی طلب بھی بڑھے گی۔

پاکستان کی اوسط اسٹینلیس اسٹیل کی کھپت تقریباً 0.5 capita / kg عالمی دنیا میں 5.7 capita / kg ہے، اس خاص طبقہ میں ترقی کے لئے بڑے پیمانے پر ممکنہ صلاحیت کا اشارہ ہے۔

July 2017 – June 2018, USD per Ton

اسٹیل ٹیوب اور پائپ کی صنعت

دنیا میں اسٹیل ٹیوب اور پائپ کی صنعت میں ویلڈڈ اور سیم لیس پائپس اور ٹیوبس کی وسیع رینج تیار کی جا رہی ہے۔ اسٹیل پائپس عام طور پر تیل اور گیس، پانی اور سیوریج کی ترسیل اور فیبریکیشن سے متعلق صنعتوں میں استعمال ہوتی ہیں۔ اسٹرکچرل پائپ اور سیکشنز تعمیراتی شعبہ میں زیادہ مضبوطی کے لئے استعمال ہوتے ہیں جب کہ کولڈ رولڈ اسٹیل ٹیوبنگ آٹوموٹیو، ہوم اپلائنسز مینوفیکچرنگ، مختلف فرنیچر اور فیبریکیشن سے متعلق ایپلیکیشنز میں استعمال ہوتا ہے۔

2017 میں دنیا میں اسٹیل ٹیوب اور پائپس کی 42 ملین میٹرک ٹن کی تجارت ہوئی جو کہ گزشتہ سال کی 34 ملین میٹرک ٹن سے نمایاں طور پر زیادہ ہے۔
مقامی سطح پر قدرتی گیس کی تقسیم اور ترسیل کے نیٹ ورک میں توسیع کا کام جاری ہے اور گیس یوٹیلیٹی کمپنیز کی طرف سے ٹینڈر کی طلبی کا سلسلہ باقاعدگی سے جاری ہے۔

ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز بمسرت اپنی رپورٹ مع کمپنی کے مالیاتی گوشوارے برائے سال مختتمہ 30 جون 2018 پیش کرتے ہیں۔

بورڈ کی تشکیل اور مشاہرہ

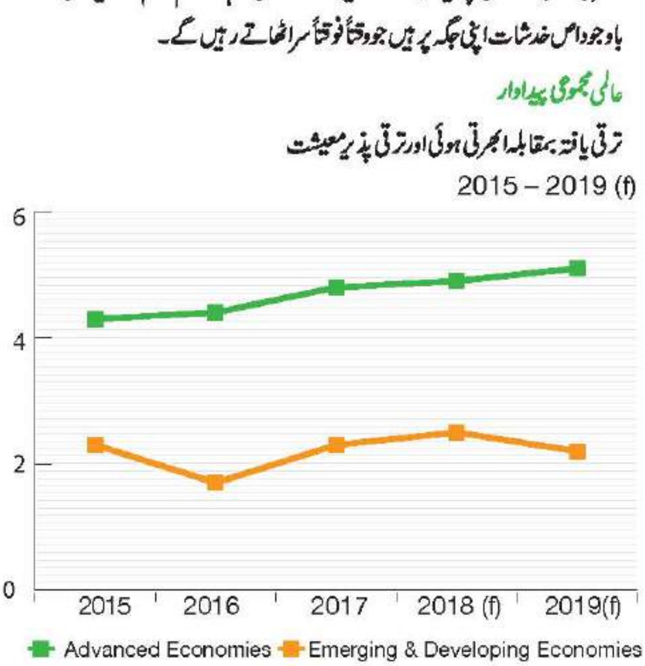
بورڈ کی تشکیل اور سب کمیٹی کے ممبران کے نام صفحہ نمبر 70,82 پر ملاحظہ کریں۔ اس کے علاوہ بورڈ آف ڈائریکٹرز کی شفاف پالیسی اور طریقہء کار موجود ہے جو کہ کمپنیز ایکٹ برائے لسٹڈ کمپنیز اور کوڈ آف کارپوریٹ گورننس کے مطابق ہے۔

گلوبل میکرو اکنامک آؤٹ لک

آئی ایم ایف ورلڈ اکنامک آؤٹ لک کے اعداد و شمار کے مطابق 2017 میں دنیا کی معیشت میں 3.8% اضافہ ہوا۔ یہ گزشتہ سال کے مقابلے میں ایک بہتری کا عمل ہے اور 2018 اور 2019 میں اس ترقی کے جاری رہنے کی توقع ہے۔ اس کی ابتدائی وجہ ابھرتی ہوئی اور ترقی پذیر معیشت اور یونائیٹڈ اسٹیٹس ہے۔ تاہم تمام تر امیدوں کے باوجود اس خدشات اپنی جگہ پر ہیں جو وقتاً فوقتاً سر اٹھاتے رہیں گے۔

عالمی مجموعی پیداوار

ترقی یافتہ بمقابلہ ابھرتی ہوئی اور ترقی پذیر معیشت
2015 – 2019 (f)



معروف قومی پالیسیوں کے ابھرنے سے عالمی تجارت اور سرمایہ کاری کے ماحول کیلئے خطرات برقرار ہیں۔ اس کے علاوہ ہم نے یونائیٹڈ اسٹیٹس کی حفاظتی پالیسیوں کو بھی دوبارہ سر اٹھاتے دیکھا ہے جو اسٹیل اور المونیم کے ٹیرف کی شکل میں سامنے آئی ہیں جس کے خلاف چین اور اٹلی میں زبردست ردعمل پایا جاتا ہے۔ اگرچہ 2017 میں گزشتہ سالوں کے مقابلے میں عالمی تجارت اور سامان اور خدمات میں نمایاں ترقی دیکھنے میں آئی لیکن ہم ایسے موافق ماحول کے برقرار رہنے کی توقع نہیں کر سکتے۔ مالیاتی لحاظ سے ہمیں یونائیٹڈ اسٹیٹس کی مانیٹری میں سختیوں کی توقعات ہیں اور ایک مضبوط تر یو ایس ڈالر اور ترقی یافتہ ممالک کی طرف سے کم ایف ڈی آئی ہے جس کا اثر ابھرتی ہوئی اور ترقی پذیر معیشت پر پڑا ہے۔ اس کے علاوہ 2016 اور 2017 میں اشیاء کی قیمتوں میں بحالی کے بعد ہم تجارتی کھچاؤ اور غیر مستحکم جیو پولیٹیکل ماحول میں متوقع بین الاقوامی قیمتوں میں آسانیوں کی توقع رکھتے ہیں۔

ملکی معیشت

پاکستان نے مالی سال 18-2017 میں مجموعی قومی پیداوار میں 5.8% اضافہ کا ہدف حاصل کر لیا ہے جو گزشتہ سال 5.4% تھا۔ اوسط افراط زر کی شرح بھی کنٹرول میں رہی جب کہ بڑے پیمانے پر پیداوار (ایل ایس ایم) میں 6% اضافہ ریکارڈ کیا گیا۔ اسی طرح زراعت اور خدمات کے شعبہ بھی بہتر حالت میں رہے۔ ان تمام پوائنٹس سے مضبوط ملکی ترقی کی نشاندہی ہوتی ہے تاہم بدقسمتی سے ان سب کے باوجود پاکستان کے شدید اسٹرکچرل مسائل پر کوئی توجہ نہیں دی گئی جس کی وجہ سے ہماری معیشت کمزور سے کمزور تر ہوتی چلی گئی۔

ہمارے بیرونی اکاؤنٹس کی خراب حالت کے سبب ہماری اصل معیشت کی ترقی بھی محدود ہو کر رہ گئی۔ اس لئے نئی آنے والی حکومت کو بہت سے چیلنجز کا سامنا ہوگا جس میں مختلف جیو پولیٹیکل ماحول میں بیرونی ذرائع سے رقم کا بندوبست کرنا سب سے بڑا چیلنج ہے۔ کرنٹ اکاؤنٹ کے خسارے کے سبب افراط زر اور بین الاقوامی قیمتوں کے ناموافق رجحان اور ملکی شرح سود سے مشکلات میں اضافہ ہو رہا ہے۔

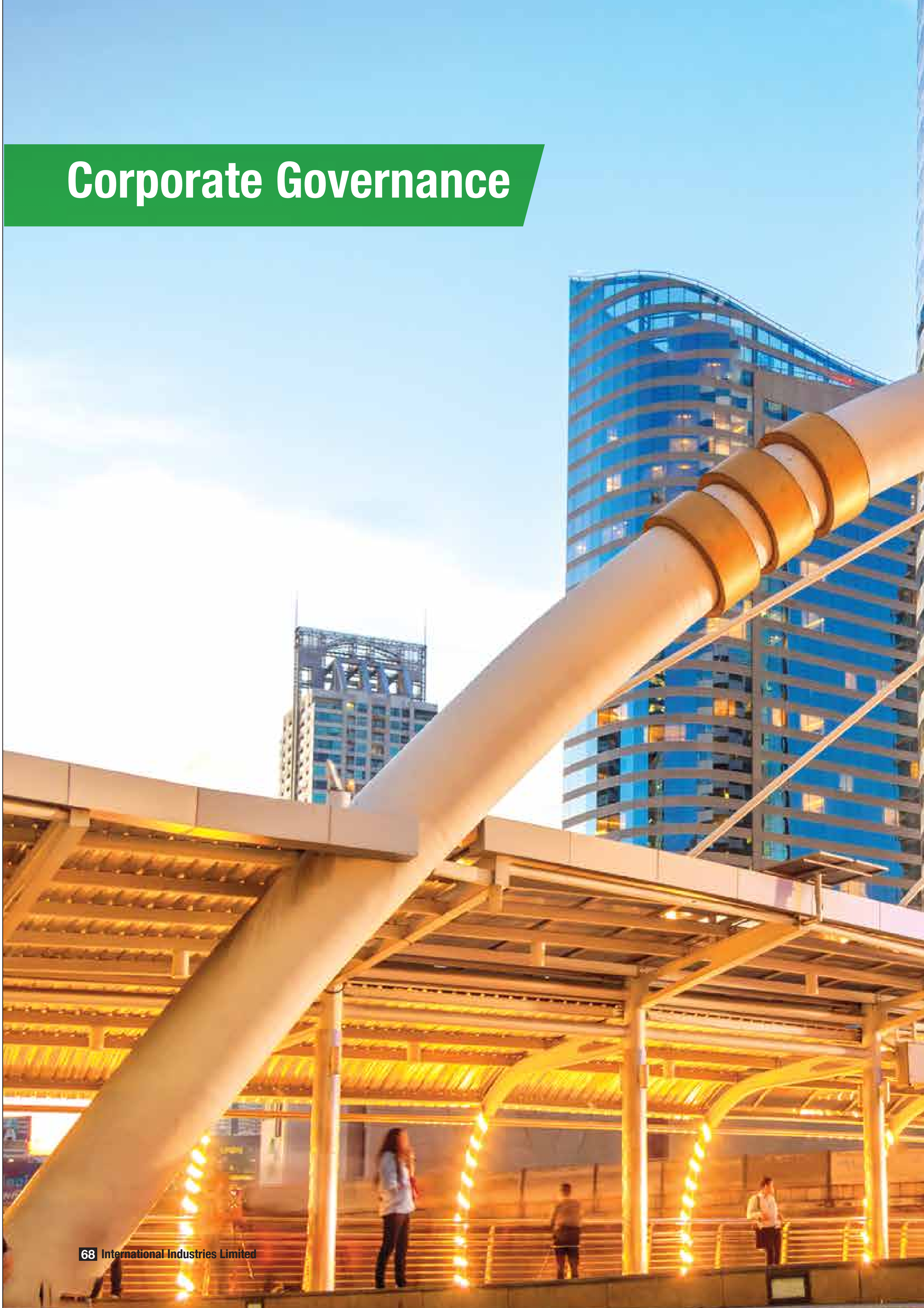
یہ ناگزیر ہو چکا ہے کہ حکومت بروقت ترقیاتی پالیسی پر عمل درآمد شروع کرے تاکہ بڑھتے ہوئے تجارتی خسارے کو کم کیا جا سکے، خاص طور پر cascading tariff structure انتہائی لازمی ہے جس سے مہنگے سامان کی برآمدات سے پڑنے والا بوجھ کم ہو سکے گا خاص طور پر ایسا سامان جو ہمارے ملک میں تیار کیا جاتا ہے۔

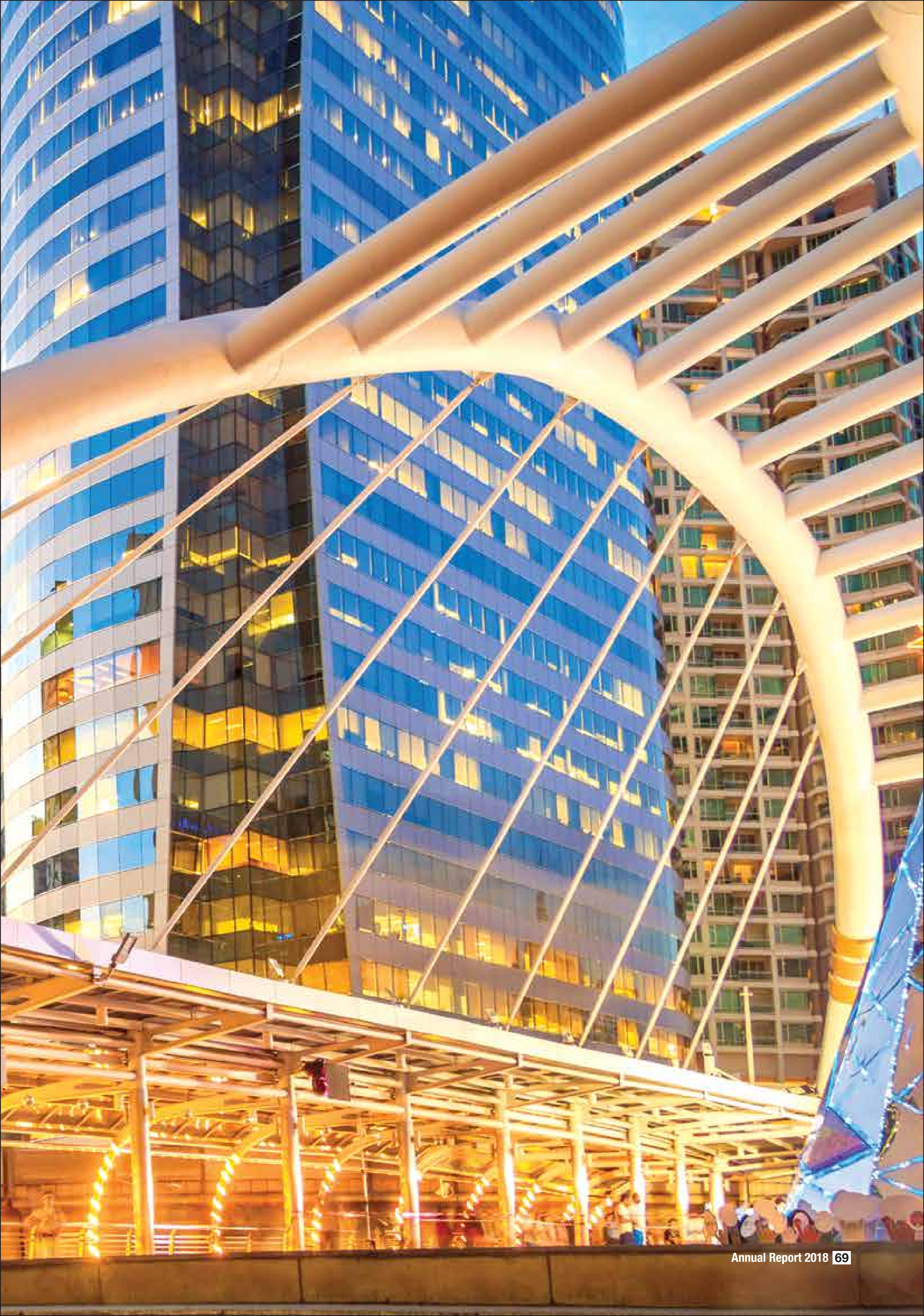
اسٹیل ملک کی معاشی ترقی کے بنیادی ستونوں میں سے ایک ہے۔ پاکستان اکنامک سروے 2018 کے مطابق آئرن اور اسٹیل مینوفیکچرنگ کا شعبہ ترقی کے لحاظ سے دوسرے نمبر پر رہا جس کی سال بہ سال ترقی کی شرح تمام پروڈکٹ کیٹگری میں سب سے زیادہ یعنی 30.85% رہی۔

ہمیں امید ہے کہ ملک کو درپیش معاشی، سیاسی اور سیکورٹی کے شدید چیلنجز کے باوجود آنے والی حکومت کی موثر اور مستحکم پالیسیز کے باعث ملک کو موجودہ معاشی خراب صورتحال سے نکالنے میں مدد ملے گی۔

ورلڈ اسٹیل ایسوسی ایشن کے اندازے کے مطابق 2016 میں دنیا میں اسٹیل کے اوسط 223 kg / capita سے پاکستان کا اوسط 42 kg / capita کم رہا۔ تاہم اس سے ظاہر ہوتا ہے کہ ملک میں اسٹیل کی پیداوار اور پروسیسنگ کی صنعت میں کافی گنجائش موجود ہے۔

Corporate Governance





Profile of the Board of Directors

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

Mr. Mustapha A. Chinoy holds a B.Sc. in Economics from Wharton School of Finance, University of Pennsylvania, USA and has majored in Industrial Management and Marketing. Thereafter, he served as Marketing Manager, at International Industries 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. and Global Reservation (Pvt.) Ltd. He is the Chief Executive Officer of Intermark (Pvt.) Ltd. He has previously served on the Board of Union Bank Ltd. until it was acquired by Standard Chartered Bank.

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

Mr. Riyaz T. Chinoy was appointed as the Chief Executive Officer on 12th August 2011, after serving the Company since 1992 in various positions. By profession he is a qualified industrial engineer and has obtained a B.Sc. in Industrial Engineering, from Case Western Reserve University, USA. He is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance.

He has had extensive experience of all processes ranging from production, operations, procurement and project development. His previous employment was with Pakistan Cables Limited, where he worked as a Commercial Projects Manager and prior to that, as Project Engineer. He has served as the Chairman of the Landhi Association of Trade and Industry and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, Pak-Australia Business Forum, The Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of IIL Australia Pty Limited, a fully owned subsidiary of IIL. He is also a Non-Executive Director on the Board of International Industries Limited. Lastly, he is also a trustee of the Citizens Trust against Crime (CTAC), of LITE Development and Management Company and is also the Chairman of the Pakistan Institute of Corporate Governance (PICG) and is also the Treasurer of Management Association of Pakistan.

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

Mr. Kamal A. Chinoy is Chief Executive Officer of Pakistan Cables Ltd. He graduated from the Wharton School, University of Pennsylvania, USA. He serves on the Board of Directors of Askari Bank Ltd., ICI Pakistan Ltd, International Industries Ltd., International Steels Ltd, NBP Fund Management Ltd and Atlas Power Ltd. & is Chairman of Jubilee Life Insurance Co. Ltd. He is also Honorary Consul General of the Republic of Cyprus. Mr. Kamal A. Chinoy is a member of the Executive Committee of the International Chamber of Commerce (ICC) Pakistan and Past President of the Management Association of Pakistan (MAP).

He has previously served as the Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank. He has also served on the Undergraduate Admissions Committee. of the Aga Khan University and the University of Pennsylvania Alumni Committee for Pakistan. He has also served on the Board of Governors of Army Burn Hall Institutions. He is a "Certified Director" having been certified by the Pakistan Institute of Corporate Governance.

Mr. Fuad Azim Hashimi

Director since : 22nd June 2005
Non-Executive Director

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

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

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

Mr. Azam Faruque

Director since: 26th November 2009
Non-Executive Director

Mr. Azam Faruque is the Chief Executive Officer of Cherat Cement Co. Ltd, a Ghulam Faruque Group (GFG) company. He holds a graduation degree in Electrical Engineering and Computer Science from Princeton University, USA, and also possesses an MBA (High Honors) from the University of Chicago Booth School of Business, USA. He has spent 29 years in the cement industry and other GFG businesses. He has also served as a member on the boards of State Bank of Pakistan, National Bank of Pakistan and Oil and Gas Development Corporation Ltd.

He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. He also served on the board of the Privatization Commission of the Government of Pakistan. Currently he is also a director of Atlas Asset Management Ltd, Faruque (Pvt.) Ltd, Madian Hydro Power Ltd., and Greaves Pakistan (Pvt.) Ltd.

Profile of the Board of Directors

Mr. Tariq Ikram

Director since: 8th September 2011
Independent Director

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

His vast experience includes directorship on the Boards of Reckitt Benckiser, Reckitt and Colman Nigeria (Pvt.) Ltd., Robinsons Foods (Pvt.) Ltd., Bangladesh, Atlantis (Pvt.) Ltd., Egypt, Karachi Port Trust, K-Electric (formerly known as KESC) and Pakistan Petroleum Ltd (PPL). He has also been the Chairman of Reckitt & Colman Egypt (Pvt.) Ltd and Chairman & CEO of Expo Lahore (Pvt.) Ltd. Currently, in addition to International Industries, he serves on the Boards of Habib Metropolitan Bank Ltd. and Tasha Enterprises (Pvt.) Ltd. He is also the Chairman of the HR Committees of the Boards of the HMB Bank and International Industries Limited.

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

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

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

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

Mr. Ehsan A. Malik

Director since: 30th September 2016
Independent Director

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

Mr. Jehangir Shah

Director since : 30th September 2016
Independent Director

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

Mr. Shoaib Mir

Director since: 29th January 2018
Non-Executive Director

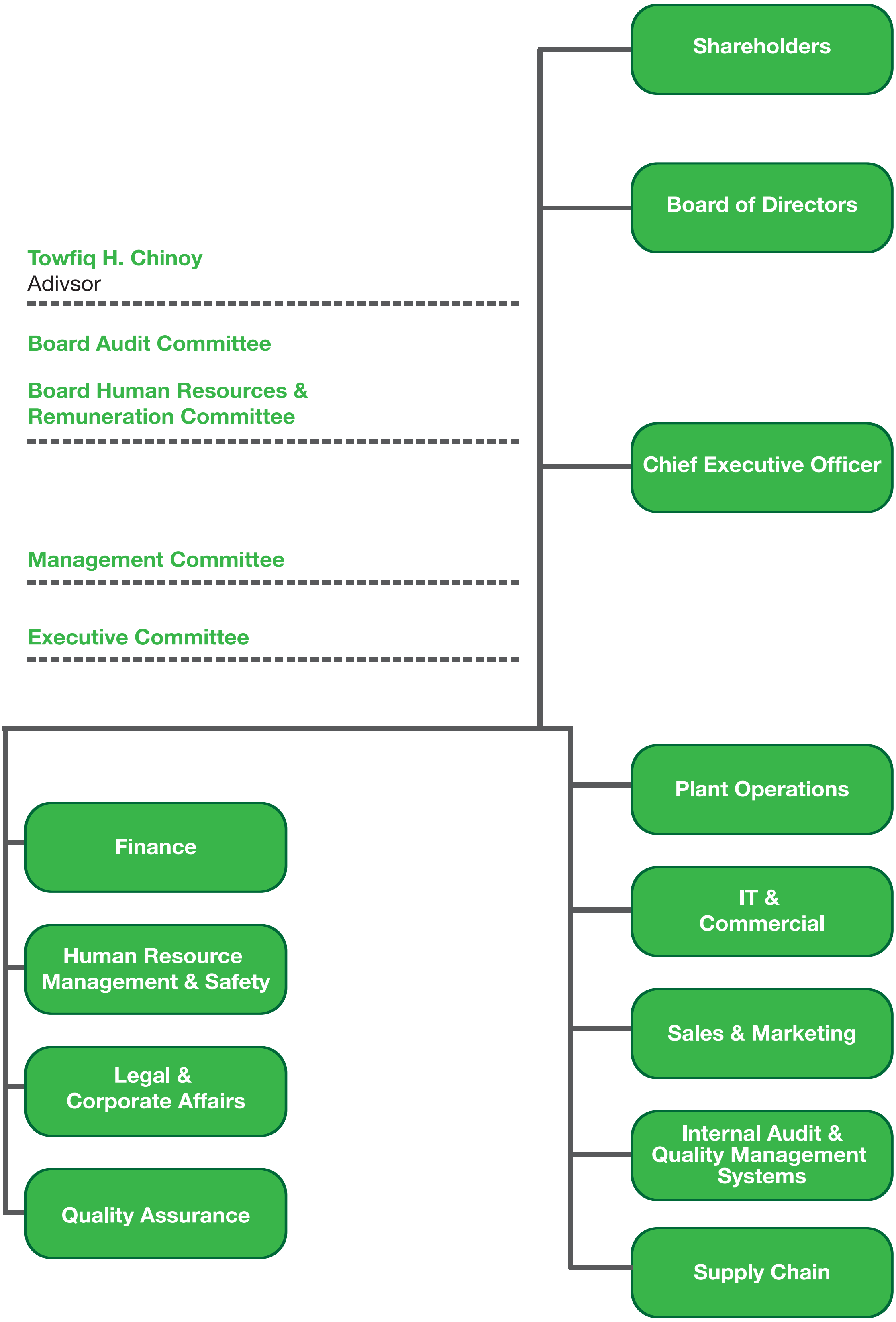
Mr. Shoaib Mir, attained a professional medical degree of MBBS and joined Civil Services in 1990 and he possess vast professional experience in senior management positions in diversified fields such as Public Sector, Management, Administration, Judicial, Health, Insurance and Planning etc. He is an officer of Federal Government in BS-21, and is presently posted as Chairman, State Life Insurance Corporation of Pakistan. Prior to this position he has held the position of Additional Secretary, Establishment Division, Islamabad and has also served on other leading administrative & financial positions in Federal, Provincial Governments and Public Sector Enterprises.

Mr. Shoaib Mir is also a Certified Director from Pakistan Institute of Corporate Governance (PICG). He has extensively attended local and international professional training courses, workshops, seminars and conferences.

List of Other Directorships

Directors	Business occupation and directorships
Mr. Mustapha A. Chinoy	**International Industries Limited**
	Pakistan Cables Limited
	Intermark (Pvt) Limited
	Travel Solutions (Pvt) Limited
	Global e-Commerce Services (Pvt) Limited
	Crea8ive Bench (Pvt) Limited
	Global Reservation (Pvt) Limited
Mr. Kamal A. Chinoy	**International Industries Limited**
	Pakistan Cables Limited
	International Steels Limited
	Atlas Power Limited
	NBP Funds Management Limited
	Jubilee Life Insurance Co. Limited
	ICI Pakistan Limited
	Askari Bank Limited
Mr. Fuad Azim Hashimi	**International Industries Limited**
	Faysal Bank Limited
Mr. Azam Faruque	**International Industries Limited**
	Atlas Battery Limited
	Cherat Cement Company Limited
	Indus Motors Company Limited
	Greaves Pakistan Limited
	Faruque (Pvt) Limited
	Madian Hydro Power Limited
Mr. Shoaib Mir	**International Industries Limited**
	Pakistan Cables Limited
	State Life Insurance Corporation of Pakistan
	Suit Northern Gas Company
	Security Papers Limited
	Fauji Fertilizer Co. Limited
	Pakistan Re-Insurance Co. Limited
	Pak Datacom Limited
Mr. Riyaz T. Chinoy	**International Industries Limited**
	International Steels Limited
	Citizens Trust Against Crime (CTAC)
	IIL Australia Pty Limited
	Pakistan Institute of Corporate Governance (PICG)
	LITE Development and Management Company
	Management Association of Pakistan
Mr. Tariq Ikram	**International Industries Limited**
	Habib Metropolitan Bank Limited
	Tasha Enterprises (Pvt) Limited
Mr. Ehsan A. Malik	**International Industries Limited**
	Pakistan Business Council
	Abbot Laboratories Pak. Limited
	National Foods Limited
	Gul Ahmed Textile Limited
Mr. Jehangir Shah	**International Industries Limited**
	Pak Oman Asset Management Co. Limited

Organization Structure



Governance Framework

The main philosophy of business followed by the sponsors of International Industries Limited for the last 70 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board and implemented throughout the company to enhance the economic and social values of all stakeholders of the company.

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

Compliance Statement

Living up to its standards, the Board of Directors has, throughout the year 2017-18, 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 with:

a) The financial statements have been prepared which fairly represent the state of affairs of the company, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts of the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.

e) The system of internal control is sound in design and has been effectively implemented and monitored. The Internal Audit function is based on a hybrid system led by the Group Chief Internal Auditor supported by in-house staff as well as M/s EY Ford Rhodes, Chartered Accountants.

f) There are no significant doubts upon the company's ability to continue as a going concern.

g) There is no material departure from the best practices of corporate governance as per regulations.

The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by Mr. Mustapha A. Chinoy, a Non-Executive Chairman; out of nine (9) Directors, three (3) are Independent Directors. The current Board composition reflects a good mix of experience, diversity in backgrounds, skills and qualifications. All directors have many years of experience, and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present, seven (7) Directors have acquired the formal Directors Training Certificates, while all the other directors possess sufficient skills and experience of Board room as described in the Code of Corporate Governance. The Board also plans to induct a female Director in due course of time.

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

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

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

During the year 2017-18, the Board had six (6) meetings during this year, out of which four (4) were held to review the quarterly results, while one was held to consider strategy and another was to approve budget for the ensuing year. The average attendance of the directors in Board meetings during the year was 87%.

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

Changes in the Board

During the financial year 2017-18, a casual vacancy arose due to the resignation of NIT's nominee Mr. Naveed Kamran Baloch which was duly filled by electing Mr. Shoaib Mir.

Board Meetings Outside Pakistan

During the year 2017-18, no Board meetings were held outside Pakistan

Role and Responsibilities of the Chairman and Chief Executive

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

The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested in him under the Code of Corporate Governance and presides over all Board meetings. The Chief Executive performs his duties under the powers vested by the law and the Board and recommends and implements the business plans and is responsible for overall control and operation of the Company.

Business Philosophy & Best Corporate Practices

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

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

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

All periodic financial statements and other working papers for the consideration of the Board/ committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held six (6) meetings, agendas of which were duly circulated at least a week before the meetings.

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within forty-seven (47) days from the close of the financial year. Additionally, all important disclosures, including the financial statement, were also made on the Company's website to keep the stakeholders duly informed.

Board Evaluation

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

1. The Board Evaluation Methodology to be adopted as self-evaluation of the Board as a whole through an agreed questionnaire and has been complied with.

Governance Framework

2. The individual Directors self- evaluation exercise has been complied with.

3. The evaluation system is designed to address areas of critical importance and should include, but not be limited to the following:

    a) Appraising the basic organization of the Board of Directors,

    b) The effectiveness and efficiency of the operation of the Board and its committees,

    c) Assess the Board's overall scope of responsibilities,

    d) Evaluate the flow of information, and

    e) Validate the support and information provided by management.

4. The Board would review the results and suggest measures to improve the areas identified for improvement.

The Board is continuing its self-evaluation for many years as a part of good governance and has identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management etc.

Risk & Opportunity Management

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, to economically minimize, monitor and control the impact of such risks and maximize the realization of opportunities. Management periodically reviews major financial and operating risks faced by the business. The Audit Committee is responsible for the Risk Management and one meeting will be dedicated to the management of risk.

For more details on risk & opportunity management, please refer to the Directors Report on page No. 52.

Internal Control Framework

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

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

The management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate these risks.

Disclosure of Conflict of Interest

The Company has taken measures to prevent conflict of interests between directors, employees and the Company. In this regard, a clear policy on conflict of interests is contained in the Code of Conduct duly approved by the Board of Directors which is placed on page No. 42.

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

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

The complete details of all transaction with related parties are submitted to the Audit Committee who recommends them to the Board for approval in each quarter. These transactions are also fully disclosed in the annual financial statement of the company.

Corporate Social Responsibility

The Company has implemented comprehensive policies on "Occupational Health, Safety & Environment" and "Donations, Charities and Contributions" to meet its Corporate Social Responsibilities.

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

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

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

We are committed to providing better educational and health facilities to the less fortunate. In line with our philosophy of CSR we regularly maintain and support a TCF school – Amir Sultan Chinoy Campus in Landhi along with offering need based scholarships to NED University students for a better tomorrow of our younger generation.

We also support NGO's like SIUT, LRBT, Kidney Center, Sina Foundation, Indus Hospital and Amir Sultan Chinoy Foundation to help deserving patients for their treatment.

Sustainability Measures

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

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

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

Engaging Stakeholders & Transparency

Development of stakeholders' relationship is of significant importance for the company. Building "stakeholder's engagement", compliance with regulatory requirements and terms and conditions are one of the main business principles by which we abide.

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

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

Policy for Investor Grievances

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

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

1. Investors are treated fairly at all times.
2. Complaints raised are dealt with in a courteous and timely manner.
3. Various modes of communication like email, telphone, 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.

Governance Framework

5. Employees work in good faith and without prejudice towards the interest of the creditors.

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

Safety of Company Records

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

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

Human Resources Management Policies and Succession Planning

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

Group Information Technology Policy

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

The I.T Steering Committee comprising of CEO, CFO and HoD IT are responsible for taking major I.T decisions. The Group I.T Head is responsible for ensuring communication of I.T security policies to all users of Group 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 Whistle-blowing Policy has been in place for a number of years as IIL's 'Whistle-Blowing' system to report any corrupt or unethical behavior, if employees feel that they are not able to use the normal management routes.

Policy for Security Clearance of Foreign Directors

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

Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 69th Annual General Meeting of the Company held on 28th September 2017, no significant issues were raised.

Dividend to Shareholders

During the year, the Company paid an interim dividend of Rs. 2.0 (20%) per share to all eligible shareholders and the Board of Directors is recommending a final dividend of Rs. 6.50 (65%) per share, making a total of Rs. 8.50 (85%) in respect of the financial year ended 30th June 2018 which is subject to shareholder approval.

Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on 30th June 2018 is placed on Page No. 241.

Mechanism for Providing Information and Recommendation to the Board

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 Committees.

The Company also has a speak-up 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 and Executive Committee at least once every quarter through which they are provided an opportunity to express their concerns and suggestions directly to the CEO. These meeting are aimed at capturing free and first hand suggestions.

SHAREHOLDERS

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

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

MANAGING CONFLICT OF INTEREST

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

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

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

Board Committees

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

A. Audit Committee

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

The Audit Committee comprises of four (4) Non-executive Directors, out of which two (2) are independent. The Chairman of the Committee is a Fellow of the Institute of Chartered Accountants of England and Wales and alumni of the Wharton and Harvard Business Schools. The Chief Financial Officer and the Chief Internal Auditor attend the BAC meetings, while the Chief Executive Officer is invited to attend the meetings. The Audit Committee also separately meets the internal and external auditors at least once in a year without the presence of the management.

Meetings of the Audit Committee are held at least once every quarter, the recommendations of the Audit Committee are then submitted for approval of financial results of the company by the Board. During the year 2017-18, the Audit Committee held four (4) meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, directors and the Chief Financial Officer. The Chief Internal Auditor meets the Audit Committee, without the presence of the management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and corrective actions are then implemented.

The Board Audit Committee has completed its independent evaluation.

Terms of Reference of the Audit Committee

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

The salient features of terms of reference of the Audit Committee are as follows:

1. Recommending to the Board the appointment of internal and external auditors.
2. Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.
3. Determination of appropriate measures to safeguard the company's assets.
4. Review of preliminary announcements of results prior to publication.
5. Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.
6. Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).
7. Review of the Management Letter issued by external auditors and the management's response thereto.
8. Ensuring coordination between the internal and external auditors of the company.
9. Review of the scope and extent of internal audit and ensuring that the internal audit function is adequately resourced and placed within the organization.
10. Consideration of major findings of internal investigations and the management's response thereto.
11. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

12. Review of company's statement on internal control systems prior to endorsement by the Board.

13. Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

14. Determination of compliance with relevant statutory requirements review of periodic financial statements and preliminary announcements of results prior to the external communication and publication with a view to highlight.

15. Monitoring compliance together with the external auditors and internal audit with the best practices of corporate governance and identification of significant violations such as fraud, corruption, and abuse of power thereof.

16. Consideration of any other issue or matter as may be assigned by the Board.

B. Human Resources & Remuneration Committee

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

HR&RC comprises of four (4) members and the Chairman is an independent director whereas the other three members are the Chief Executive Officer and two non-executive directors. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. Director Human Resources is the Secretary of the HR&RC. The minutes of the meetings of the HR&RC meetings are provided to all members and directors. The Committee held four (4) meetings during the year.

Terms of Reference of Human Resource & Remuneration Committee

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

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

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

Meetings of the Board of Directors

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

Board / Committee	Board	Audit	HR&RC
Meetings held during FY 2017-18	**6**	**4**	**4**
Mr. Mustapha A. Chinoy	6/6		
Mr. Riyaz T. Chinoy	6/6		4/4
Mr. Kamal A. Chinoy	4/6	3/4	4/4
Mr. Fuad Azim Hashimi	6/6	4/4	
Mr. Azam Faruque	5/6		4/4
Mr. Tariq Ikram	6/6		3/4
Mr. Ehsan A. Malik	5/6	4/4	
Mr. Jehangir Shah*	5/6	1/1	
Mr. Naveed K. Baloch**	1/2		
Mr. Shoaib Mir**	3/3		

*Mr. Jehangir Shah was added as member to the Board Audit Committee on 25th January 2018

**Mr. Naveed K. Baloch resigned from the Board due to his departmental transfer by the nominating authority and the casual vacancy was filled by electing Mr. Shoaib Mir.

Management Committee

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

Management Committee Members	
Mr. Riyaz T. Chinoy Chief Executive Officer	Chairman
Mr. Nadir Akbarali Jamal Director Finance & Chief Financial officer	Member
Mr. Mohsin Safdar Director Operations	Member
Mr. Khalid Junejo Director Human Resources	Member
Mr. Khawar Bari Director Marketing & Sales	Member
Mr. Perwaiz Ibrahim Director Technical	Member
Ms. Uzma Amjad Ali Group Company Secretary & Head of Legal	Member
Ms. Asema Tapal Group Chief Internal Auditor	Secretary

Role of the Management Committee

The Committee is responsible for the following:

a) Routine operational matters arising out of day to-day business.

b) Review results of monthly operations, sales, production, expenses and comparison of same with the approved budgeted targets and analysis of observed variances.

c) Review of raw material prices with special reference to international markets.

d) Review of selling prices in view of changing market scenarios.

e) Review and finalization of budget for presentation to and approval by the Board.

f) Exploring new prospects for sustainable growth.

g) Review and set the objective for the organization in compliance with the approved strategy.

h) Accident prevention.

i) Set training needs.

j) Monitor Whistleblowing policy.

Executive Committee

The mission of the Executive Committee (EC) is to support the Management Committee (MC) in implementing the business policies within the strategy approved by the Board of Directors. EC meetings are conducted on a monthly basis or more frequently if needed.

Executive Committee Members	
Mr. Nadir Akbarali Jamal Director Finance & CFO	Chairman
Mr. Riaz Moazzam Head of Operations	Member
Mr. Imran Siddiqui Head of Engineering & New Ventures	Member
Mr. Samar Abbas Head of Global Sales	Member
Mr. Sheraz Khan Head of Domestic Sales (North)	Member
Mr. Hanif Idrees Financial Controller	Member
Syed Ghazanfar Ali Shah Head of Supply Chain	Member
Mr. Ibrahim Memon Group Head IT	Member
Mr. Zain K. Chinoy Head of Marketing	Member
Ms. Asema Tapal Chief Internal Auditor	Member
Mr. Samiuddin Khan Head of Admin & Industrial Relations	Member
Mr. Ayaz Ahmed Khan Senior Manager QMS	Member & Secretary

Role of the Executive Committee

The Committee is responsible for the following:

a) Review results of monthly operations, sales, production, expenses and comparison of same with the approved budgeted targets and provide ,variance reports to the MC.

b) Review of Annual budget and recommending the same to the MC.

c) Review the training needs / plans and implementation thereof.

d) Review of recruitment and organization resource requirements.

e) Review and monitoring of accidents.

f) Review and monitoring of raw material prices and trends and recommend the need for any price review.

g) Review of credit limits to customers.

h) Review and monitoring of product yield and identification of means for improving the same.

i) Review and monitoring of raw material, work-in process and finished goods inventory and taking timely action on controlling the same.

Report of The Audit Committee

on Adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended 30th June 2018 and reports that:

- The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange, Code of Corporate Governance, Company's Code of Conduct and Values and the international best practices of governance throughout the year.

- The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.

- Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended 30th June 2018, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.

- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman & Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.

- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Act 2017.

- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.

- All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

INTERNAL AUDIT FUNCTION

- The internal control framework was effectively implemented through outsourcing the internal audit function to M/s EY Ford Rhodes, Chartered Accountants, for the last many years. Presently the Company's internal Audit function is being looked after by the Chief Internal Auditor in compliance of the Code of Corporate Governance, who is assisted by the internal auditor's M/s EY Ford Rhodes. The Chief Internal Auditor reports directly to the Chairman of the Board Audit Committee.

- The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.

- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the company and the shareholder's wealth through effective financial, operational and compliance controls and risk management at all levels within the company.

- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory auditors of the company, KPMG Taseer Hadi & Co, Chartered Accountants, have completed their audit of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30th June 2018 and shall retire on the conclusion of the 70th Annual General Meeting.

- The final Management Letter is required to be submitted within forty-five (45) days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.

- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.

- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30th June 2019 on terms & remuneration negotiated by the Chief Executive Officer.

Ehsan A. Malik
Chairman-Board Audit Committee

Dated: 9th August 2018
Karachi

Statement of Compliance

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

INTERNATIONAL INDUSTRIES LIMITED
June 30, 2018

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

1. The total number of directors are 9 as per the following:
a. Male: Nine (9)
b. Female: -

2. The composition of board is as follows:

Category	Names
Independent Directors	Mr. Tariq Ikram
	Mr. Ehsan Malik
	Mr. Jehangir Shah
Non-Executive Directors	Mr. Mustapha A. Chinoy
	Mr. Kamal A. Chinoy
	Mr. Fuad Azim Hashimi
	Mr. Azam Faruque
	Mr. Shoaib Mir
Executive Directors	Mr. Riyaz T. Chinoy

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable), with the exception of one Director who shall comply with the regulations within the stipulated timeframe.

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board are 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 circulation of the minutes of meetings of the Board.

8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board of Directors of the Company consist of nine (9) eminent directors, out of which seven (7) directors are already certified under the Directors Training Program as follows:

   1. Mr. Riyaz T. Chinoy
   2. Mr. Kamal A. Chinoy
   3. Mr. Fuad A. Hashimi
   4. Mr. Azam Faruque
   5. Mr. Ehsan A. Malik
   6. Mr. Jehangir Shah
   7. Mr. Shoaib Mir

10. The Board has approved appointments of the CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

a) Audit Committee

1.	Mr. Ehsan Malik Independent Director	-	Chairman
2.	Mr. Fuad A. Hashimi Non - Executive Director	-	Member

3. Mr. Kamal A. Chinoy - Member
Non - Executive Director

4. Mr. Jehangir Shah - Member
Independent Director

b) Human Resource and Remuneration Committee

1. Mr. Tariq Ikram - Chairman
Independent Director

2. Mr. Riyaz T. Chinoy - Member
Chief Executive Officer

3. Mr. Kamal A. Chinoy - Member
Non- Executive Director

4. Mr. Azam Faruque - Member
Non- Executive Director

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 (quarterly/half yearly/ yearly) of the committee may be referred at Page No. 84.

15. The Board of Directors has set up an effective internal audit function supervised by a qualified Chartered Accountant, who is being assisted by M/s EY Ford Rhodes and in house executives to carry out the Internal Control functions. The Head of Internal Audit is suitably qualified and experienced for the purpose and is well 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

We confirm that all other requirements of the Regulations have been complied with.

Ehsan A. Malik
Chairman – Board Audit Committee

Riyaz T. Chinoy
Chief Executive Officer

Independent Auditor's Review Report

To the members of International Industries Limited

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of International Industries Limited ("the Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

KPMG Taseer Hadi & Co.

Date: 16th August 2018
Karachi

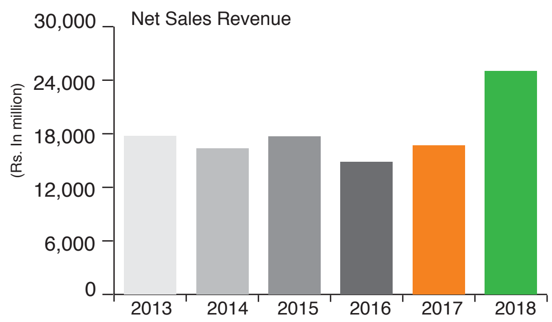
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Financial Summary

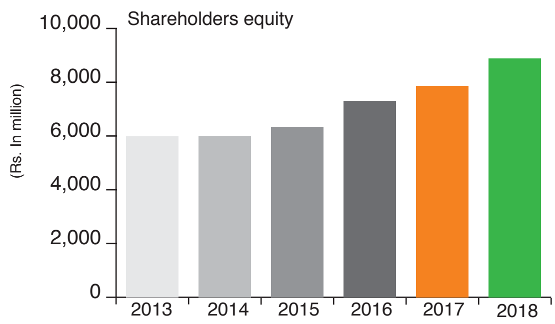
Financial Highlights

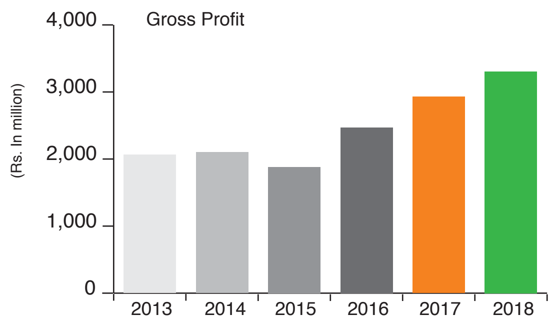
	2018	2017	%
	Rupees in '000		
Net Sales Revenue	25,001,283	16,706,963	49.6
Gross Profit	3,304,928	2,930,280	12.8
Property, Plant & Equipment (PPE)	5,769,659	5,088,085	13.4
Shareholders' equity	8,894,383	7,858,821	13.2
Book Value per share (Rupees)	74.19	65.55	13.2

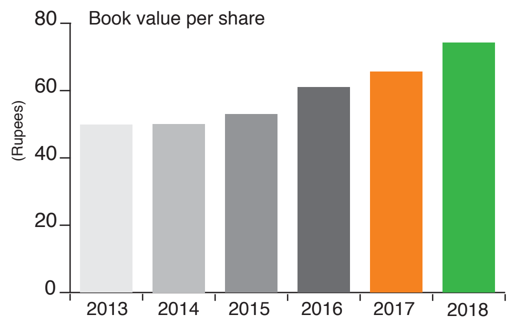
Business Growth



Shareholder Value Accretion







Analysis of Financial Statements

Statement of Financial Position

	2018	2017	2016	2015	2014	2013
	Rupees in million					
Property, plant and equipment	5,770	5,088	4,852	3,622	3,502	3,465
Investments	3,277	2,743	2,743	2,743	2,593	2,584
Other non current assets	72	67	59	21	18	18
Current assets	13,346	10,619	6,322	6,752	10,133	8,500
Total assets	22,465	18,516	13,977	13,138	16,247	14,566
Shareholders' equity	8,894	7,859	7,307	6,343	6,004	5,982
Non current liabilities	2,338	1,494	1,332	458	568	718
Current portion of long term financing	181	110	158	150	150	-
Short term borrowings	8,310	5,899	3,243	4,664	6,277	7,158
Other Current liabilities	2,743	3,155	1,937	1,522	3,247	708
Total equity & liabilities	22,465	18,516	13,977	13,138	16,247	14,566

Vertical Analysis	Percentage					
Property, plant and equipment	25.7	27.5	34.7	27.6	21.6	23.8
Investments	14.6	14.8	19.6	20.9	16.0	17.7
Other non current assets	0.3	0.4	0.4	0.2	0.1	0.1
Current assets	59.4	57.3	45.2	51.4	62.4	58.4
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	39.6	42.4	52.3	48.3	37.0	41.1
Non current liabilities	10.4	8.1	9.5	3.5	3.5	4.9
Current portion of long term financing	0.8	0.6	1.1	1.1	0.9	-
Short term borrowings	37.0	31.9	23.2	35.5	38.6	49.1
Other Current liabilities	12.2	17.0	13.9	11.6	20.0	4.9
Total equity & liabilities	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis	Percentage					
Property, plant and equipment	13.4	4.9	34.0	3.4	1.1	23.6
Investments	19.5	-	-	5.8	0.4	-
Other non current assets	6.9	12.9	183.6	13.9	4.2	27.3
Current assets	25.7	68.0	(6.4)	(33.4)	19.2	(12.1)
Total assets	21.3	32.5	6.4	(19.1)	11.5	(3.3)
Shareholders' equity	13.2	7.6	15.2	5.6	0.4	15.5
Non current liabilities	56.5	12.1	190.9	(19.4)	(20.8)	21.8
Current portion of long term financing	64.9	(30.7)	5.5	-	-	(100.0)
Short term borrowings	40.9	81.9	(30.5)	(25.7)	(12.3)	(5.4)
Other Current liabilities	(13.1)	62.9	27.2	(53.1)	358.9	(50.0)
Total equity & liabilities	21.3	32.5	6.4	(19.1)	11.5	(3.3)

Analysis of Financial Statements

Statement of Profit & Loss

	2018	2017	2016	2015	2014	2013
	Rupees in million					
Net Sales	25,001	16,707	14,821	17,674	16,341	17,730
Cost of Sales	(21,696)	(13,777)	(12,351)	(15,795)	(14,240)	(15,665)
Gross Profit	3,305	2,930	2,469	1,879	2,102	2,065
Administrative, Selling and Distribution expenses	(1,425)	(1,170)	(1,070)	(778)	(764)	(744)
Other operating expenses	(172)	(180)	(116)	(82)	(73)	(71)
Other operating income	883	1,037	155	402	166	149
Operating profit before financing cost	2,591	2,618	1,438	1,420	1,431	1,398
Finance cost	(442)	(224)	(334)	(488)	(779)	(699)
Profit before Taxation	2,149	2,393	1,104	933	652	699
Taxation	(567)	(551)	(318)	(202)	(149)	(141)
Profit after Taxation	1,582	1,842	786	731	503	558

Vertical Analysis

	Percentage					
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	(86.8)	(82.5)	(83.3)	(89.4)	(87.1)	(88.4)
Gross Profit	13.2	17.5	16.7	10.6	12.9	11.6
Administrative, Selling and Distribution expenses	(5.7)	(7.0)	(7.2)	(4.4)	(4.7)	(4.2)
Other operating expenses	(0.7)	(1.1)	(0.8)	(0.5)	(0.4)	(0.4)
Other operating income	3.5	6.2	1.0	2.3	1.0	0.8
Operating profit before financing cost	10.4	15.7	9.7	8.0	8.8	7.9
Finance cost	(1.8)	(1.3)	(2.3)	(2.8)	(4.8)	(3.9)
Profit before Taxation	8.6	14.3	7.4	5.3	4.0	3.9
Taxation	(2.3)	(3.3)	(2.1)	(1.1)	(0.9)	(0.8)
Profit after Taxation	6.3	11.0	5.3	4.1	3.1	3.1

Horizontal Analysis

	Percentage					
Net Sales	49.6	12.7	(16.1)	8.2	(7.8)	5.5
Cost of Sales	57.5	11.5	(21.8)	10.9	(9.1)	5.2
Gross Profit	12.8	18.7	31.4	(10.6)	1.8	8.1
Administrative, Selling and Distribution expenses	21.8	9.3	37.4	1.9	2.6	28.3
Other operating expenses	(4.0)	55.0	42.1	12.0	2.1	74.8
Other operating income	(14.8)	567.7	(61.4)	141.7	11.4	6.8
Operating profit before financing cost	(1.0)	82.0	1.3	(0.7)	2.4	(2.1)
Finance cost	97.1	(33.0)	(31.4)	(37.4)	11.5	(32.6)
Profit before Taxation	(10.2)	116.8	18.3	43.1	(6.8)	79.0
Taxation	3.0	73.3	57.2	35.9	5.8	117.6
Profit after Taxation	(14.1)	134.4	7.6	45.3	(9.9)	71.3

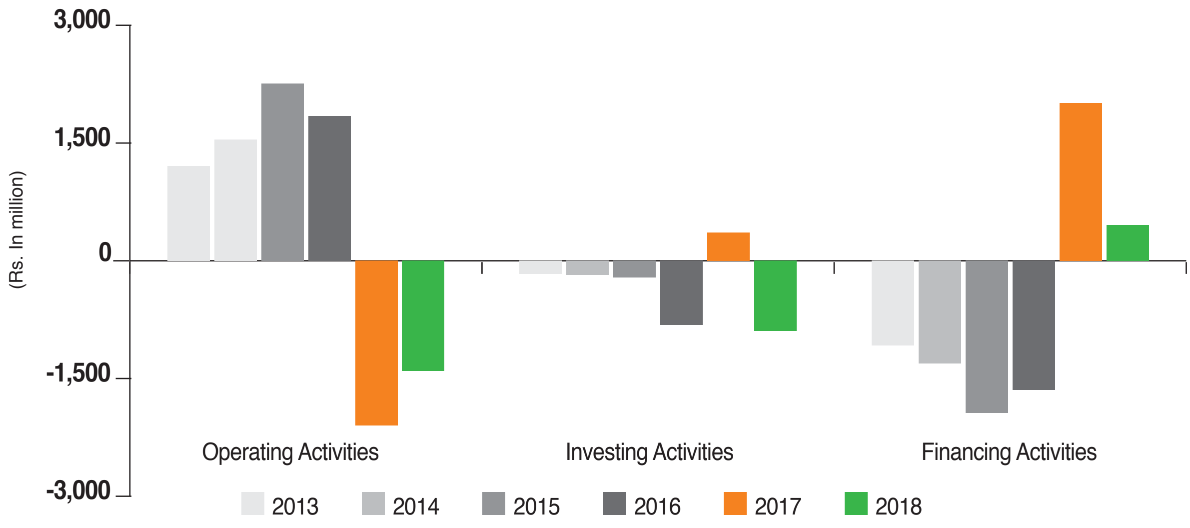
Analysis of Financial Statements

Statement of Cash Flows

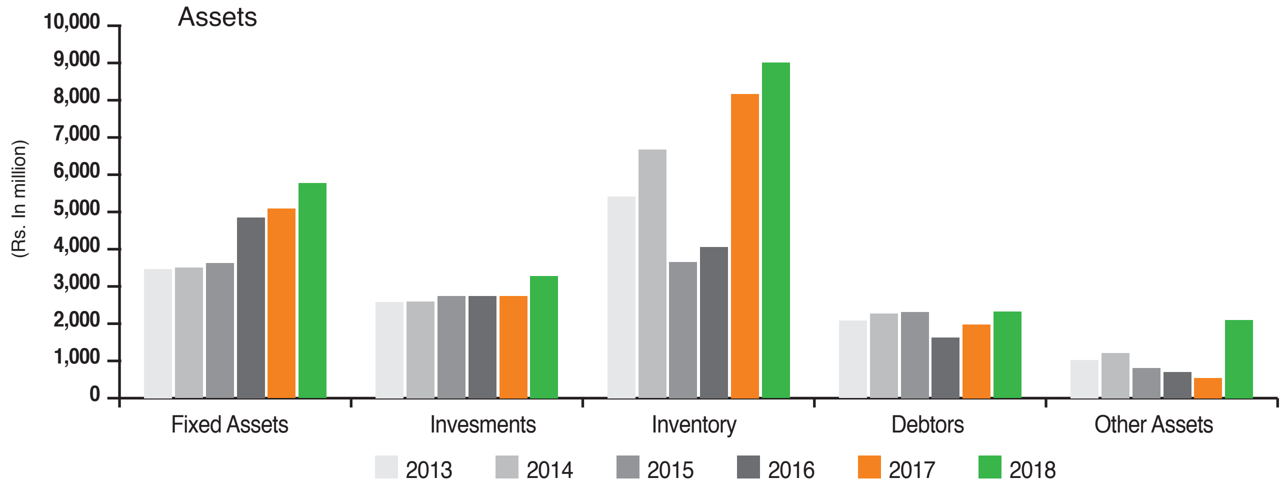
	2018	2017	2016	2015	2014	2013
	Rupees in million					
Net cash generated from/(used in) operating activities	(1,404)	(2,101)	1,843	2,255	1,546	1,207
Net cash inflows/(outflows) from investing activities	(895)	357	(817)	(215)	(182)	(169)
Net cash (outflows)/inflows from financing activities	454	2,012	(1,649)	(1,941)	(1,308)	(1,081)
Net increase/(decrease) in cash and cash equivalents	(1,845)	268	(623)	99	56	(43)

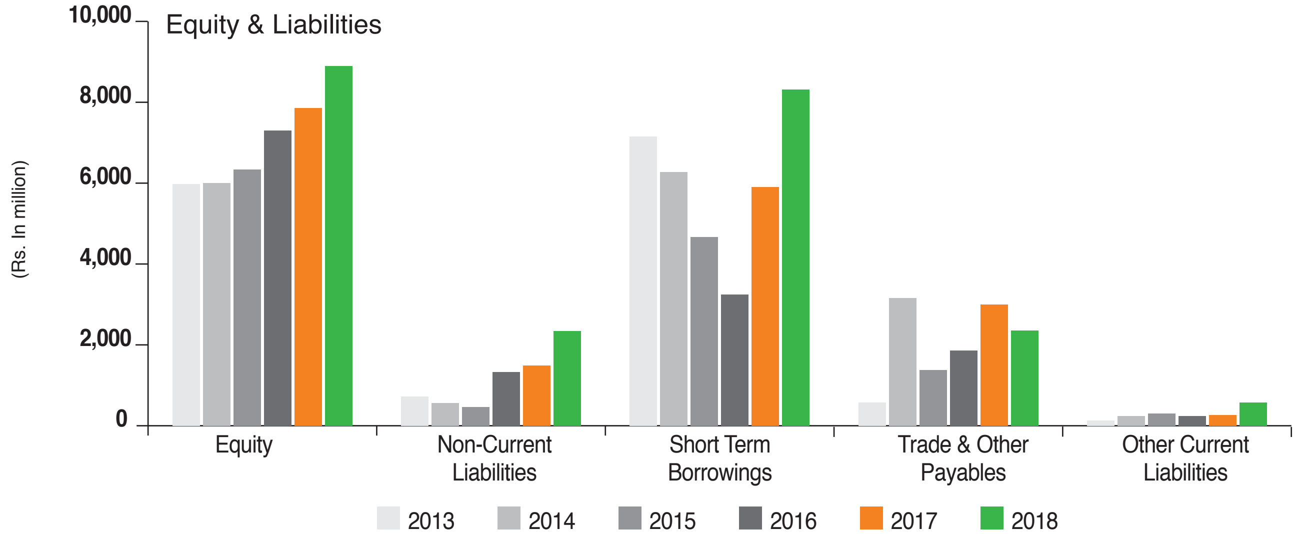
Vertical Analysis	Percentage					
Net cash generated from/(used in) operating activities	(76.1)	(785)	296	2,271	2,783	2,796
Net cash inflows/(outflows) from investing activities	(48.5)	134	(131)	(216)	(328)	(391)
Net cash (outflows)/inflows from financing activities	24.6	751	(265)	(1,955)	(2,356)	(2,505)
Net increase/(decrease) in cash and cash equivalents	(100)	100	(100)	100	100	(100)

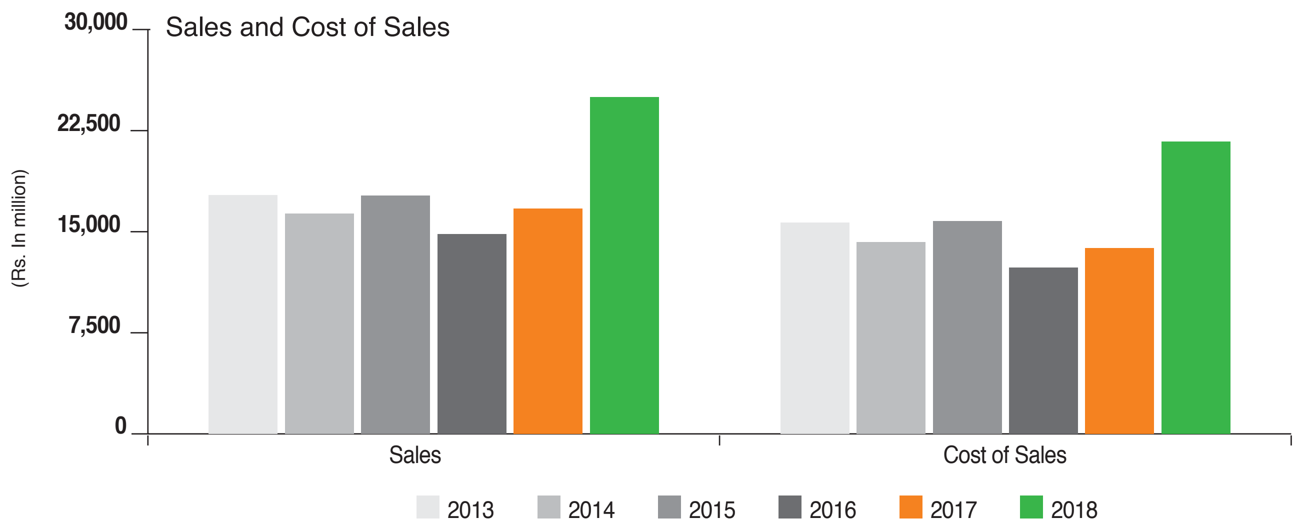
Horizontal Analysis	Percentage					
Net cash generated from/(used in) operating activities	(33.2)	(214.0)	(18.3)	45.9	28.1	(584.3)
Net cash inflows/(outflows) from investing activities	(350.3)	(143.7)	280.9	17.9	7.9	(46.1)
Net cash (outflows)/inflows from financing activities	(77.4)	(222.0)	(15.1)	48.4	21.0	(206.6)
Net increase/(decrease) in cash and cash equivalents	(789.0)	(143.0)	(727.1)	78.8	(228.7)	(109.6)



Analysis of Statement of Financial Position and Profit & Loss

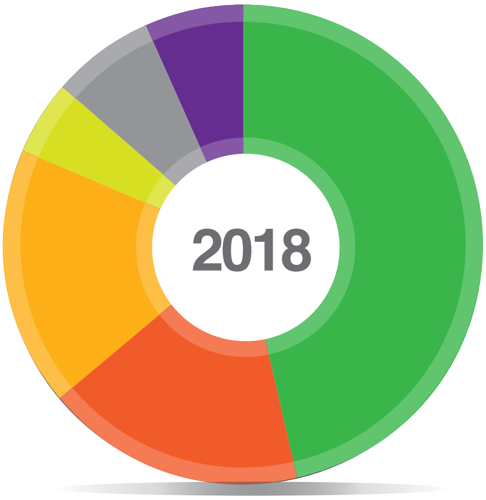


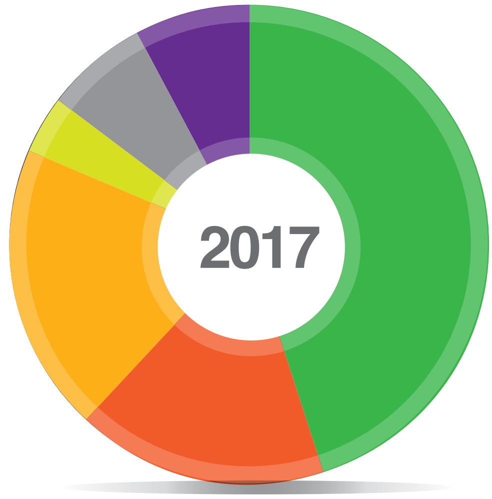




Key Financial Indicators (Graphs)

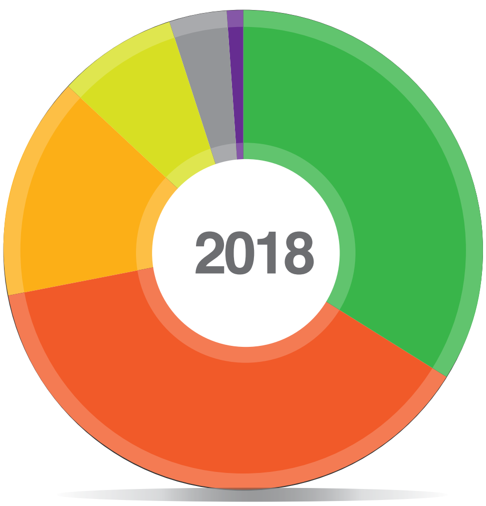
Conversion Cost

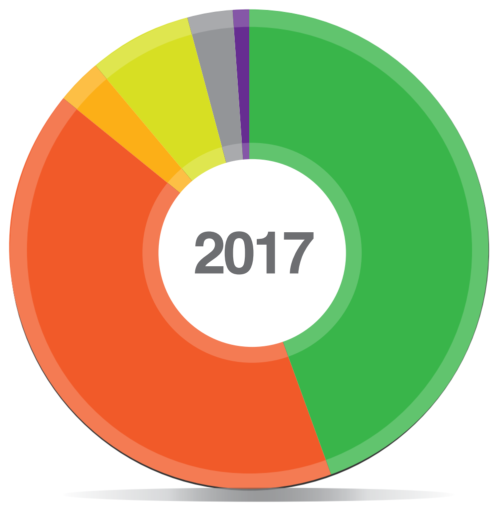




	2018 Rs in Million	2017 Rs in Million
Salaries, wages and benefits	934	801
Electricity, gas and water	353	305
Depreciation and amortisation	352	346
Operational supplies and consumables	96	66
Repairs and maintenance	141	123
Others	132	138
Total	**2,007**	**1,779**

Product Wise Sales Break Up





	2018 % of tonnage	2017 % of tonnage
Galvanized iron pipes	34%	44%
CR steel tubes	38%	41%
API line pipes	15%	3%
Black pipes	8%	7%
Polymer	4%	3%
Others	1%	1%
Total	**100%**	**100%**

Key Financial Indicators

		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	%	13.2	17.5	16.7	10.6	12.9	11.6
Net profit to Sales	%	6.3	11.0	5.3	4.1	3.1	3.1
EBITDA Margin to Sales	%	11.9	17.9	11.5	9.4	10.2	9.1
Return on Equity with Revaluation surplus on PPE	%	17.8	23.4	10.8	11.5	8.4	9.3
Return on Equity without Revaluation surplus on PPE	%	22.8	31.5	15.1	15.3	11.4	12.8
Return on Capital Employed	%	14.6	20.4	9.4	11.1	8.0	8.7
Return on Total Assets	%	7.0	10.0	5.6	5.6	3.1	3.8
Liquidity Ratios							
Current ratio	Times	1.19	1.16	1.18	1.07	1.05	1.08
Quick / Acid test ratio	Times	0.37	0.26	0.40	0.47	0.34	0.38
Cash to Current Liabilities	Times	(0.21)	(0.06)	(0.15)	(0.03)	(0.03)	(0.04)
Cash flow from Operations to Sales	Times	(0.06)	(0.13)	0.12	0.13	0.09	0.07
Activity / Turnover Ratios							
Inventory turnover ratio	Times	2.4	1.7	3.0	4.3	2.1	2.9
Inventory turnover in days	Days	151	216	120	84	171	126
Debtor turnover ratio	Times	12.8	9.8	10.8	8.7	8.2	9.6
Debtor turnover in days	Days	29	37	34	42	44	38
Creditor turnover ratio	Times	143.8	14.8	23.1	23.4	5.6	77.0
Creditor turnover in days	Days	3	25	16	16	65	5
Total assets turnover ratio	Times	1.1	0.9	1.1	1.3	1.0	1.2
Fixed assets turnover ratio	Times	4.3	3.3	3.1	4.9	4.7	5.1
Operating cycle in days	Days	178	229	138	111	150	159
Capital employed turnover ratio	Times	2.3	1.8	1.8	2.7	2.6	2.8
Investment / Market Ratios							
Earnings per share - basic and diluted	Rs.	13.2	15.4	6.6	6.1	4.2	4.7
Price earning ratio	Times	17.6	24.0	10.8	11.0	11.8	9.7
Dividend Yield ratio	%	3.7	2.4	6.4	6.0	6.6	7.2
Dividend Payout ratio	%	64.40	58.57	68.64	65.6	77.5	69.8
Dividend per share - Cash	Rs.	8.50	9.00	4.50	4.00	3.25	3.25
Dividend Cover	(x)	1.55	1.71	1.46	1.52	1.29	1.43
Market value per share at the end of the year	Rs.	232	369	71	67	49	45
Market value per share high during the year	Rs.	377	406	94	87	61	49
Market value per share low during the year	Rs.	20	386	60	45	40	28
Break-up value per share with Revaluation surplus on PPE	Rs.	74	66	61	53	50	50
Break-up value per share without Revaluation surplus on PPE	Rs.	58	49	43	40	37	37
Capital Structure Ratios							
Financial leverage ratio		1.3	1.1	0.7	0.9	1.4	1.1
Total Debt : Equity ratio	(x)	60 : 40	58 : 42	48 : 52	52 : 48	63 : 37	59 : 41
Interest cover	(x)	4.3	7.9	4.2	2.3	1.7	1.9

Free Cashflow

	2018	2017	2016	2015	2014	2013
	Rupees in million					
Earnings before Interest and Taxes	2,591	2,618	1,438	1,420	1,431	1,398
Taxes	(567)	(551)	(318)	(202)	(149)	(141)
Net operating profit after tax (NOPAT)	2,023	2,067	1,120	1,218	1,282	1,257
Net investment in operating assets	1,956	731	1,224	303	45	(85)
Free cashflow	67	1,336	(103)	915	1,237	1,342

Economic Value Added

Net operating profit after tax (NOPAT)	2,023	2,067	1,120	1,218	1,282	1,257
Weighted average cost of Capital (WACC)	1,664	1,883	835	751	526	582
Economic Value Added	359	183	285	467	756	675

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

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

Comments on Six years Analysis on the Performance of the Company

STATEMENT OF FINANCIAL POSITION

Over six years, the asset base of the Company elevated mainly due to investment in property, plant and equipment, stock-in-trade and trade debtors, which is aligned with the gradual capacity expansion to put up with growing demand of business.

Long-term investments represent strategic decision to invest in subsidiaries and associates for diversification of business and growing group revenues. During the year, the Company enhanced its stake in its associate, Pakistan Cables Limited.

The shareholder's equity consists of share capital, reserves and revaluation surplus, pursuant to a change as per Companies Act, 2017. The equity has surged-up over the past six years primarily due to an increase in retained earnings of the Company and revaluation surplus.

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

STATEMENT OF COMPREHENSIVE INCOME

The turnover enhanced over past six years pursuant to an increase in selling prices and sales volume and hence a similar impact was ensued in terms of augmented cost of sales.

In 2018, the Company had the highest turnover in absolute as well as volumetric terms and stood at Rs 25 billion. As a result, there was higher capacity utilization.

The Company implemented a well-thought-out pricing strategy and focused to bring in cost efficiencies, which resulted in better gross margins over the years.

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

Finance cost increased over the years because of an increase in long-term borrowings and short-term running

finance to cater to the rising financing needs of multiple expansion projects, as well as meeting the increased working capital requirements due to business growth, coupled with an increase in interest rate in the current year.

A substantial portion of other income represents dividend income from associates and subsidiaries. There was a considerable increase in the other income in 2017, on account of an increase in dividend from ISL (subsidiary company).

The impact of the afore-stated, together with increased taxes translated into substantially improved Profit after tax over the years under discussion.

CASHFLOW ANALYSIS

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

The Company generated money from its operating activities until last year, when due to an escalation in the working capital requirements, resulted in cash being used up in operating activities. This cash used to finance Stock-in-trade and trade debtors resulted in benefit of the company following the PKR devaluation.

Comments on Six years Analysis on the Performance of the Company

The cash used in investing activities comprises mainly of investment in capital expenditure, investment in Associate and dividend income received from its subsidiary and associates. The Company increased its stake in its associated company (Pakistan Cables Limited) during the year, which resulted in cash out-flow as against last year, wherein an increase in dividend from ISL (subsidiary company) resulted in cash inflow from investing activities.

The financing activities of the Company comprises mainly of long-term loans obtained and dividends paid to the shareholders. The Company has financed its expansion needs by obtaining long-term loans, which were partially offset by dividend payments.

RATIO ANALYSIS

PROFITABILTY RATIOS

The Company exhibited highest gross profit in absolute terms, amounting to Rs. 3.3 billion; however, the gross profit ratio fell to 13.2% due to volumes generated in tender business at lower margins. The GP ratio for the current year is still better than the historical trend except for the years 2017 and 2016, wherein the Company generated phenomenally high Gross profit ratio of 17.5% and 16.7% respectively, due to buying efficiencies.

INVESTMENT / MARKET RATIOS

The earnings per share of the Company improved remarkably in 2017 and stood at 15.4 as against 6.6 in 2016. However, the EPS fell slightly in the current year and stood at 13.2 due to lower dividend income from ISL. A similar impact was evident in price earnings ratio.

This year, the Company proposed a cash dividend of Rs 8.5 per share in contrast to Rs 9 per share last year that led to a dividend payout ratio of 64% and plough back ratio of 36% as compared to 59% and 41%, correspondingly of the prior year.

LIQUIDITY RATIOS

The current ratio improved over the years from 1.08 in 2013 to 1.19 in 2018. This depicts that the Company is liquid to pay-off its short-term debts on timely basis.

CAPITAL STRUCTURE RATIOS

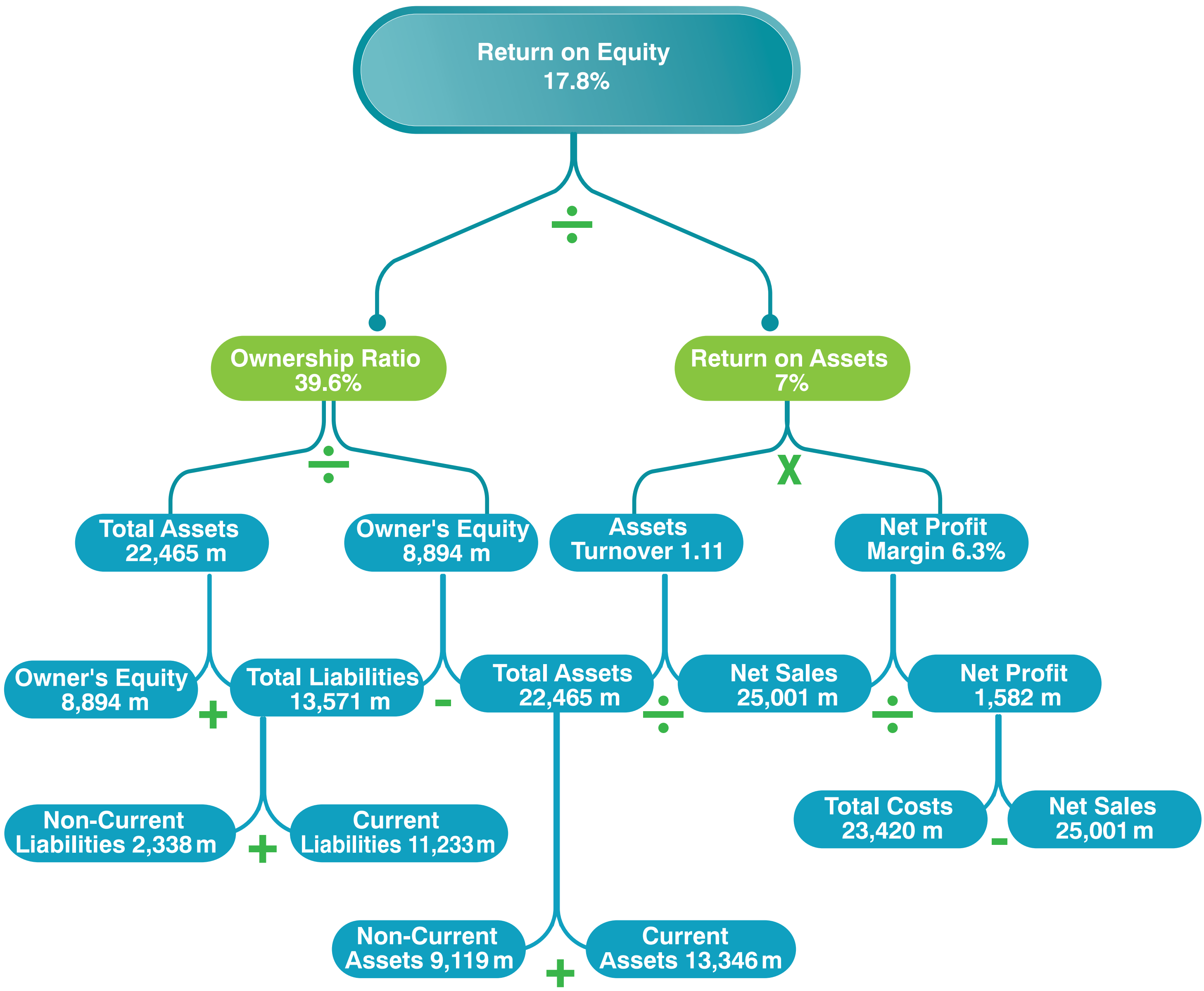
The gearing level of the Company demonstrated an upward trend as evidenced by an increasing financial leverage and Debt-to-equity ratio over the years.

ACTIVITY/ TURNOVER RATIOS

The operating cycle demonstrated a fluctuating trend over past six years ranging from 229 days in 2017, being the highest to 111 days in 2015, being the lowest.

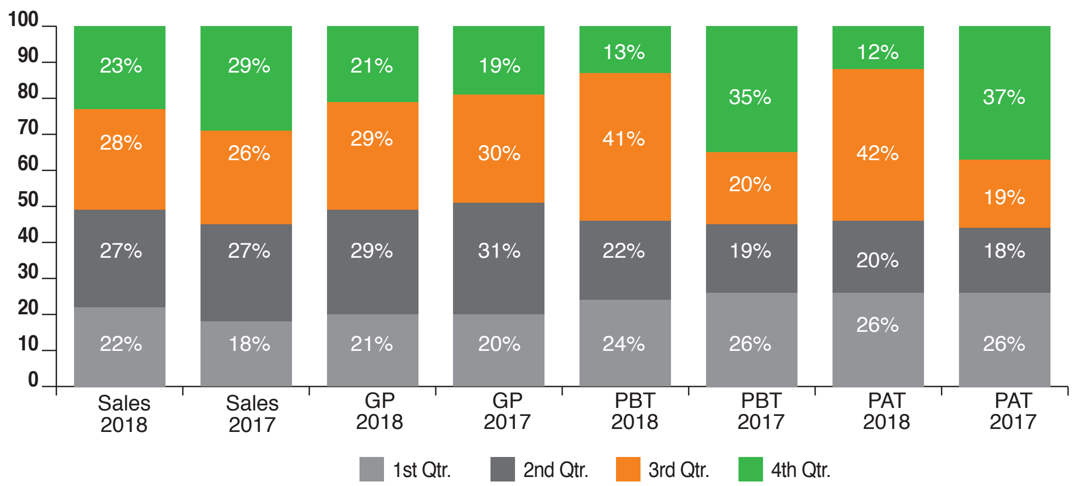
Fixed asset turnover improved from last year and stood at 4.3 times in contrast to 3.3 in 2017.

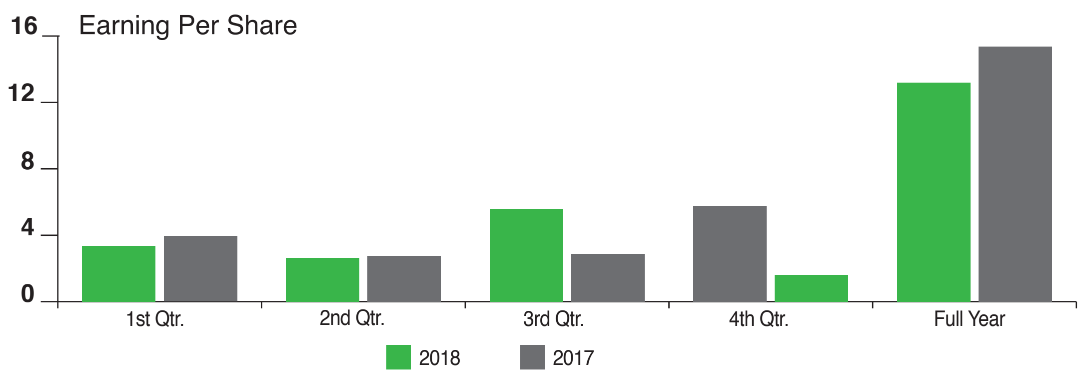
DuPont Analysis



Quarterly Performance Analysis

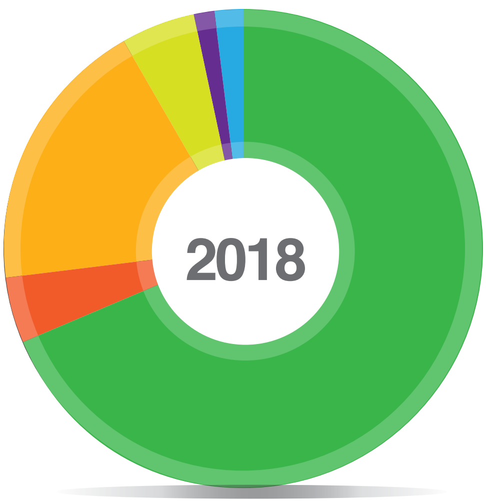
	2018									
	Q 1		Q 2		Q 3		Q 4		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	Rupees in million									
Revenue	5,396	100.0	6,772	100.0	6,909	100.0	5,924	100.0	25,001	100.0
Cost of sales	(4,724)	(87.5)	(5,815)	(85.9)	(5,932)	(85.9)	(5,225)	(88.2)	(21,696)	(86.8)
Gross Profit	**672**	**12.5**	**957**	**14.1**	**977**	**14.1**	**699**	**11.8**	**3,305**	**13.2**
Selling and distribution cost	(245)	(4.5)	(317)	(4.7)	(323)	(4.7)	(241)	(4.1)	(1,126)	(4.5)
Adminitration Cost	(67)	(1.2)	(83)	(1.2)	(80)	(1.2)	(68)	(1.2)	(298)	(1.2)
Operating Profit	**360**	**6.7**	**557**	**8.2**	**574**	**8.3**	**389**	**6.6**	**1,880**	**7.5**
Other expenses	(27)	(0.5)	(44)	(0.7)	(45)	(0.7)	(56)	(1.0)	(172)	(0.7)
Other income	304	5.6	72	1.1	454	6.6	53	0.9	883	3.5
EBIT	**638**	**11.8**	**585**	**8.6**	**983**	**14.2**	**385**	**6.5**	**2,591**	**10.4**
Finance cost	(115)	(2.1)	(117)	(1.7)	(97)	(1.4)	(112)	(1.9)	(442)	(1.8)
PBT	**522**	**9.7**	**468**	**6.9**	**886**	**12.8**	**274**	**4.6**	**2,149**	**8.6**
Taxation	(119)	(2.2)	(151)	(2.2)	(215)	(3.1)	(82)	(1.4)	(567)	(2.3)
PAT	**403**	**7.5**	**316**	**4.7**	**671**	**9.7**	**191**	**3.2**	**1,582**	**6.3**
EPS (Rupees)	**3.36**		**2.64**		**5.60**		**1.60**		**13.19**	

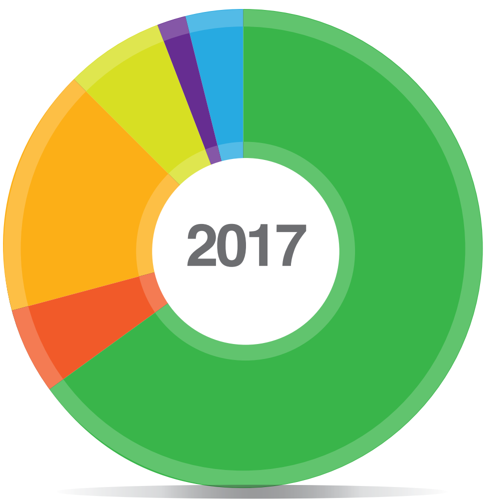




Statement of Value Addition

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales including sales tax	28,699,191	97.0	18,980,433	94.8
Other operating income	883,187	3.0	1,036,825	5.2
	29,582,378	100	20,017,258	100
Wealth Distributed				
Cost of material & services	20,359,264	68.8	13,054,453	65.2
To Employees				
Salaries & other related cost	1,323,508	4.0	1,136,230	6.0
To Government				
Taxes & Duties	5,344,382	18.1	3,242,145	16.2
Worker Profit Participation Fund	82,000	0.3	80,000	0.4
Worker Welfare Fund	33,000	0.1	32,000	0.2
	5,459,382	18.5	3,354,145	16.8
To Providers of Capital				
Dividend to shareholders	1,019,087	3.4	1,079,034	5.4
Finance cost	441,696	1.5	224,124	1.1
	1,460,783	4.9	1,303,158	6.5
To Society				
Donation	29,910	0.1	26,746	0.1
Retained in Business				
For replacement of fixed assets				
Depreciation & Amortization	386,879	1.3	379,149	1.9
To provide for growth: Retained Profit	562,652	1.9	763,377	3.8
	949,531	3.2	1,142,526	5.7
	29,582,378	100	20,017,258	100

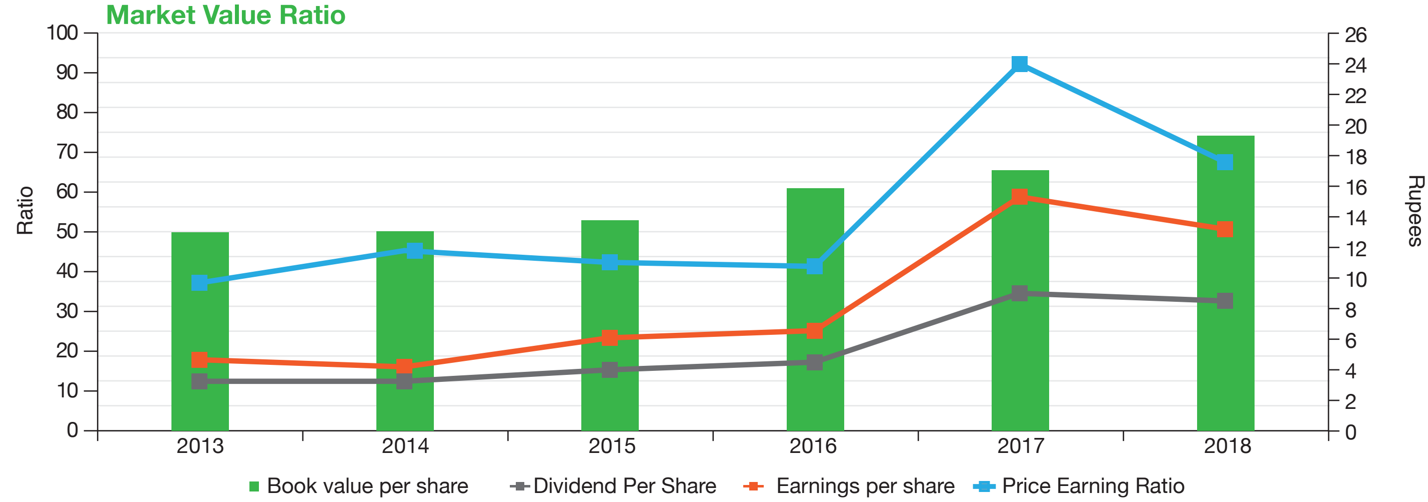




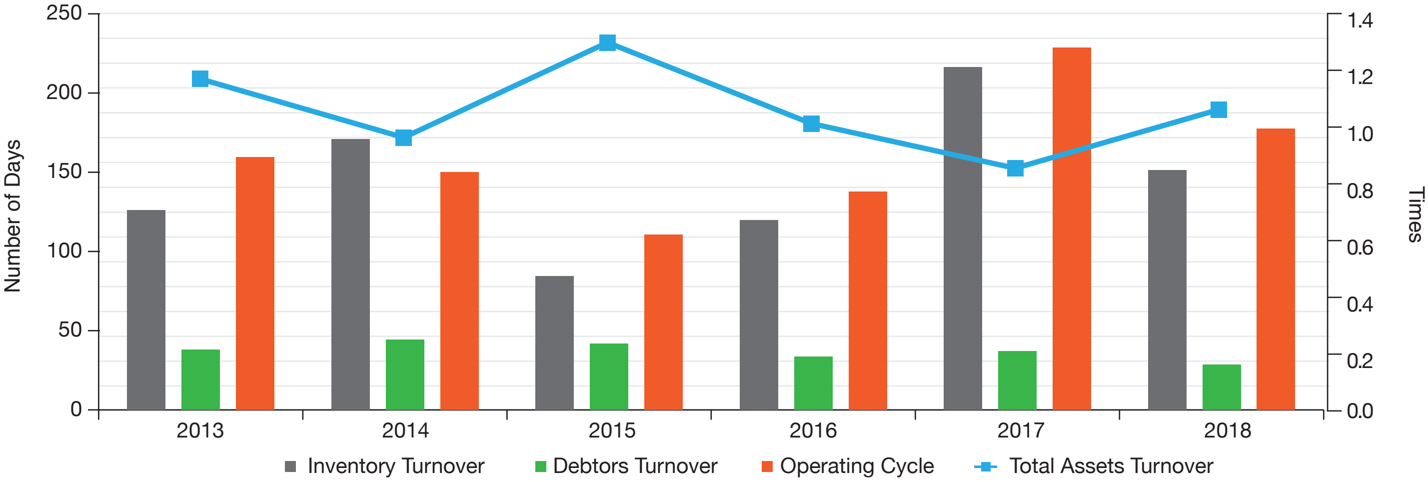
	2018	2017
Cost of material & services	68.8%	65.2%
To Employees	4.5%	5.7%
To Government	18.5%	16.8%
To Providers of Capital	4.9%	6.5%
To Society	0.1%	0.1%
Depreciation & Amortization	1.3%	1.9%
Retained Profit	1.9%	3.8%

Performance at a Glance

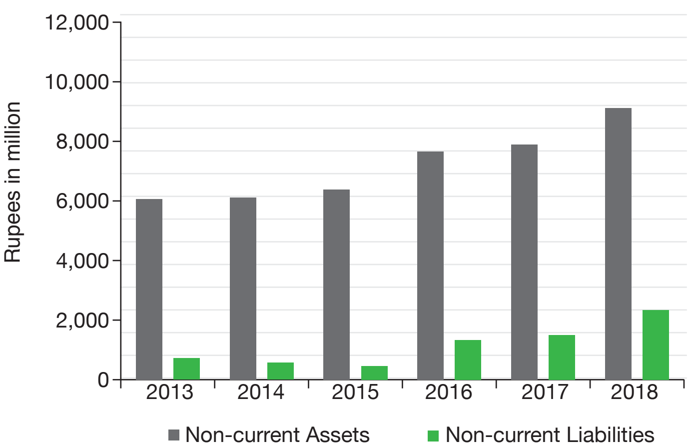
Market Value Ratio



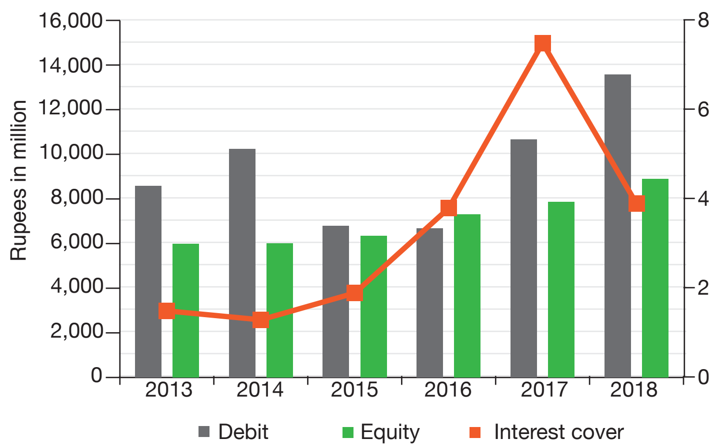
Asset Management Ratio



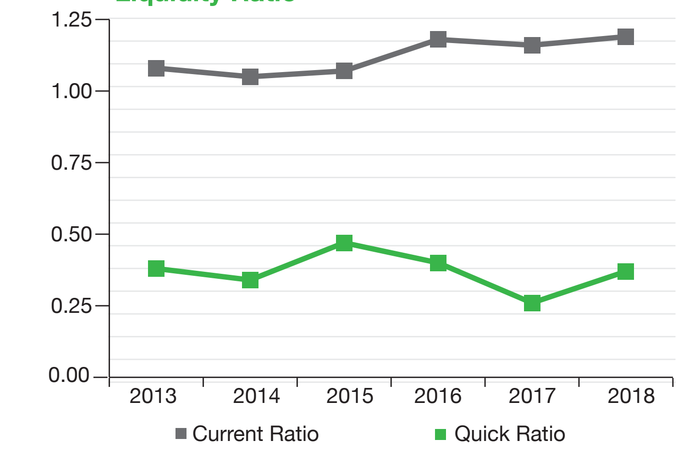
Non Current Assets and Non Current Liabilities



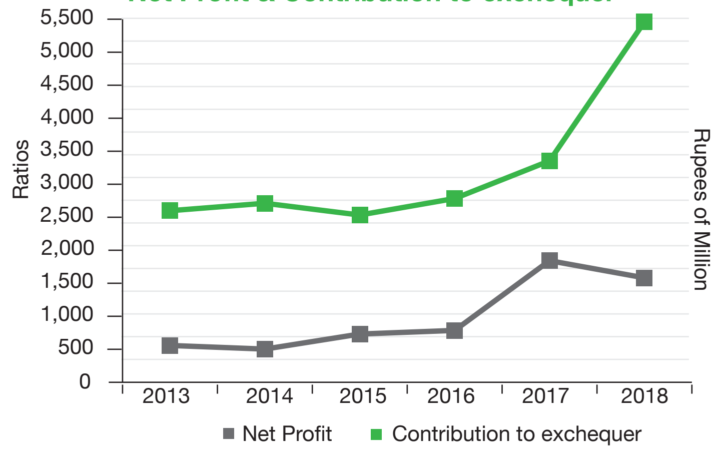
Debt Managemnet & Interest Cover Ratio



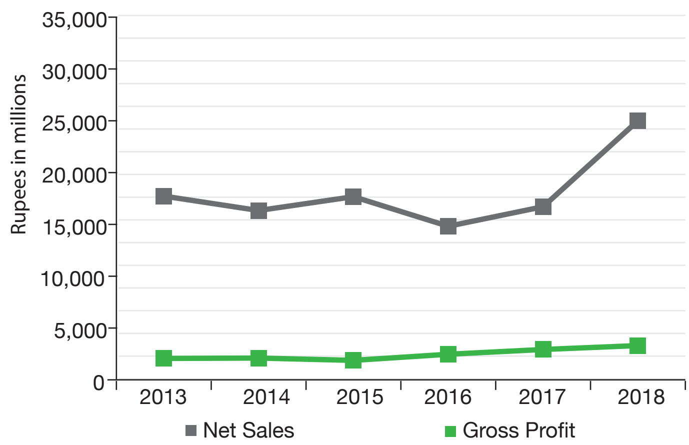
Liquidity Ratio



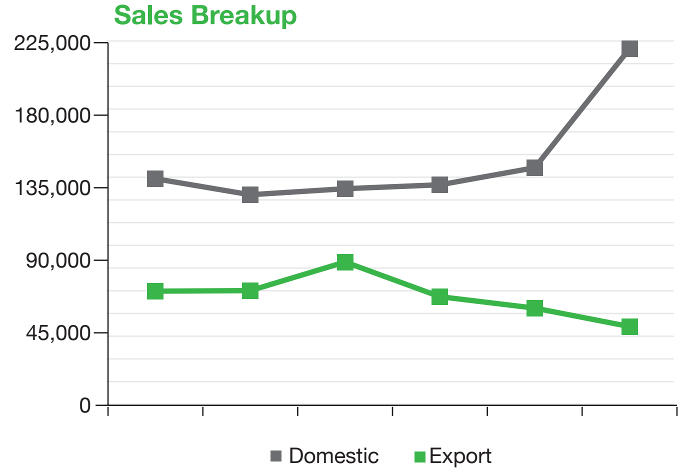
Net Profit & Contribution to exchequer



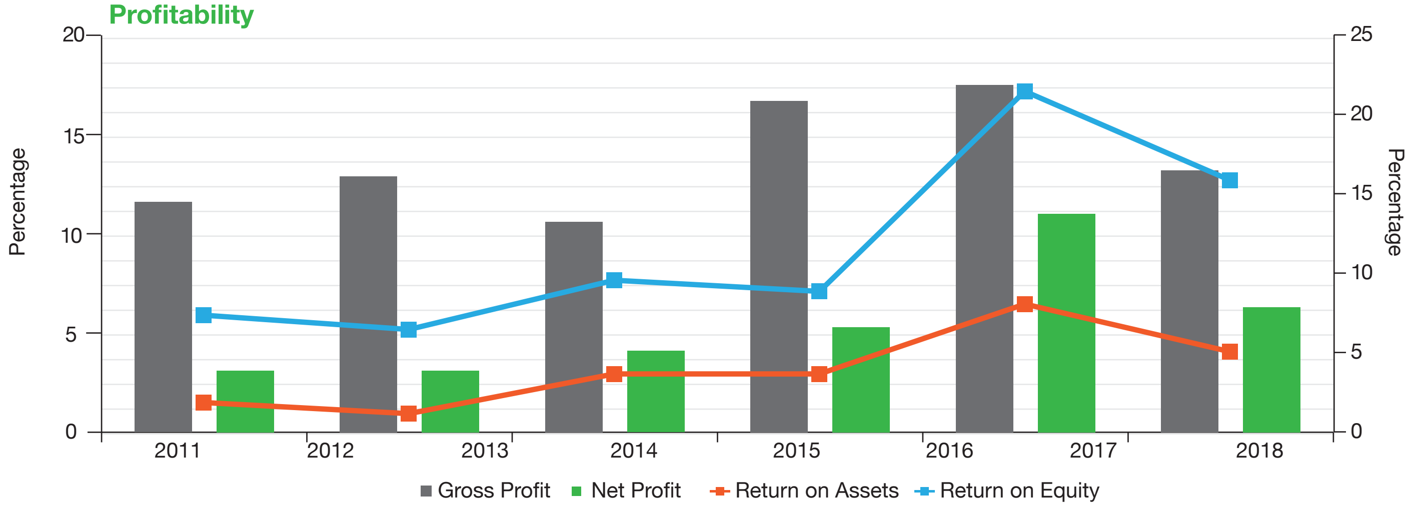
Net Sales and Gross Profit



Sales Breakup



Profitability



Share Price Sensitivity Analysis

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

INCREASE IN DEMAND

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

INCREASE IN VARIABLE COST

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

INCREASE/DECREASE IN STEEL PRICES

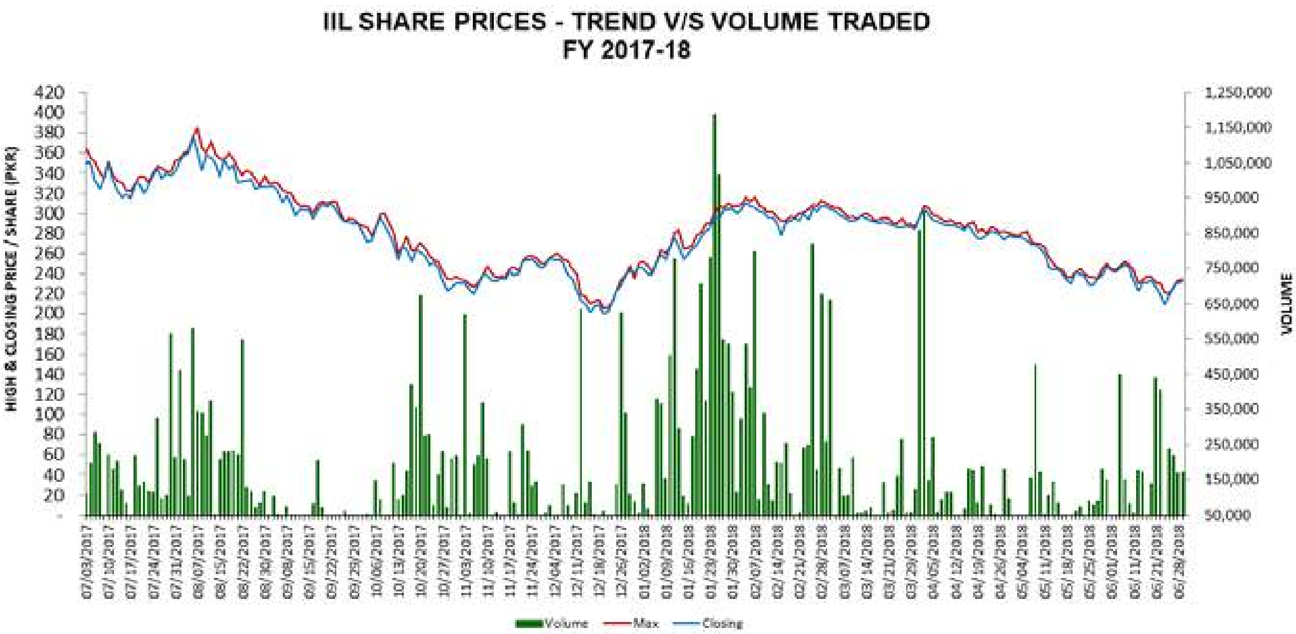
Cost of steel is a major component of the cost of the product. Stability in price which cannot be passed on to the customers will have an impact on profitability and the share price.

INCREASE IN FIXED COSTS

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

CHANGE IN GOVERNMENT POLICIES

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



Forward Looking Statement

Future Outlook

As per the World Steel Association's 2016 report, per capita steel consumption for 2016 indicated a world average of approximately 223 kg while Pakistan remained well below the world average by having a per capita steel consumption of 42 kg.

This signifies immense potential for growth in the domestic steel manufacturing and processing industry. Therefore, IIL remains highly invested in the steel industry and believes that rising energy, infrastructure and white goods demand will drive steel demand in the coming years.

However, IIL is cognizant of shifting market dynamics that may affect its business. In recent years, a shifting trend away from steel pipe and towards plastic pipe for water supply led to IIL's foray into PPRC pipes & fittings. The Company views this new business as an important part of its future strategy as the plastic pipe market for water supply is likely to grow. Bulk water supply utilizes large HDPE water pipe and IIL is proud to manufacture the largest HDPE water pipe is Pakistan at a diameter of 1600mm.

Similarly, an increase in professional construction techniques has driven the demand for steel scaffolding pipe. Whereas IIL has always been active in the provision of steel scaffolding pipe, the Company has recently commissioned a dedicated scaffolding line to ensure that it is poised to meet this increase in demand.

Additionally, the Company has made a significant investment in a large diameter pipe mill that can manufacture square, round & rectangular hollow structural sections (HSS). These are the construction products of the future as it is quicker and therefore cheaper to construct steel structures – as is seen all around the world.

The requirement of major infrastructural developments in the country, coupled with Nation-friendly and business-friendly policies expected by the current government, leads IIL to expect considerable demand for its steel and plastic products. This stands only to be bolstered by enhanced demand for CPEC and ancillary projects.

During the year, IIL saw considerable success in penetrating new export markets in the GCC and South-East Asia and continues to foresee growth in key export regions such as Australia. The Company will, of course, continue to seek out new export markets for its products.

To support its expected growth, IIL has invested in enhancing its brand awareness amongst key target audiences and has bolstered its teams by hiring capable and driven people according to business requirements.

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

1. Our new Hollow Structural Sections (HSS) and API pipe mill has been fully operational for the last 2 years. The mill has been booked during the current year servicing API orders for local gas utility companies and piling pipe orders for our international customers. The mill is API certified and will be instrumental in fulfilling Pakistan's requirement of API pipes for gas and LNG distribution.
2. Our new scaffolding mill ordered last year has been commissioned and will enable us to produce high strength steel scaffolding pipe in various grades in order to meet specialized requirements.
3. Our PPRC manufacturing plant in Sheikhupura is fully operational and its capacity is currently being doubled. Management, sales, planning and production teams are in place and comprehensive marketing campaigns on print and electronic media have been undertaken with more in the pipeline.
4. Our Stainless Steel business and IIL Australia Pty Ltd. are now both past their initial teething phases and are being managed by independent and competent professionals. Australia has been one of our top performing international markets over the past 2 years and our brand is now well-established in the country. For our line of stainless steel products, in addition to doubling our production capacity we have also expanded our product range to include auto grade muffler pipes and ornamental grade squares and rectangles in order to further diversify our product range and totally eliminate imports of this product into Pakistan.
5. The commissioning of two new HDPE extruders in 2017-18 and the expansion in process is a momentous occasion for the company. With these investments the company will possesses the largest HDPE pipe product range and capacity in Pakistan, with operations in Karachi and Sheikhupura.
6. Our subsidiary International Steels Ltd also completed its capacity enhancement and became the first company in Pakistan to have a manufacturing capacity of one million tons of steel.

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

   It is a matter of pride that all the new business undertakings mentioned in our report last year have not only been commissioned but a majority of them are again undergoing large capacity enhancements. This in itself is a testament to their successful operation. However, we are always on the lookout for further diversification into innovative ventures that can add value to our shareholders.

Sources of information:

IIL has quoted figures from the World Steel Association Report (2016) and has used various assumptions made through market surveys, discussions with industry professionals, internal assessments and research made through various mediums. IIL regularly utilizes the services of external consultants including during the establishment of its PPRC Pipes & Fittings facility and during the commissioning of its mills as and when required.

Financial Statements

Independent Auditor's Report

To the members of International Industries Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **International Industries Limited** (the Company), which comprise the statement of financial position as at **30 June 2018**, 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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	**Revenue recognition** Refer notes 4.10, 23 and 38.1 to the financial statements. The Company generates revenue from sale of goods to domestic as well as export customers. Export sales and sales to related parties represent 15% and 6% of total sales respectively. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and • inspecting credit notes issued to record sales returns subsequent to year end, if any.

S. No.	Key audit matters	How the matters were addressed in our audit
2.	**Valuation of Trade Debts** Refer notes 4.4.1.1 and 11 to the financial statements. As at 30 June 2018, the Company's gross trade debtors was Rs. 2,459 million against which allowances for doubtful debts of Rs. 140 million were recorded. We identified the recoverability of trade debtors as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment.	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • assessing the assumptions and estimates made by the management for the provision for doubtful debts; • comparing, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade debtor balances as at 30 June 2018 with the underlying documentation; and • assessing the historical accuracy of management's process for making allowances for doubtful debts by examining the utilization or release of allowances recorded as at 30 June 2017 and new allowances made in the current year in respect of trade debtors as at 30 June 2018.
3.	**Valuation of Stock-in-trade** Refer notes 4.6, 10 and 38.1 to the financial statements. Inventory forms a significant part of the Company's assets. During the year 43% of raw materials were purchased by the Company from a related party. We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • comparing on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if any; • comparing calculations of the allocation of directly attributable costs with the underlying supporting documents; • obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.

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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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.

Other Matters

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

KPMG Taseer Hadi & Co.

Date: 16 August 2018
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Statement of Financial Position

As at 30 June 2018

	Note	2018	2017 (Restated)	2016 (Restated)
		(Rupees in '000)		
ASSETS				
Non-current assets				
Property, plant and equipment	6	5,769,659	5,088,085	4,852,292
Intangible assets	7	8,635	15,509	13,141
Investments	8	3,277,276	2,742,705	2,742,705
Long term deposits		62,994	51,475	46,166
		9,118,564	7,897,774	7,654,304
Current assets				
Stores and spares	9	152,299	107,381	132,502
Stock-in-trade	10	9,004,552	8,164,856	4,058,092
Trade debts - considered good	11	2,318,876	1,981,679	1,624,603
Advances, trade deposits and short-term prepayments	12	1,065,827	72,046	166,644
Receivable from K-Electric Limited (KE) - unsecured, considered good		19,965	18,102	8,498
Other receivables	13	4,705	344	28,553
Sales tax receivable		518,397	266,817	-
Taxation	14	-	-	287,663
Cash and bank balances	15	261,865	7,279	15,822
		13,346,486	10,618,504	6,322,377
Total assets		22,465,050	18,516,278	13,976,681
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorised capital				
200,000,000 (2017: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000	2,000,000
Shares capital				
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926	1,198,926
Revenue reserve				
General reserve		2,700,036	2,700,036	2,700,036
Un-appropriated profit		3,037,210	1,942,475	1,303,533
Capital reserve				
Revaluation surplus on property, plant and equipment	17	1,958,211	2,017,384	2,104,009
Total Shareholders' equity		8,894,383	7,858,821	7,306,504
LIABILITIES				
Non-current liabilities				
Long term financing - secured	18	1,968,534	1,178,347	1,038,054
Staff retirement benefits	33	146,253	85,121	44,835
Deferred taxation	19	222,840	230,208	249,261
		2,337,627	1,493,676	1,332,150
Current liabilities				
Trade and other payables	20	2,315,595	2,732,459	1,841,871
Short term borrowings - secured	21	8,309,557	5,899,407	3,243,249
Unpaid dividend		14,218	244,225	-
Unclaimed dividend		23,854	19,075	17,033
Current portion of long term financing- secured	18	180,919	109,707	158,205
Sales tax payable		-	-	37,213
Taxation	14	310,225	96,337	-
Accrued mark-up		78,672	62,571	40,456
		11,233,040	9,163,781	5,338,027
Total liabilities		13,570,667	10,657,457	6,670,177
Contingencies and commitments	22			
Total equity and liabilities		22,465,050	18,516,278	13,976,681

The annexed notes from 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Statement of Profit and Loss Account

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees in '000)	
Net sales	23	25,001,283	16,706,963
Cost of sales	24	(21,696,355)	(13,776,683)
Gross profit		3,304,928	2,930,280
Selling and distribution expenses	25	(1,126,456)	(873,269)
Administrative expenses	26	(298,399)	(296,562)
		(1,424,855)	(1,169,831)
Finance cost	27	(441,696)	(224,124)
Other operating charges	28	(172,475)	(179,739)
		(614,171)	(403,863)
Other income	29	883,187	1,036,825
Profit before taxation		2,149,089	2,393,411
Taxation	30	(567,350)	(551,000)
Profit after taxation for the year		1,581,739	1,842,411
		(Rupees)	
Earnings per share - basic and diluted	31	13.19	15.37

The annexed notes from 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees in '000)	
Profit for the year		1,581,739	1,842,411
Other comprehensive income			
Items that will not be subsequently reclassified to profit and loss account			
Remeasurements of net defined benefit liability		(61,132)	(40,286)
Related tax		17,728	9,065
		(43,404)	(31,221)
Effect of change in tax rates on balance of revaluation on property, plant and equipment	17.2	(9,821)	-
Other comprehensive income for the year - net of tax		(53,225)	(31,221)
Total comprehensive income for the year		1,528,514	1,811,190

The annexed notes from 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Cash Flow Statement

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,149,089	2,393,411
Adjustments for:			
Depreciation	6.2	380,005	374,398
Amortisation	7.1.2	6,874	4,751
Provision for doubtful debts - net		(10,000)	48,354
Provision for staff gratuity	33.2	35,192	28,887
Provision for compensated absences		6,050	6,000
Income on bank deposits	29	(1,400)	(1,085)
Gain on disposal of property, plant and equipment	29	(71,739)	(24,283)
Dividend income		(629,676)	(950,495)
Finance cost	27	441,696	224,124
		2,306,091	2,104,062
Changes in:			
Working capital	32	(2,880,574)	(3,788,092)
Long term deposits		(11,519)	(5,309)
Net cash used in operations		(586,002)	(1,689,339)
Finance cost paid		(425,595)	(202,009)
Income on bank deposit		1,400	1,085
Payment for staff gratuity	33.2	(35,192)	(28,887)
Payment for compensated absences		(5,736)	(5,220)
Income tax (paid) / refund		(352,923)	(176,988)
Net cash used in operating activities		(1,404,048)	(2,101,358)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,069,508)	(620,476)
Acquisition of intangible assets		-	(15,851)
Investment in an associated company	8	(684,571)	-
Amalgamation of wholly owned subsidiary company		150,000	-
Proceeds from disposal of property, plant and equipment		79,668	43,300
Dividend income received		629,676	950,495
Net cash (used in) / generated from investing activities		(894,735)	357,468
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		971,106	250,000
Repayment of long term financing		(109,707)	(158,205)
Proceeds from / (repayments of) short term borrowings - net		297,413	2,932,455
Dividends paid		(704,798)	(1,012,606)
Net cash generated from / (used in) financing activities		454,014	2,011,644
Net decrease in cash and cash equivalents		(1,844,769)	267,754
Cash and cash equivalents at beginning of the year		(519,591)	(787,345)
Transfer upon merger		(13,382)	-
Cash and cash equivalents at end of the year		(2,377,742)	(519,591)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	15	261,865	7,279
Short term borrowings - running finance (secured)	21	(2,639,607)	(526,870)
		(2,377,742)	(519,591)

The annexed notes from 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik	Nadir Akbarali Jamal	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Issued, subscribed and paid up capital	Revenue reserves: General reserve	Revenue reserves: Un-appropriated profit	Capital Reserves: Revaluation surplus on property, plant & equipment	Total
		(Rupees in '000)				
Balance as at 01 July 2016 - as previously reported		1,198,926	2,700,036	1,303,533	-	5,202,495
Impact of change in accounting policy - net of tax	5	-	-	-	2,104,009	2,104,009
Balance as at 01 July 2016 - as restated		1,198,926	2,700,036	1,303,533	2,104,009	7,306,504
Profit for the year		-	-	1,842,411	-	1,842,411
Other comprehensive income for the year		-	-	(31,221)		(31,221)
Total comprehensive income for the year		-	-	1,811,190	-	1,811,190
Transactions with owners recorded directly in equity - distributions						
Dividend:						
- Final dividend at 35% (i.e. Rs. 3.50 per share) for the year ended 30 June 2016		-	-	(419,624)	-	(419,624)
- 1st Interim dividend at 25% (i.e. Rs. 2.50 per share) for the year ended 30 June 2017		-	-	(299,732)	-	(299,732)
- 2nd Interim dividend at 45% (i.e. Rs. 4.50 per share) for the year ended 30 June 2017		-	-	(539,517)	-	(539,517)
Total transactions with owners of the Company - distributions		-	-	(1,258,873)	-	(1,258,873)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of tax		-	-	8,321	(8,321)	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax		-	-	78,304	(78,304)	-
Balance as at 30 June 2017 - as restated		1,198,926	2,700,036	1,942,475	2,017,384	7,858,821
Balance as at 30 June 2017 as previously reported		1,198,926	2,700,036	1,942,475	-	5,841,437
Effect of change in accounting policy				-	2,017,384	2,017,384
Balance as at 1 July 2017		1,198,926	2,700,036	1,942,475	2,017,384	7,858,821
Profit for the year		-	-	1,581,739	-	1,581,739
Transfer upon merger		-	-	(13,382)	-	(13,382)
Other comprehensive income for the year		-	-	(43,404)	(9,821)	(53,225)
Total comprehensive income for the year		-	-	1,524,953	(9,821)	1,515,132
Transactions with owners recorded directly in equity - distributions						
Dividend:						
- Final dividend at 20% (i.e. Rs. 2.00 per share) for the year ended 30 June 2017		-	-	(239,785)	-	(239,785)
- 1st Interim dividend at 20% (i.e. Rs. 2.00 per share) for the year ended 30 June 2018		-	-	(239,785)	-	(239,785)
Total transactions with owners of the Company - distributions		-	-	(479,570)	-	(479,570)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of tax		-	-	765	(765)	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax		-	-	48,587	(48,587)	-
Balance as at 30 June 2018		**1,198,926**	**2,700,036**	**3,037,210**	**1,958,211**	**8,894,383**

The annexed notes from 1 to 44 form an integral part of these financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Notes to the Financial Statements

For the year ended 30 June 2018

1 STATUS AND NATURE OF BUSINESS

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

The manufacturing facilities of the Company are situated as follows:

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

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

Details of the Company's investment in subsidiaries and associated company are stated in note 8 to these financial statements.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

a) On 25 January 2018, the Board of Directors of the Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiary, IIL Stainless Steels (Private) Limited with and into the Company. As such, as of the Completion Date of 31 March 2018, the entire undertaking of IIL Stainless Steels (Private) Limited will stand merged with and into the Company. As a result as on 31 March 2018, the entire business of IIL Stainless Steels (Private) Limited including its properties, assets, liabilities and rights and obligations vested into the Company. Since IIL Stainless Steels (Private) Limited was a group company under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of IIL Stainless Steels (Private) Limited are included in the financial statements of the Company at the same carrying values as recorded in IIL Stainless Steels (Private) Limited's own financial statements as on 31 March 2018. The results and the statement of financial position of IIL Stainless Steels (Private) Limited are consolidated prospectively from the date of merger.

b) Due to the first time application of financial reporting requirements under the Companies Act, 2017 (the Act) including disclosure and presentation requirements of the fourth schedule of the Act, some of the amounts reported for the previous period have been reclassified as detailed in note 43 to these financial statements.

c) During the year the Company acquired 122 kanals of land in Sheikhupura for future expansion and for building manufacturing facility for the new product line of polyethylene pipes and PPRC pipes & fittings and further purchased plant and machinery for the same product facility (refer note 6.1)

d) During the year, the Company made a further investment in the ordinary shares of Pakistan Cables Limited, an associated company (refer note 8.2)

e) The Company declared an interim dividend of 20% (i.e. Rs. 2.00 per share) on 25 January 2018 for the year ended 30 June 2018.

f) During the year, the company has obtained new long term loan facilities amounting to Rs. 800 million, Rs. 100 million and an other Rs.100 million from MCB Bank. (refer note 18.1)

g) The accounting policy relating for revaluation of property, plant and equipment changed during the year as detailed in note 5 to these financial statements.

h) For a detailed discussion about the Company's performance please refer to the Directors' report accompanied in the annual report of the Company for the year ended 30 June 2018.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017.

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

3.2 Basis of measurement

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

3.3 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.

3.4 Use of estimates and judgments

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

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

- Property, plant and equipment and Intangible assets (notes 4.1 and 4.2).
- Trade debts and other receivables (note 4.4.1.1)
- Derivative financial instruments (note 4.4.3 and 4.4.4)
- Stores and spares (note 4.5)
- Stock-in-trade (note 4.6)
- Taxation (note 4.7)
- Staff retirement benefits (note 4.8)
- Impairment (note 4.12)
- Provisions (note 4.13)
- Contingent liabilities (note 4.14)

3.5 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- IAS 7, 'Statement of Cash Flows' amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these financial statements.

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation of operating fixed assets as more fully explained in note 5, change in nomenclature of primary statements etc. Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures which have been included in these financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company.

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

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

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

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

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements except as disclosed in note 5 to these financial statements:

4.1 Property, plant and equipment

4.1.1 Operating assets and depreciation

Initial Recognition

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

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

Measurement

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

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

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

(c) Borrowing costs, if any.

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

Subsequent expenditure

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

Depreciation

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

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

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

Revaluation surplus

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

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation of property, plant and equipment. Previously, the Company’s accounting policy was in accordance with the provisions of the repealed Companies Ordinance 1984. Those provisions and resultant previous policy of the Company was not in alignment with the accounting treatment and presentation of revaluation of property, plant and equipment as prescribed in IAS 16 'Property, plant and Equipment'. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation of property, plant and equipment, accordingly the Company has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 5 to these financial statements.

Gains and losses on disposal

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

4.1.2 Capital work-in-progress

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

4.2 Intangible assets

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

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

Infinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

a) These are stated at cost less accumulated amortisation and impairment, if any.

b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 7).

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

4.3 Investments

Investments in subsidiaries

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

Investments in associates

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

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

4.4 Financial Instruments

4.4.1 Non-derivative Financial assets

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

4.4.1.1 Trade debts, advances and other receivables

Trade debts, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written-off.

4.4.1.2 Cash and cash equivalents

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

4.4.2 Financial Liabilities

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

4.4.2.1 Mark-up bearing borrowings and borrowing costs

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

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

4.4.2.2 Trade and other payables

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

4.4.3 Derivative financial instruments - other than hedging

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

4.4.4 Derivative financial instruments - cash flow hedges

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

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

4.4.5 Offsetting of financial assets and financial liabilities

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

4.5 Stores and spares

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

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

4.6 Stock-in-trade

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

4.7 Taxation

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

Current

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

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

Deferred tax

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

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

4.8 Staff retirement benefits

4.8.1 Defined benefit plan

The Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year (except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at one month's basic salary (eligible salary) for each completed year of service. For executives and officers having total service of less than twenty years, the benefit is available at half month's basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at one month's gross salary less conditional allowances (eligible salary) for each completed year of service. The Company's obligation is determined through actuarial valuations carried out under the 'Projected Unit Credit Method'. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognised in profit and loss account. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

4.8.2 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 profit and loss account.

4.8.3 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.

4.9 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 profit and loss account currently.

4.10 Revenue recognition

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

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

- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited.

- Toll manufacturing / Partial manufacturing income is recognised when related services are rendered.

- Dividend income is recognised when the right to receive payment is established.

- Gains / losses arising on sale of investments are included in the Profit and Loss Account in the period in which they arise.

- Service income is recognised when related services are rendered.

4.11 Income on bank deposits and finance cost

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

4.12 Impairment

4.12.1 Financial assets

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

4.12.2 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 profit and loss account.

4.13 Provisions

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

4.14 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.

4.15 Segment reporting

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

4.16 Dividend and appropriation to / from reserves

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

5 CHANGE IN ACCOUNTING POLICY

Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment' as applicable in Pakistan. Consequently, the Company changed its accounting policy for the revaluation of property, plant and equipment in accordance with the requirement of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for revaluation of property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation of property,plant and equipment have been changed to bring it in conformity with the requirement of IAS 16 "Property, Plant and Equipment" as explained in note 4.1 to these financial statements. Further, the revaluation surplus on property; plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', the above explained changes in accounting policy has been accounted for retrospectively, with the restatement of the comparative information. As a result, a third statement of financial position as at the beginning of the preceding period is presented (i.e. 1 July 2016).

Statement of Financial Position

Retrospective impact of change in accounting policy

	As at 1 July 2016			30 June 2017		
	As previously reported on 30 June 2016	Adjustments Increase/ (Decrease)	As restated on 1 July 2016	As previously reported on 30 June 2017	Adjustments Increase/ (Decrease)	As restated on 1 July 2017
	(Rupees in '000)					
Revaluation surplus on property, plant and equipment (within equity)	-	2,104,009	2,104,009	-	2,017,384	2,017,384
Unappropriated profit	4,003,569	-	4,003,569	4,642,511	-	4,642,511
Net impact on equity	4,003,569	2,104,009	6,107,578	4,642,511	2,017,384	6,659,895
Revaluation surplus on property, plant and equipment (below equity)	2,104,009	(2,104,009)	-	2,017,384	(2,017,384)	-
	2,104,009	(2,104,009)	-	2,017,384	(2,017,384)	-

The effect of the change in recognition and presentation of Rs. 1,958.211 million for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of revaluation surplus of property, plant and equipment of Rs. 1,958.211 million, previously presented below equity in the statement of financial position as at 30 June.

There was no change in the reported amount of profit and loss account and other comprehensive income as there was no decrease in the carrying amount of asset as a result of revalution except the retrospective effect stated above for the year ended 30 June 2018. There was no cash flow impact as a result of the retrospective application of change in accounting policy and no impact on basic and diluted earnings per share for the year ended 30 June 2017 and 30 June 2018.

6 PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in '000)	
Operating assets	6.1	5,604,624	4,999,661
Capital work-in-progress (CWIP)	6.7	146,098	82,931
Stores and spares held for capital expenditures - at cost		18,937	5,493
		5,769,659	5,088,085

6.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2017								
Cost / revalued amount	528,791	1,501,234	258,726	969,726	3,917,123	102,580	140,047	7,418,227
Accumulated depreciation	-	-	(15,142)	(111,697)	(2,132,268)	(86,629)	(72,830)	(2,418,566)
Net book value (NBV)	528,791	1,501,234	243,584	858,029	1,784,855	15,951	67,217	4,999,661
Additions / adjustments / transfers from CWIP	-	281,509	12,717	161,882	404,178	8,178	42,154	910,618
Transfer upon merger	-	-	-	-	104,118	-	-	104,118
Disposals								
- Cost	-	-	(267)	(1,396)	(56,872)	(4,685)	(21,302)	(84,522)
- Accumulated depreciation	-	-	50	136	53,201	4,588	18,618	76,593
	-	-	(217)	(1,260)	(3,671)	(97)	(2,684)	(7,929)
Transfer upon merger	-	-	-	-	(21,839)	-	-	(21,839)
Depreciation charge	-	-	(16,599)	(81,825)	(247,939)	(5,988)	(27,654)	(380,005)
Balance as at 30 June 2018 (NBV)	**528,791**	**1,782,743**	**239,485**	**936,826**	**2,019,702**	**18,044**	**79,033**	**5,604,624**
Gross carrying value as at 30 June 2018								
Cost / revalued amount	528,791	1,782,743	271,176	1,130,212	4,368,547	106,073	160,899	8,348,441
Accumulated depreciation	-	-	(31,691)	(193,386)	(2,348,845)	(88,029)	(81,866)	(2,743,817)
Net book value	**528,791**	**1,782,743**	**239,485**	**936,826**	**2,019,702**	**18,044**	**79,033**	**5,604,624**
Depreciation rates (% per annum)	**-**	**-**	**2 - 50**	**2 - 50**	**3 - 50**	**10 - 33.3**	**20**	
Balance as at 1 July 2016								
Cost / revalued amount	528,791	1,486,693	240,984	897,833	3,511,775	94,430	126,164	6,886,670
Accumulated depreciation	-	-	-	-	(1,958,231)	(81,400)	(62,073)	(2,101,704)
Net book value (NBV)	528,791	1,486,693	240,984	897,833	1,553,544	13,030	64,091	4,784,966
Additions / transfer from CWIP	-	14,541	33,883	71,893	447,978	8,807	31,008	608,110
Surplus on revaluation	-	-	-	-	-	-	-	-
Disposals								
- Cost	-	-	(16,141)	-	(42,630)	(657)	(17,125)	(76,553)
- Accumulated depreciation	-	-	1,248	-	41,506	608	14,174	57,536
	-	-	(14,893)	-	(1,124)	(49)	(2,951)	(19,017)
Depreciation charge	-	-	(16,390)	(111,697)	(215,543)	(5,837)	(24,931)	(374,398)
Balance as at 30 June 2017 (NBV)	528,791	1,501,234	243,584	858,029	1,784,855	15,951	67,217	4,999,661
Gross carrying value as at 30 June 2017								
Cost / revalued amount	528,791	1,501,234	258,726	969,726	3,917,123	102,580	140,047	7,418,227
Accumulated depreciation *	-	-	(15,142)	(111,697)	(2,132,268)	(86,629)	(72,830)	(2,418,566)
Net book value	528,791	1,501,234	243,584	858,029	1,784,855	15,951	67,217	4,999,661
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

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

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

	Note	2018	2017
		(Rupees in '000)	
Cost of sales	24	348,964	343,915
Selling and distribution expenses	25	11,321	10,974
Administrative expenses	26	13,956	15,042
Power Generation	29	5,764	4,467
		380,005	374,398

6.3 The revaluation of freehold land, leasehold land and buildings thereon was carried out as of 30 June 2016 latest by MYK Associates (Private) Limited (an independent valuer who is located in Karachi) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction, net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus amounting to Rs. 676 million which was incorporated in the books of the Company as at 30 June 2016.

The carrying amount of the aforementioned assets as at 30 June 2018, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	141,962	-	141,962
Leasehold land	662,846	-	662,846
Buildings	958,437	(376,960)	581,477
As at 30 June 2018	**1,763,245**	**(376,960)**	**1,386,285**
As at 30 June 2017	1,307,793	(342,901)	964,892

6.4 Forced Sales Value of leasehold land and building on leasehold land is Rs. 1,279.45 million and 617.45 million respectively.

6.4.1 Forced Sales Value of leasehold land and building on leasehold land at Sheikhupura is Rs. 488.751 million and 234.618 million respectively.

6.4.2 Forced Sales Value of freehold land and building on freehold land is Rs. 450 million and 236.75 million respectively.

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

Particulars	Location	Total Area
Leasehold Land (Manufacturing plant)	Plot no.LX15-16, HX-7/4 Landhi Industrial Estate Karachi	123,858.13 Sq. Yd
Leasehold Land (Manufacturing plant)	22 KM Sheikhupura Road, Mouza Khanpur Nabipur Tehsil Ferozpur Distirct Sheikhupura.	145,452.52 Sq. Yd

Particulars	Location	Total Area
Freehold Land (Manufacturing plant)	SurveyNos.402,405-406, Deh Sharabi, Landhi Town, City District Government, Karachi	48,400.00 Sq. Yd
Office Premises	Office No.101-105, 1st Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	13,675.62 Sq. Ft
Sales Office Premises	Chinoy House, 2nd and 3rd Floor Off Thornton Road, Hadbast Mouza Khas District Lahore	2,453 Sq. Ft
Sales Godown	Plot bearing No.NEIR-61 Khasra No.3303 - 3308, Hadbast Mouza Naulakha GT Road Lahore	6,295 Sq. Ft
Sales Godown	Plot bearing No.47, Khasra Nos.298/1, 2978/1 Ghoray Shah Road, Hadbast Mouza Khoi Meran District Lahore	6,215 Sq. Ft

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

Asset category	Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Sale proceeds	Mode of disposal	Particulars of buyer	Relationship with buyer
		(Rupees in '000)							
Buildings	Buildings	1,397	136	1,261	3,184	1,923	Negotiation	M/s. Arshad Bros.	None
Plant and machinery	Gear Boxes E-38A	5,000	4,357	643	724	81	Negotiation	M/s. Rahim / Arshad	None
	3 ton DG Bridge	2,221	1,556	665	1,076	411	Negotiation	M/s. Modilina Ent.	None
Vehicles	Toyota Corolla	2,554	128	2,426	-	(2,426)	Company's Policy	Mr. Pervaiz Ibrahim	Employee
		11,172	6,177	4,995	4,984	(11)			

6.7 Capital work-in-progress (CWIP)

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

	2017			
	Cost			
	As at 1 July 2016	Additions / Adjustments	Transfers / Adjustments	As at 30 June 2017
	(Rupees in '000)			
Leasehold land	3,585	10,956	(14,541)	-
Buildings on freehold land	7,959	26,885	(33,883)	961
Buildings on leasehold land	11,259	66,189	(71,893)	5,555
Plant and machinery	40,495	483,251	(447,978)	75,768
Furniture, fixtures and office equipment	1,731	7,723	(8,807)	647
Vehicles	-	31,008	(31,008)	-
	65,029	626,012	(608,110)	82,931

7 INTANGIBLE ASSETS

	Note	2018	2017
		(Rupees in '000)	
Operating intangible assets	7.1	7,555	14,429
Capital work-in-progress (CWIP)	7.2	1,080	1,080
		8,635	15,509

7.1 Operating intangible assets

	Note	2018	2017
Net book value as at 1 July		14,429	3,329
Additions		-	15,851
Amortisation	7.1.2	(6,874)	(4,751)
Net book value as at 30 June		7,555	14,429
Gross carrying value as at 30 June			
Cost		74,940	74,940
Accumulated amortisation		(67,385)	(60,511)
Net book value		7,555	14,429
		Percent	
Amortisation rate (per annum)		33.33	33.33

7.1.1 Intangible assets comprise of computer software and licenses.

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

	Note	2018	2017
		(Rupees in '000)	
Cost of sales	24	**2,928**	1,935
Selling and distribution expenses	25	**1,829**	1,161
Administrative expenses	26	**2,117**	1,655
		6,874	4,751

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

8 INVESTMENTS

2018	2017		Note	2018	2017
(Number of shares)				(Rupees in '000)	
Quoted Companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company, at cost	8.1	**2,450,555**	2,450,555
6,092,470	2,425,913	Pakistan Cables Limited (PCL) - associated company, at cost	8.2	**817,553**	132,982
Un-quoted Companies					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company, at cost	8.3	**9,168**	9,168
-	15,000,000	IIL Stainless Steel (Private) Limited (IIL SS) - subsidiary company, at cost		**-**	150,000
				3,277,276	2,742,705

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

8.1.1 The Company has pledged 500,000 shares of International Steels Limited in the Honourable Sindh High Court as explained in note no.22.1.9

8.2 The Company holds 17.124% (2017: 8.52%) ownership interest in PCL. During the year the Company made a further investment in 2,448,063 ordinary shares of PCL at cost of Rs. 489.612 million and subscribed to 1,218,494 right shares at a cost of Rs. 194.960 million. The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy.

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

8.4 IIL Stainless Steel (Private) Limited was amalgamated with the Company on 31 March 2018 [refer note 2(a)].

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

	Note	2018	2017
		(Rupees in '000)	
International Steels Limited	8.5.1	**24,922,149**	31,340,153
Pakistan Cables Limited	8.5.1	**1,138,987**	776,292

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

8.6 The book value of IIL Australia based on the audited financial statements as at 30 June 2018 is Australian Dollars 162,332 (Rs. 14.56 million) [2017: AUD 110,245 (Rs. 8.89 million)].

9 STORES AND SPARES

	Note	2018	2017
		(Rupees in '000)	
Stores		**88,711**	59,792
Spares		**60,363**	44,867
Loose tools		**3,225**	2,722
		152,299	107,381

10 STOCK-IN-TRADE

	Note	2018	2017
Raw material - in hand	10.1	**4,384,947**	3,763,291
- in transit		**840,324**	1,735,143
		5,225,271	5,498,434
Work-in-process		**1,409,862**	984,857
Finished goods		**2,296,166**	1,591,908
By-products		**17,363**	2,686
Scrap material		**55,890**	86,971
		9,004,552	8,164,856

10.1 Raw material amounting to Rs. 3.8 million as at 30 June 2018 (2017: Rs. 1.7 million) was held at a vendor's premises for the production of pipe caps.

11 TRADE DEBTS

	Note	2018	2017
		(Rupees in '000)	
Considered good - secured	11.1	**74,290**	184,782
- unsecured		**2,244,586**	1,796,897
		2,318,876	1,981,679
Considered doubtful		**140,000**	150,000
		2,458,876	2,131,679
Provision for doubtful debts	11.3	**(140,000)**	(150,000)
		2,318,876	1,981,679

11.1 This represents trade debts arising on account of export sales of Rs. 61.5 million (2017: Rs. 152.4 million) which are secured by way of Export Letters of Credit and Rs. 12.8 million (2017: Rs. 32.3 million) on account of domestic sales which are secured by way of Inland Letter of Credit. From some export customer company also obtain advances which are included in advance from customers (refer note 20)

11.2 Related parties from whom trade debts are due as at 30 June 2018 are as under:

	Note	2018	2017
		(Rupees in '000)	
IIL Australia Pty Limited		828,388	527,805
Pakistan Cables Limited		-	11
	11.2.1	828,388	527,816

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

	2018	2017
Not yet due	589,883	457,031
Past due 1-60 days	183,219	43,143
Past due 61 days - 365 days	55,286	27,642
Total	828,388	527,816

11.3 Provision for doubtful debts

	Note	2018	2017
Balance as at 01 July		150,000	105,569
Charge for the year		16,496	65,266
Recoveries during the year		(26,496)	(16,912)
	25	(10,000)	48,354
Write-off during the year		-	(3,923)
Balance as at 30 June		140,000	150,000

12 ADVANCES, TRADE DEPOSITS AND SHORT - TERM PREPAYMENTS

	2018	2017
	(Rupees in '000)	
Considered good - unsecured		
- Suppliers	1,042,867	53,941
- Employees for business related expenses	993	5,073
Trade deposits	13,453	6,900
Short term prepayments	8,514	6,132
	1,065,827	72,046

12.1 These advances and trade deposits are non interest bearing.

13 OTHER RECEIVABLES

	2018	2017
	(Rupees in '000)	
Considered good		
Insurance claim	46	344
Others	4,659	-
	4,705	344
Considered doubtful		
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
	30,645	26,284
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior periods	(25,940)	(25,940)
	4,705	344

14 TAXATION

	Note	2018	2017
		(Rupees in '000)	
Tax receivable as at 01 July		(96,337)	287,663
Tax payments / adjustments made during the year		352,923	411,015
Refund received during the year		-	(234,027)
		256,586	464,651
Less: Provision for tax	30	(566,811)	(560,988)
Tax (payable) / receivable as at 30 June		(310,225)	(96,337)

15 CASH AND BANK BALANCES

	Note	2018	2017
Cash at bank			
- Current accounts		261,865	6,958
- Deposit accounts	15.1	-	321
		261,865	7,279

15.1 Mark-up rate on deposits accounts, placed with banks under conventional banking arrangement, is 4.50% (2017: 5.6% to 6.2%).

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 576,000 (2017 : 576,000) ordinary shares of Rs. 10 each at the year end.

17 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in '000)	
Freehold land			
Balance as at 30 June		386,829	386,829
Leasehold land			
Balance as at 30 June		1,119,897	1,119,897
Buildings			
Balance as at 01 July		660,020	771,982
Disposal of buildings		(1,007)	(10,754)
Transferred to retained earnings (un-appropriated profit) in respect of incremental depreciation charged during the year		(64,179)	(101,208)
		594,834	660,020
Related deferred tax liability	17.2	(143,349)	(149,362)
Balance as at 30 June - net of deferred tax		451,485	510,658
		1,958,211	2,017,384

17.1 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.

17.2 Movement in related deferred tax liability

	Note	2018	2017
		(Rupees in '000)	
Balance as at 01 July		149,362	174,699
Effect of change in tax rates		9,821	-
Tax effect on disposal		(242)	(2,433)
Tax effect on incremental depreciation transferred to retained earnings		(15,592)	(22,904)
Deferred tax liability as at 30 June	19	143,349	149,362

18 LONG TERM FINANCING - secured

	2018	2017
Long-term finances utilised under mark-up arrangements	2,149,453	1,288,054
Current portion of long term finances shown under current liabilities	(180,919)	(109,707)
	1,968,534	1,178,347

Details of Long Term Financing are as follows:

	Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2018	2017
	(Rupees in '000)					(Rupees in '000)	
CONVENTIONAL							
MCB Bank Limited Financing under long term finance facility for plant and machinery (Refer note 18.1)	550,000	906,963	34 quarterly 29 October 2016	28 March 2024 to 20 Nov 2025	SBP+0.70% (fixed rate)	476,839	538,054
MCB Bank Limited Financing under long term finance facility for plant and machinery (Refer note 18.1)	800,000	1,164,316	11 half yearly 30 June 2019	28 Dec 2024	0.1 % over 6 months KIBOR	800,000	-
MCB Bank Limited Financing under long term finance facility for plant and machinery (Refer note 18.1)	100,000	149,976	34 quarterly 31 May 2019	31 Aug 2027	SBP+0.50% (fixed rate)	100,000	-
MCB Bank Limited Financing under long term finance facility for plant and machinery (Refer note 18.1)	100,000	147,862	34 quarterly 30 Jan 2020	30 June 2028	SBP+0.50% (fixed rate)	68,069	-
ISLAMIC							
Meezan Bank Limited Diminishing Musharakah of Rs.500 million for plant and machinery (Refer note 18.2)	500,000	950,361	11 half yearly 30 June 2018	30 June 2023	0.1 % over 6 months KIBOR	454,545	500,000
Meezan Bank Limited Diminishing Musharakah of Rs.250 million for plant and machinery (Refer note 18.2)	250,000	279,978	11 half yearly 30 June 2019	30 June 2024	0.1 % over 6 months KIBOR	250,000	250,000
						2,149,453	1,288,054

18.1 The Company has an approved financing facility under Long Term Finance Facility of an amount aggregating Rs. 550 million, and Rs. 800 million, Rs. 100 million and Rs. 100 million which were obtained during the year. As at 30 June 2018 the Company has withdrawn Rs. 473.8 million (2017: Rs. 538.1 million) from a commercial bank. These facilities are secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.

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

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

19 DEFERRED TAXATION - NET

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

	Note	2018	2017
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		257,345	219,803
Surplus on revaluation of buildings	17	143,349	149,362
Deductible temporary differences			
Provision for infrastructure cess		(96,611)	(72,571)
Provision for doubtful debts		(40,600)	(45,000)
Provision for compensated absences		(2,425)	(2,197)
Staff retirement benefits		(38,218)	(19,189)
		222,840	230,208

20 TRADE AND OTHER PAYABLES

	Note	2018	2017
Trade creditors		138,061	169,995
Bills payable		17,293	878,486
Derivative financial liability		-	4,768
Accrued expenses		1,120,432	955,281
Provision for Infrastructure cess	20.1 & 22.1.5	401,376	322,537
Short term compensated absences		10,076	9,763
Advances from customers		242,867	169,328
Workers' Profit Participation Fund		(311)	2,576
Workers' Welfare Fund		101,957	69,281
Others		283,844	150,444
		2,315,595	2,732,459

20.1 Provision for Infrastructure Cess

This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 22.1.5).

	2018	2017
	(Rupees in '000)	
Balance as at 01 July	322,537	267,980
Charge for the year	78,839	54,557
Balance as at 30 June	401,376	322,537

20.2 Workers' Profit Participation Fund

	Note	2018	2017
		(Rupees in '000)	
Balance as at 01 July		2,576	9,300
Interest on funds utilized in the Company's business at 67.50% (2017: 33.75%)	27	247	421
		2,823	9,721
Allocation for the year		81,689	77,576
		84,512	87,297
Payments made during the year		(84,823)	(84,721)
Balance as at 30 June		(311)	2,576

21 SHORT TERM BORROWINGS - secured

	Note	2018	2017
CONVENTIONAL			
Running finance under mark-up arrangement from banks	21.1	1,196,908	290,264
Short term borrowing under Money Market Scheme	21.2	3,716,854	2,736,526
Short term borrowing under Export Refinance Scheme	21.3	1,944,500	2,100,000
Running finance under FE-25 Export and Import Scheme	21.5	-	527,320
Book overdraft		8,596	8,691
ISLAMIC			
Short term borrowing under running Musharakah	21.4	1,442,699	236,606
		8,309,557	5,899,407

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 2,860 million (2017: Rs.1,357.5 million). The rates of mark-up on these finances range from 6.53% to 8.17% per annum (2017: 6.21% to 7.60% per annum). Unavailed facility as at the year end amounted to Rs. 1,663 million (2017: Rs. 1,067 million).

21.2 The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 5,140 million (2017: Rs. 4,417 million).Unavailed facility as at the year end amounted to Rs. 1,423 million (2017: Rs. 1,680 million). The rates of mark-up on these finances range from 6.43% to 7.02% (2017: 6.05% to 6.20%).

21.3 The Company has borrowed short term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 1,994.5 million (2017: Rs. 2,100 million). The rate of mark-up on this facility was 2.10% to 2.15% per annum (2017: 2.10% to 2.20% per annum).

21.4 The facilities for running musharakah available from various banks amounted to Rs. 1,500 million (2017: Rs. 1,500 million). The rates of mark-up on these finances is 6.63% per annum (2017: 6.32% per annum). Unavailed facility as at the year end amounted to Rs. 1,263 million (2017: Rs. 1,263 million).

21.5 The Company has also facility for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 of the SBP for the purpose of meeting import requirements. The facility is unavailed as at 30 June 2018.(2017: USD 5.0 million equivalent to Rs. 527 million). The rates of mark-up on these finances range from 1.7% to 2.1% (2017: 1.7% to 2.1% per annum).

21.6 All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Bank guarantees have been issued under certain supply contracts and for supply of utilities aggregating Rs. 1,019 million (2017: Rs. 491.6 million).

22.1.2 Customs duties amounting to Rs. 40.5 million as at 30 June 2018 (2017: Rs. 52 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned duties and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

22.1.3 An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.

22.1.4 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.

22.1.5 The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee levied (levy) through Sindh Finance Act 1994. The SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice in SHC.

Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC granted an interim relief for return of bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 515 million (2017: Rs. 440 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 30 June 2018. As a matter of prudence, company is making provision for the balance amount, which amounts to Rs. 401.4 million (note 20.1) as at 30 June 2018.

Consequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%, the company on 24 October 2017 has obtained stay from the SHC against the enhancement, furthermore the SHC has linked the disposal of the case with previous Infrastructure Fee cases already pending in SHC.

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

During 2015, the Government passed a new law ‘Gas Infrastructure Development Cess Act 2015’ (‘the Act’), by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 95.1 million (from 01 July 2011 till 22 May 2015) in these financial statements. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the Sindh High Court held that enactment of GIDC Act, 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of Sindh High Court was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority OGRA and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed or the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedure contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. Inlight of the aforementioned developments, the Company on the prudent basis continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 67.97 million (2017: Rs. 46.84 million) pertaining to period from 01 July 2011 to 30 June 2018 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).

22.1.7 Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement. A similar view is likely to be taken in this case as well where the liability will have to be discharged in the respective province.

22.1.8 Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Company has filed a suit in the Sindh High Court (the Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the differential amount with the Nazir of the Court. The Company has deposited amount of Rs 81.2 million (2017: Rs.25.9) as cheques with the Nazir of the court. The Company, on a prudent basis, has also accrued this amount in these financial statements.

22.1.9 The Company has filed the petition in the Sindh High Court and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court against the tax demand on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million have also been given to Nazir High Court as a security against tax demand on dividend declared by the International Steels Limited on 02 June 2017, 26 September 2017 and 23 January 2018.

22.2 Commitments

22.2.1 Capital expenditure commitments outstanding as at 30 June 2018 amounted to Rs. 89.4 million (2017: Rs. 89.1 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2018 amounted to Rs. 2,100.7 million (2017: Rs. 1,285.1 million).

22.2.3 Commitments under purchase contracts as at 30 June 2018 amounted to Rs. 190.5 million (2017: Rs. 306.9 million).

22.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 4,332 million (2017: Rs. 6,625 million) and Rs. 474 million (2017: Rs. 162 million) respectively.

23 NET SALES

	Note	2018	2017
		(Rupees in '000)	
Local		25,144,048	15,025,279
Export		4,471,569	4,470,047
		29,615,617	19,495,326
Partial manufacturing		-	304,009
		29,615,617	19,799,335
Sales tax		(3,697,908)	(2,273,470)
Domestic trade discounts		(863,779)	(717,862)
Export commission		(52,647)	(101,040)
		(4,614,334)	(3,092,372)
		25,001,283	16,706,963

24 COST OF SALES

	Note	2018	2017
Opening stock of raw material and work-in-process		4,748,148	2,190,511
Purchases		22,345,890	15,497,083
Salaries, wages and benefits	24.1	933,675	800,912
Rent, rates and taxes		3,650	1,589
Electricity, gas and water		353,134	304,784
Insurance		3,692	8,727
Security and janitorial		28,978	25,874
Depreciation and amortisation	6.2 & 7.1.2	351,892	345,850
Operational supplies and consumables		95,944	66,456
Repairs and maintenance		140,617	123,441
Postage, telephone and stationery		10,270	9,872
Vehicle, travel and conveyance		17,122	15,732
Internal material handling		43,254	28,163
Toll manufacturing expenses		12,957	37,039
Environment controlling expense		264	240
Sundries		11,712	3,442
Stores and spares written off		-	6,946
Recovery from sale of scrap		(891,100)	(619,683)
		28,210,099	18,846,978
Closing stock of raw material and work-in-process	10	(5,794,809)	(4,748,148)
Cost of goods manufactured		22,415,290	14,098,830
Finished goods and by-product:			
Opening stock		1,594,594	1,272,447
Closing stock	10	(2,313,529)	(1,594,594)
		(718,935)	(322,147)
		21,696,355	13,776,683

24.1 Salaries, wages and benefits include Rs. 53.9 million for the year ended 30 June 2018 (2017: Rs. 36.1 million) in respect of staff retirement benefits.

25 SELLING AND DISTRIBUTION EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Freight and forwarding		769,268	520,112
Salaries, wages and benefits	25.1	173,735	150,046
Rent, rates and taxes		974	522
Electricity, gas and water		7,265	4,826
Insurance		963	1,058
Depreciation and amortisation	6.2 & 7.1.2	13,150	12,135
Repairs and maintenance		864	1,927
Advertising and sales promotion		119,156	89,784
Postage, telephone and stationery		6,913	6,876
Office supplies		476	140
Vehicle, travel and conveyance		28,621	16,934
Provision for doubtful debts - net	11.3	(10,000)	48,354
Certification and registration charges		1,966	3,074
Others		13,105	17,481
		1,126,456	873,269

25.1 Salaries, wages and benefits include Rs. 11.1 million for the year ended 30 June 2018 (2017: Rs. 9.4 million) in respect of staff retirement benefits.

26 ADMINISTRATIVE EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Salaries, wages and benefits	26.1	210,991	180,755
Rent, rates and taxes		213	117
Electricity, gas and water		2,244	3,147
Insurance		1,762	2,174
Depreciation and amortisation	6.2 & 7.1.2	16,073	16,697
Repairs and maintenance		2,231	1,834
Postage, telephone and stationery		13,542	9,213
Office supplies		275	139
Vehicle, travel and conveyance		9,097	7,117
Legal and professional charges		21,883	58,545
Certification and registration charges		5,447	7,639
Others		14,641	9,185
		298,399	296,562

26.1 Salaries, wages and benefits include Rs. 13.1 million for the year ended 30 June 2018 (2017: Rs. 11.8 million) in respect of staff retirement benefits.

27 FINANCE COST

	Note	2018	2017
		(Rupees in '000)	
Mark-up on:			
- long term financing		21,609	21,638
- short term borrowings		322,932	119,496
- running musharakah		30,145	21,159
- diminishing musharakah		47,069	38,012
Exchange loss and others		3,074	3,872
Interest on Workers' Profit Participation Fund	20.2	247	421
Bank charges		16,620	19,526
		441,696	224,124

28 OTHER OPERATING CHARGES

	Note	2018	2017
		(Rupees in '000)	
Auditors' remuneration	28.1	2,803	2,602
Donations	28.2	29,910	26,746
Provision for receivable from Workers' Profit Participation Fund related to prior period		-	25,940
Workers' Profit Participation Fund		81,689	77,576
Workers' Welfare Fund		32,676	31,031
Loss on derivative financial instruments		-	4,768
Business development expense		25,397	11,076
		172,475	179,739

28.1 Auditors' remuneration

	2018	2017
Audit services		
Audit fee	1,477	1,343
Half yearly review	424	385
Out of pocket expenses	147	134
	2,048	1,862
Non-audit services		
Certifications for regulatory purposes	755	740
	2,803	2,602

28.1.1 These amounts are inclusive of sales tax

28.2 Donations

28.2.1 Donation to the following organization exceed Rs.500,000

	2018	2017
	(Rupees in '000)	
SINA Health, Education and Welfare Trust	3,500	7,500
The Citizen Foundation	9,800	8,000
Al-Rehmat Benevolent Trust Hospital	2,000	1,000
Amir Sultan Chinoy Foundation	3,500	4,186
Hyderabad Relief & Rehabilitation Trust	1,000	1,000
Indus Hospital	4,000	2,140
Sindh Institute of Urology and Transplantation (SIUT)	1,000	-
The Layton Rehmatullah Benevolent Trust	2,000	1,000
Ahmed E.H Jaffer Foundation	1,500	-
	28,300	24,826

28.2.2 None of the donations were made to any donee in which a director or his spouse had any interest at any time during the year.

29 OTHER INCOME

	Note	2018	2017
		(Rupees in '000)	
Income / return on financial assets			
Income on bank deposits - conventional		1,400	1,085
Exchange gain		161,720	34,688
Income from non-financial assets			
Income from power generation	29.1	3,971	13,088
Rental income from subsidiary company		10,179	12,540
Dividend income from associated company	29.2	17,037	31,537
Dividend income from subsidiary company	29.2	612,639	918,958
Gain on disposal of property, plant and equipment		71,739	24,283
Others		4,502	646
		883,187	1,036,825

29.1 Income from power generation

	2018	2017
	(Rupees in '000)	
Net sales	93,829	102,998
Cost of electricity produced:		
Salaries, wages and benefits	5,107	4,517
Electricity, gas and water	73,713	74,759
Insurance	45	47
Depreciation and amortisation	5,761	4,467
Operational supplies & consumables	3,219	3,116
Repairs and maintenance	2,013	3,004
	89,858	89,910
Income from power generation	3,971	13,088

29.1.1 Salaries, wages and benefits include Rs. 0.502 million (2017: Rs. 0.465 million) in respect of staff retirement benefits.

29.1.2 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 3 years w.e.f 30 April 2015. Subsequent to the expiry of the contract, renewal of contract is in progress.

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

30 TAXATION

	2018	2017
	(Rupees in '000)	
Current		
- for the year	545,511	560,988
- for prior years	21,300	-
	566,811	560,988
- Deferred	539	(9,988)
	567,350	551,000

30.1 Relationship between income tax expense and accounting profit

	2018	2017	2018	2017
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			2,149,089	2,393,411
Tax at the enacted tax rate	30.00	31.00	644,727	741,957
Tax effect of income subject to final tax regime	(1.48)	(1.29)	(31,782)	(30,876)
Tax effect of income taxed as separate block of income	(4.39)	(7.35)	(94,451)	(175,842)
Tax effect of rebate / credits	(1.25)	(2.11)	(26,837)	(50,609)
Effect of change in tax rate on opening deferred tax	(0.13)	(0.02)	(2,695)	(566)
Super tax	2.81	2.95	60,326	70,551
Prior year	0.99	0.00	21,300	-
Deferred tax charge not booked on final tax regime	0.01	(0.15)	249	(3,522)
Others	(0.16)	0.00	(3,487)	(93)
	26.40	23.03	567,350	551,000

30.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensures that the sufficient provision for the purposes of taxation is available which can be analysed as follows:

	2017	2016	2015
	(Rupees in '000)		
Income tax provision for the year (as per accounts)	573,988	282,144	235,405
Income tax as per tax return / assessment	269,293	147,489	207,637

The difference mainly pertains to the tax provisions booked in respective years which have not become due as the company is contesting contentious matters at various levels.

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

The Board of Directors in their meeting held on 16 August 2018 have recommended sufficient cash dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2018.

31 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2018	2017
		(Rupees in '000)	
Profit after taxation		1,581,739	1,842,411
		(Number)	
Weighted average number of ordinary shares in issue during the year	*16*	119,892,619	119,892,619
		(Rupees)	
Earnings per share		13.19	15.37

31.1 There is no dilutive impact on Earnings per share.

32 CHANGES IN WORKING CAPITAL

	2018	2017
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	(44,918)	25,121
Stock-in-trade	(839,696)	(4,106,764)
Trade debts	(327,197)	(405,430)
Advances, trade deposits and short-term prepayments	(993,781)	94,598
Receivable from K-Electric Limited	(1,863)	(9,604)
Other receivables	(4,361)	28,209
Sales tax receivables	(251,580)	(304,030)
	(2,463,396)	(4,677,900)
Increase / (decrease) in current liabilities:		
Trade and other payables	(417,178)	889,808
	(2,880,574)	(3,788,092)

33 STAFF RETIREMENT BENEFITS

33.1 Defined contribution plan

Staff Provident Fund

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

33.2 Defined benefit schemes

Staff Gratuity Fund

The actuarial valuation of gratuity was carried out at 30 June 2018. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

	2018	2017
	(% per annum)	
Financial assumptions		
Rate of discount	9.00%	7.75%
Expected rate of salary increase	8.00%	6.75%
Demographic assumptions		
Mortality rate	SLIC 2001-05-1	SLIC 2001-05-1
Rates of employee turnover	Heavy	Heavy

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

	2018	2017
	(Rupees in '000)	
Present value of defined benefit obligation	563,010	483,488
Fair value of plan assets	(416,757)	(398,367)
Liability as at 30 June	146,253	85,121

Movements in the present value of defined benefit obligation

Present value of defined benefit obligation - beginning of the year	483,488	391,283
Current service cost	28,837	25,770
Interest cost	36,547	27,974
Re-measurements : Actuarial loss / (gains) on obligation	38,941	56,074
Benefits paid	(24,803)	(17,613)
Present value of defined benefit obligation - closing date	563,010	483,488

Movements in the fair value of plan assets

Fair value of plan assets - beginning of the year	398,367	346,448
Interest income on plan assets	30,192	24,857
Re-measurement : Net return on plan assets over interest income	(22,191)	15,788
Benefits paid	(24,803)	(17,613)
Benefits due but not paid		
Contribution to fund	35,192	28,887
Fair value of plan assets - closing date	416,757	398,367

Movement in the net defined benefit liability / (asset)

Opening balance	85,121	44,835
Re-measurements recognised in other comprehensive income during the year	61,132	40,286
Expense chargeable to profit and loss account	35,192	28,887
Contribution paid during the year	(35,192)	(28,887)
Closing balance	146,253	85,121

Amounts recognised in total comprehensive income

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

Component of defined benefit costs recognised in profit and loss account

	2018	2017
	(Rupees in '000)	
Current service cost	28,836	25,770
Net interest cost		
- Interest cost on defined benefit obligation	36,547	27,974
- Interest income on plan assets	(30,191)	(24,857)
	35,192	28,887
Component of defined benefit costs (re-measurement) recognised in other comprehensive income		
Re-measurements: Actuarial (gain) / loss on obligation		
- Gains due to change in experience adjustments	38,941	56,074
Remeasurement net return on plan assets over interest income	22,191	(15,788)
Net re-measurement recognised in other comprehensive income	61,132	40,286
Total defined benefit cost recognised in profit and loss account and other comprehensive income	96,324	69,173
Actual return on plan assets	8,001	40,645
Expected contributions to funds in the following year	47,533	35,192
Expected benefit payments to retirees in the following year	60,012	53,124
Re-measurements: Accumulated actuarial gains recognised in equity	61,132	40,286
	Number of years	
Weighted average duration of the defined benefit obligation	6.72	6.83

Maturity profile of the defined benefit obligation

Years	2018	2017
	(Rupees in '000)	
1	60,012	53,124
2	56,789	55,694
3	57,206	50,975
4	71,295	50,015
5	97,543	58,139
6 and onwards	515,734	428,945

Vested / Non-Vested		
- Vested benefits	559,951	480,449
- Non - vested benefits	3,059	3,040
	563,010	483,489

Disaggregation of fair value of plan assets

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

	2018	2017
	(Rupees in '000)	
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities)	11,540	16,926
Equity instruments - quoted	120,642	107,700
Government securities	284,575	273,741
	416,757	398,367

Sensitivity analysis

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

	2018	2017
	(Rupees in '000)	
Discount rate + 100 basis point	528,246	453,305
Discount rate - 100 basis point	602,215	517,550
Salary increase + 100 basis point	604,996	519,969
Salary decrease - 100 basis point	525,186	450,642

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.

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executive	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Managerial remuneration	43,841	39,124	-	-	214,977	170,512
Variable performance pay	13,074	11,771	-	-	55,318	50,093
Retirement benefits	2,739	2,546	-	-	10,166	8,902
Rent, utilities, medical, leave encashment etc.	16,440	14,671	-	-	83,285	68,724
Directors' fees	-	-	5,400	5,820	-	-
	76,094	68,112	5,400	5,820	363,746	298,231
Number of persons	1	1	8	8	51	43

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

34.2 Fees paid to non-executive directors was Rs. 5.40 million (2017: Rs. 5.82 million) on account of meetings attended by them.

34.3 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

34.4 Reimbursement of chairman expense was Rs. 5.7 million (2017: Rs. nil)

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

35.1 Credit risk

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

Exposure to credit risk

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

	Note	2018	2017
		(Rupees in '000)	
- Long term deposits		62,994	51,475
- Trade debts - net of provision	11	2,318,876	1,981,679
- Trade deposits	12	13,453	6,900
- Receivable from K-Electric Limited		19,965	18,102
- Other receivables	13	4,705	344
- Bank balances	15	261,865	7,279
		2,681,858	2,065,779

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the credit worthiness of counterparties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Company does not foresee any credit exposure there against as the amounts are paid to counterparties as per agreements and are refundable on termination of the agreements with respective counterparties.

Trade debts

The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The majority of the customers have been transacting with the Company for several years. The Company establishes an allowance for impairment that represents its estimate of incurred losses.

Trade deposits

These represent deposits placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss there against.

Other receivables and receivable from K-Electric Limited

This mainly includes insurance claim and an amount receivable from supplier amounting to Rs. 4.7 million (2017: Rs. 0.3 million). Receivable from K - Electric Limited amounting to Rs. 19.9 million (2017: Rs. 18.1 million) is on account of electricity provided to it from the 4 MW plant located at the factory site under an agreement. The Company does not expect to incur credit loss against these receivables.

Analysis of gross amounts receivable from local and foreign trade debtors, receivable from K - Electric Limited and other receivables are as follows:

	2018	2017
	(Rupees in '000)	
Domestic	1,367,930	1,303,129
Export	1,141,556	872,936
	2,509,486	2,176,065

The majority of export debtors of the Company are situated in America, Australia, Sri Lanka, Afghanistan, Europe and Middle East.

Impairment losses

The ageing of trade debtors, receivable from K - Electric Limited and other receivables as per above at the reporting date was as follows:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	1,700,399	-	1,448,801	-
Past due 1-60 days	527,082	-	475,794	-
Past due 61 days -1 year	121,972	10,612	99,267	24,081
More than one year	160,033	155,328	152,203	151,859
Total	2,509,486	165,940	2,176,065	175,940

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

Bank Balances

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

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

Concentration of credit risk

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

35.2 Liquidity risk

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

	2018						
	Carrying amount	On demand	Contractual cash ﬂows	Six months or less	Six to twelve months	Two to Five years	More than Five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	2,149,453	-	(2,221,795)	(77,581)	(103,338)	(1,315,344)	(725,533)
Trade and other payables	1,285,862	(38,072)	(1,247,790)	(1,247,790)	-	-	-
Accrued mark-up	78,672	-	(78,672)	(78,672)	-	-	-
Short-term borrowings	8,309,557	(8,309,557)	-	-	-	-	-
	11,823,544	(8,347,629)	(3,548,257)	(1,404,043)	(103,338)	(1,315,344)	(725,533)
Derivative financial liabilities	-	-	-	-	-	-	-
	11,823,544	(8,347,629)	(3,548,257)	(1,404,043)	(103,338)	(1,315,344)	(725,533)

	2017						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to Five years	More than Five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	1,288,054	-	(1,577,033)	(66,433)	(110,698)	(968,302)	(431,600)
Trade and payables	2,276,825	(263,300)	(2,013,525)	(2,013,525)	-	-	-
Accrued mark-up	62,571	-	(62,571)	(62,571)	-	-	-
Short-term borrowings	5,899,407	(5,899,407)	-	-	-	-	-
	9,526,857	(6,162,707	(3,653,129)	(2,142,529)	(110,698)	(968,302)	(431,600)
Derivative financial liabilities	4,768	-	(4,768)	(4,768)			
	9,531,625	(6,162,707)	(3,657,897)	(2,147,297)	(110,698)	(968,302)	(431,600)

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

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

35.3 Market risk

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

35.3.1 Currency risk

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

Exposure to currency risk

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

	2018			2017		
	Rupees	US Dollars	AUD	Rupees	US Dollars	AUD
	(Rupees in '000)					
Financial assets						
Trade debts	**1,141,556**	**2,579**	**9,237**	872,936	3,294	6,548
Financial liabilities						
Running finance under FE-25 Export and Import Scheme	-	-	-	(527,320)	(5,023)	-
Trade and other payables	**(17,293)**	**(142)**	-	(873,718)	(8,323)	-
	(17,293)	**(142)**	-	(1,401,038)	(13,346)	-
Net exposure	**1,124,263**	**2,437**	**9,237**	(528,102)	(10,052)	6,548

The following significant exchange rates were applicable during the year:

	2018	2017	2018	2017
	Average Rates		Reporting Date Rate	
	Rupees			
US Dollars to Pakistan Rupee	121.6	104.9	121.45 / 121.63	104.79 / 104.98
AUD to Pakistan Rupee	89.7	78.9	89.68 / 89.81	80.61 / 80.75

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar and Australian Dollar at 30 June would have (decreased) / increased the profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2017.

	Effect on profit and loss (net of tax)	
	2018	2017
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars	20,711	(73,913)
Effect in AUD	57,987	36,946

35.3.2 Interest rate risk

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

At the reporting date, the interest rate profile of the Company's interest-bearing financial instrument is:

		Carrying amount	
	Note	2018	2017
		(Rupees in '000)	
Fixed rate instruments			
Financial liabilities	18 & 21	(2,589,408)	(2,638,054)
Variable rate instruments			
Financial liabilities	18 & 21	(7,869,602)	(4,549,407)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit by Rs. 55.09 million (2017: Rs. 45.5 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2017.

Fair value sensitivity analysis for fixed rate instruments

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

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

	2018				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Retained Earnings	Total
Balance as at 1 July 2017	526,870	5,427,746	1,295,416	4,642,511	11,892,543
Changes from financing cash Ìows					
Repayment of long term loan	-	-	(109,707)	-	(109,707)
Proceeds from long term loan	-	-	971,106	-	971,106
Dividend paid	-	-	-	(704,798)	(704,798)
Total changes from financing activities	-	-	861,399	(704,798)	12,049,144
Other changes - interest cost					
Interest expense		373,018	68,678		441,696
Interest paid		(355,864)	(69,731)		(425,595)
Captialized borrowing cost					
Changes in short term borrowings	2,112,737	297,413			2,410,150
Total loan related other changes	2,112,737	314,567	(1,053)	-	2,426,251
Total equity related other changes	-	-	-	1,799,533	1,799,533
Balance as at 30 June	2,639,607	5,742,313	2,155,762	5,737,246	28,167,471

35.5 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the statement of financial position approximate their fair values.

35.6 Financial instruments by categories

	Note	2018	2017
		(Rupees in '000)	
Financial assets			
Loans and receivables			
- Long term deposits		62,994	51,475
- Trade debts - net of provision	11	2,318,876	1,981,679
- Trade deposits	12	13,453	6,900
- Receivable from K-Electric Limited		19,965	18,102
- Other receivables	13	4,705	344
- Cash and bank balances	15	261,865	7,279
		2,681,858	2,065,779
Financial liabilities			
Financial liabilities at amortized cost			
- Long term financing	18	2,149,453	1,288,054
- Trade and other payables		1,285,862	2,276,825
- Accrued mark-up		78,672	62,571
- Short term borrowings	21	8,309,557	5,899,407
		11,823,544	9,526,857
Financial liabilities at fair value through profit and loss			
- Derivative financial liabilities		-	4,768

36 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.

37 MEASUREMENT OF FAIR VALUES

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

	30 June 2018							
	Carrying amount				Fair Value			
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets not measured at fair value								
Long term deposits	62,994	-	-	-	62,994	-	-	-
Trade debts - net of provision	2,318,876	-	-	-	2,318,876	-	-	-
Trade deposits	13,453	-	-	-	13,453	-	-	-
Other receivables	4,705	-	-	-	4,705	-	-	-
Cash and bank balances	261,865	-	-	-	261,865	-	-	-
Financial liabilities measured at fair value								
- Derivative financial liabilities	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
- Long term financing	-	-	-	(2,149,453)	(2,149,453)	-	-	-
- Trade and other payables	-	-	-	(1,285,862)	(1,285,862)	-	-	-
- Accrued mark-up	-	-	-	(78,672)	(78,672)	-	-	-
- Short term borrowings	-	-	-	(8,309,557)	(8,309,557)	-	-	-

	30 June 2017							
	Carrying amount				Fair Value			
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets not measured at fair value								
Long term deposits	51,475	-	-	-	51,475	-	-	-
Trade debts - net of provision	1,981,679	-	-	-	1,981,679	-	-	-
Trade deposits	6,900	-	-	-	6,900	-	-	-
Other receivables	344	-	-	-	344	-	-	-
Cash and bank balances	7,279	-	-	-	7,279	-	-	-
Financial liabilities measured at fair value								
- Derivative financial liabilities	-	-	(4,768)	-	(4,768)	-	(4,768)	-
Financial liabilities not measured at fair value								
- Long term financing	-	-	-	(1,288,054)	(1,288,054)	-	-	-
- Trade and other payables	-	-	-	(2,276,825)	(2,276,825)	-	-	-
- Accrued mark-up	-	-	-	(62,571)	(62,571)	-	-	-
- Short term borrowings	-	-	-	(5,899,407)	(5,899,407)	-	-	-

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
- Land and Building	30 June 2016	The valuation model is based on price per square metre. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.
Liabilities measured at fair value			
Derivative financial liabilities			
- Forward exchange contract		The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date. The fair value of forward exchange contract are included in level 2 in the fair value hierarchy.	

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit asset and long term liabilities, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rate. The fair value of the Land and Building on freehold land are determined by an independent valuer based on price per square metre and current replacement cost method adjusted for depreciation factor for existing asset in use. The resulting fair value is a level 3 fair value measurement. Fair values of investment in quoted subsidiary and associate are disclosed in note 8.5 to these financial statements.

38 TRANSACTIONS WITH RELATED PARTIES

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

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

38.1 Transactions with related parties

	2018	2017
	(Rupees in '000)	
Subsidiaries		
Sales	1,648,134	1,268,555
Purchases	9,513,929	7,231,907
Partial manufacturing - sales (inclusive of sales tax)	-	304,009
Partial manufacturing - purchases (inclusive of sales tax)	2,292	4,924
Cost of shared resources	89,441	66,083
Rental income	10,146	12,885
Dividend received	612,639	918,958
Reimbursement of expenses incurred on behalf of the Company	18,502	18,459
Associated companies		
Sales	14	461
Purchases	7,500	7,253
Insurance premium	3,288	-
Right shares at premium	194,959	-
Dividend paid	2,304	6,048
Dividend received	17,037	31,537
Registration and training	1,851	-
Reimbursement of expenses	481	859
Key management personnel		
Remuneration	264,564	214,271
Non-executive directors		
Directors' fee	5,400	5,820
Reimbursement of Chairman's expenses	5,761	-
Staff retirement funds		
Contributions paid	81,890	75,994

38.2	Name of the Related Party	Relationship and percentage of Shareholding
	International Steels Limited	Subsidiary Company holds 56.3346% (2017:56.3346%)
	IIL Australia Pty Limited	Wholly owned Subsidiary Company
	Pakistan Cables Limited	Associated Company holds 17.124% (2017:8.5236%)
	Jubilee Life Insurance Company Limited	Associated Company by nature of common directorship
	Pakistan Institute of Corporate Governance	Associated Company by nature of common directorship

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

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

39 ANNUAL PRODUCTION CAPACITY

Name-plate production capacity at the year end was as follows:

	Note	2018	2017
		Metric Tonnes	
Steel pipe		515,000	500,000
Galvanizing		150,000	150,000
Cold rolled steel strip	39.1	50,000	70,000
Polymer pipes & fittings		25,000	25,000
Stainless steel - pipe		1,200	-

The actual production for the year was:

		2018	2017
Steel pipe		241,268	184,682
Galvanizing		82,683	84,588
Polymer pipes & fittings		11,089	7,427
Stainless steel - pipe		673	-

Actual production during the year was sufficient to meet the market demand.

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

39.1 Reduction in capacity is due to disposal of certain plant and machinery during the year.

40 SEGMENT REPORTING

The Company has identified Steel and Polymer as two reportable segments. Performance is measured based on respective segment results. Information regarding the Company's reportable segments is presented below.

40.1 Segment revenue and results

For the year ended 30 June 2018	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)			
Sales	22,792,435	2,208,848	-	25,001,283
Cost of sales (excluding depreciation and amortization)	(19,394,150)	(1,950,313)	-	(21,344,463)
Depreciation and amortization	(309,251)	(42,641)	-	(351,892)
Gross profit	3,089,034	215,894	-	3,304,928
Selling and distribution expenses	(995,799)	(130,657)	-	(1,126,456)
Administrative expenses	(271,318)	(27,081)	-	(298,399)
	(1,267,117)	(157,738)	-	(1,424,855)
Finance cost	(400,652)	(41,044)	-	(441,696)
Other operating charges	(171,371)	(1,104)	-	(172,475)
	(572,023)	(42,148)	-	(614,171)
Other income	253,511	-	629,676	883,187
Profit before taxation	1,503,405	16,008	629,676	2,149,089
Taxation				(567,350)
				1,581,739

For the year ended 30 June 2017	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)			
Sales	15,460,218	1,246,745	-	16,706,963
Cost of sales (excluding depreciation and amortization)	(12,311,953)	(1,114,413)	-	(13,426,366)
Depreciation and amortization	(316,962)	(33,355)	-	(350,317)
Gross profit	2,831,303	98,977	-	2,930,280
Selling and distribution expenses	(821,507)	(51,762)	-	(873,269)
Administrative expenses	(274,431)	(22,131)	-	(296,562)
	(1,095,938)	(73,893)	-	(1,169,831)
Finance cost	(210,972)	(13,152)	-	(224,124)
Other operating charges	(179,348)	(391)	-	(179,739)
	(390,320)	(13,543)	-	(403,863)
Other income	86,330	-	950,495	1,036,825
Profit before taxation	1,431,375	11,541	950,495	2,393,411
Taxation				(551,000)
				1,842,411

Reconciliation of segment results with profit after tax is as follows:

	Note	2018	2017
		(Rupees in '000)	
Total results for reportable segments		3,304,928	2,930,280
Selling, distribution and administrative expenses	25 & 26	(1,424,855)	(1,169,831)
Financial charges	27	(441,696)	(224,124)
Other operating charges	28	(172,475)	(179,739)
Other income	29	883,187	1,036,825
Taxation	30	(567,350)	(551,000)
Profit for the year		1,581,739	1,842,411

40.2 Segment assets and liabilities

	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)			
As at 30 June 2018				
Segment assets	14,495,749	2,255,417	3,277,276	20,028,442
Segment liabilities	9,753,426	1,182,477	-	10,935,903
As at 30 June 2017				
Segment assets	13,540,885	1,345,368	2,742,705	17,628,958
Segment liabilities	7,963,492	504,349	-	8,467,841

Reconciliation of segment assets and liabilities with total assets and liabilities in the statement of financial position is as follows:

	2018	2017
	(Rupees in '000)	
Total for reportable segments assets	20,028,442	17,628,958
Unallocated assets	2,436,608	887,320
Total assets as per statement of financial position	22,465,050	18,516,278
Total for reportable segments liabilities	10,935,903	8,467,841
Unallocated liabilities	2,634,764	2,189,616
Total liabilities as per statement of financial position	13,570,667	10,657,457

40.3 Segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

40.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

40.5 Information about major customers

Revenue from major customers of the Polymer segment was Rs. 2,717 million (2017: Rs. 829 million), where as in the Steel segment was Rs. 1,157 million (2017: Rs. nil), whose revenue accounts for more than 10% of the Segment's revenue.

40.6 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

	Note	2018	2017
		(Rupees in '000)	
Domestic sales	23	**25,144,048**	15,329,288
Export sales	40.6.1	**4,471,569**	4,470,047
		29,615,617	19,799,335

40.6.1 Region wise export sales are as under:

	2018	2017
Sri Lanka	**631,394**	1,200,910
America	**1,704,766**	1,120,209
Australia	**1,221,038**	973,930
Afghanistan	**323,892**	645,324
Others	**590,479**	529,675
	4,471,569	4,470,047

40.6.2 Details of outstanding trade debts in respect of export sales are as follows:

Country	Total export sales made	Amount outstanding	Mode of Contract
Afghanistan	323,892	17,394	Documents against Payment
Austraia	1,221,038	828,389	Open Contract (wholly owned subsidiary)
Canada	1,332,469	108,044	Documents against Payment
Germany	47,027	10,190	Letter of Credit
Korea	237,112	19,015	Letter of Credit
Sri Lanka	631,394	11,394	Documents against Payment
Switzerland	207,662	61,007	Documents against Payment/Letter of Credit
UAE	277,996	51,496	Documents against Payment
West Indies	52,554	34,627	Documents against Payment
		1,141,556	

40.6.3 Management consider that revenues from its ordinary activities are Sharih Complaint.

40.7 As at 30 June 2018, all non-current assets of the Company are located in Pakistan with an exception of its investment in IIL-Australia Pty Limited which is domiciled in Victoria, Australia.

41 NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2018	2017
	(Number)	
Total employees of the Company at the year end	**1,055**	995
Average employees of the Company during the year	**1,079**	1,015
Employees working in the Company's factory at the year end	**951**	898
Average employees working in the Company's factory during the year	**926**	878

42 NON-ADJUSTING EVENTS AFTER REPORTING DATE

The Board of Directors of the Company in their meeting held on 16 August 2018 has proposed a final cash dividend of Rs. 6.5 per share amounting to Rs. 779.3 million.(2017: Rs. 2 per share amounting to Rs. 239.8 million) for the year ended 30 June 2018. The approval of the Members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on 28 September 2018. The financial statements for the year ended 30 June 2018 do not include the effect of the proposed final cash dividend which will be accounted for in the year ending 30 June 2019.

43 GENERAL

Corresponding Figures

The Fourth Schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

Description	Reclassified from	Reclassified to	2017
			(Rupees in '000)
Trade deposits and short-term prepayments	Trade deposits and short-term prepayments	Advances, trade deposits and short-term prepayments	13,032
Receivable from K-Electric Limited	Other receivables	Receivable from K-Electric Limited (presented on face of statement of financial position)	18,102
Unpaid dividend	Trade and other payables	Unpaid dividend (presented on face of statement of financial position)	244,225
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	19,075
Salaries, wages and benefits	Cost of sales	Income from power generation cost of electricity produced (in other income)	4,517
Electricity, gas and water			74,759
Insurance			47
Depreciation and amortisation			4,467
Operational supplies & consumables			3,116
Repairs and maintenance			3,004

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 16 August 2018 by the Board of Directors of the Company.

Ehsan A. Malik Director & Chairman Board Audit Committee	**Nadir Akbarali Jamal** Chief Financial Officer	**Riyaz T. Chinoy** Chief Executive Officer

Consolidated Financial Statements

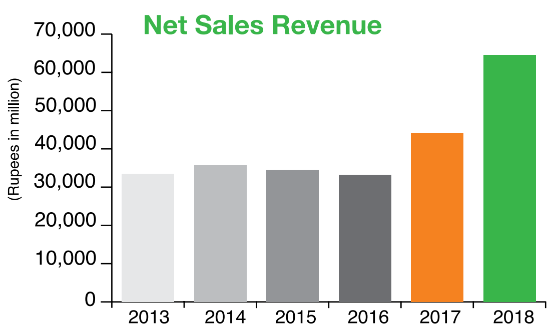
Consolidated Key Operating Highlights

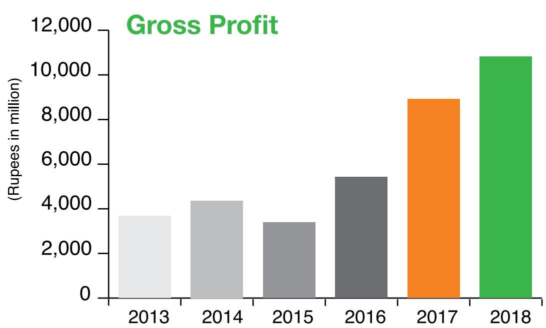
		2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross profit ratio	%	16.8	20.2	16.3	9.8	12.2	11.0
Net profit to Sales	%	8.2	9.2	5.9	2.0	3.3	2.8
EBITDA Margin to Sales	%	14.6	17.9	14.5	9.4	11.4	10.4
Return on Equity with Surplus on revaluation of fixed assets	%	28.7	28.8	16.2	7.2	12.8	10.8
Return on Equity without Surplus on revaluation of fixed assets	%	35.1	38.0	22.9	9.9	17.5	15.3
Return on Capital Employed	%	19.4	21.5	11.4	4.4	9.5	7.5
Return on Total Assets	%	9.5	9.6	6.0	2.3	3.9	3.4
Liquidity Ratios							
Current ratio	Times	1.16	1.07	1.02	0.98	0.99	0.95
Quick / Acid test ratio	Times	0.25	0.22	0.32	0.35	0.37	0.34
Cash to Current Liabilities	Times	(0.28)	(0.13)	(0.24)	(0.01)	(0.09)	(0.24)
Cash flow from Operations to Sales	Times	(0.02)	(0.01)	0.14	0.11	0.04	0.14
Activity / Turnover Ratios							
Inventory turnover ratio	Times	2.3	2.0	2.9	3.8	3.0	3.7
Inventory turnover in days	days	157	185	125	96	120	98
Debtor turnover ratio	Times	28.2	20.1	19.2	15.0	12.1	14.7
Debtor turnover in days	days	13	18	19	24	30	25
Creditor turnover ratio	Times	24.4	7.6	6.0	12.6	8.1	33.2
Creditor turnover in days	days	15	48	60	29	45	11
Total assets turnover ratio	Times	1.2	1.0	1.0	1.2	1.2	1.2
Fixed assets turnover ratio	Times	2.7	2.3	1.9	2.1	2.7	2.5
Operating cycle in days	days	155	155	83	91	105	112
Capital employed turnover ratio	Times	2.4	2.3	1.9	2.2	2.8	2.7
Investment / Market Ratios							
Earnings per share - basic and diluted	Rs.	28.75	22.91	11.99	4.99	7.45	6.38
Price earning ratio	Times	8.07	16.09	5.88	13.42	6.64	7.07
Dividend Yield ratio	%	3.66	2.44	6.38	5.97	6.57	7.20
Dividend Payout ratio	%	29.56	39.29	37.53	80.09	43.64	50.91
Dividend per share - Cash	Rs.	8.50	9.00	4.50	4.00	3.25	3.25
Dividend Cover	Times	3.38	2.55	2.66	1.25	2.29	1.96
Market value per share at the end of the year	Rs.	232	369	71	67	49	45
Market value per share high during the year	Rs.	377	406	94	87	61	49
Market value per share low during the year	Rs.	203	86	60	45	40	28
Break-up value per share with revaluation of fixed assets	Rs.	114	90	78	61	59	55
Break-up value per share without revaluation of fixed assets	Rs.	86	62	49	40	38	34
Capital Structure Ratios							
Financial leverage ratio	(x)	1.7	1.6	1.3	1.7	1.8	1.7
Total Debt : Equity ratio	(x)	67 : 33	67 : 33	63 : 37	68 : 32	70 : 30	68 : 32
Interest cover	Times	8.8	10.5	3.7	1.5	1.8	1.6

Consolidated Financial Highlights

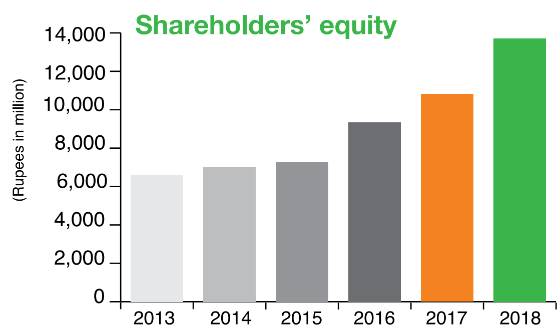
	2018	2017	%
	Rupees in ‘000		
Net Sales Revenue	64,541,879	44,117,667	46.3
Gross Profit	10,820,139	8,906,439	21.5
Property, Plant & Equipment (PPE)	24,031,606	18,813,976	27.7
Shareholders’ equity	13,709,016	10,810,349	26.8
Non - controlling interest	4,655,410	3,305,288	40.8

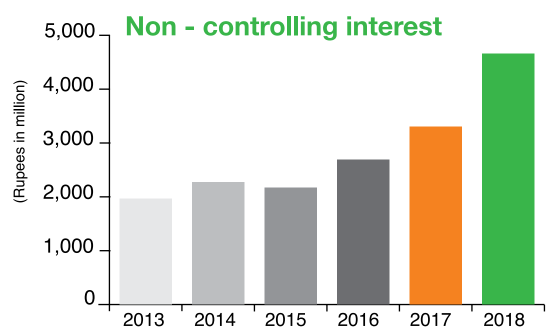
Business Growth





Shareholder Value Accretion





Analysis of Financial Statements

Consolidated Statement of Financial Position

	2018	2017	2016	2015	2014	2013
	Rupees in million					
Property, plant and equipment	24,032	18,814	17,565	16,050	13,272	13,415
Investments	1,004	300	270	260	183	177
Other non current assets	74	71	60	22	22	26
Current assets	30,391	23,368	14,677	13,546	17,178	13,238
Total assets	55,501	42,553	32,571	29,877	30,655	26,856
Shareholders' equity	13,709	10,810	9,338	7,293	7,030	6,582
Non - controlling interest	4,655	3,305	2,690	2,170	2,271	1,968
Non current liabilities	10,833	6,608	6,221	6,598	3,952	4,358
Current portion of long term financing	1,383	1,307	857	1,000	900	783
Short term borrowings	16,772	10,939	6,767	8,780	11,154	11,280
Other Current liabilities	8,149	9,583	6,697	4,035	5,349	1,885
Total equity & liabilities	55,501	42,553	32,571	29,877	30,655	26,856
Vertical Analysis	Percentage					
Property, plant and equipment	43.3	44.2	53.9	53.7	43.3	50.0
Investments	1.8	0.7	0.8	0.9	0.6	0.7
Other non current assets	0.1	0.2	0.2	0.1	0.1	0.1
Current assets	54.8	54.9	45.1	45.3	56.0	49.3
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	24.7	25.4	28.7	24.4	22.9	24.5
Non - controlling interest	8.4	7.8	8.3	7.3	7.4	7.3
Non current liabilities	19.5	15.5	19.1	22.1	12.9	16.2
Current portion of long term financing	2.5	3.1	2.6	3.3	2.9	2.9
Short term borrowings	30.2	25.7	20.8	29.4	36.4	42.0
Other Current liabilities	14.7	22.5	20.6	13.5	17.4	7.0
Total equity & liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Horizontal Analysis	Percentage					
Property, plant and equipment	27.7	7.1	9.4	20.9	(1.1)	14.4
Investments	235.3	10.9	3.9	42.2	3.4	4.7
Other non current assets	4.0	19.7	176.9	(3.2)	(13.6)	(5.7)
Current assets	30.1	59.2	8.4	(21.1)	29.8	(19.7)
Total assets	30.4	30.6	9.0	(2.5)	14.1	(5.5)
Shareholders' equity	26.8	15.8	28.0	3.7	6.8	30.7
Non - controlling interest	40.8	22.9	24.0	(4.4)	15.4	8.7
Non current liabilities	63.9	6.2	(5.7)	67.0	(9.3)	(3.4)
Current portion of long term financing	5.8	52.4	(14.3)	11.1	14.9	(18.4)
Short term borrowings	53.3	61.6	(22.9)	(21.3)	(1.1)	(19.5)
Other Current liabilities	(15.0)	43.1	66.0	(24.6)	183.8	(10.0)
Total equity & liabilities	30.4	30.6	9.0	(2.5)	14.1	(5.5)

Analysis of Financial Statements

Consolidated Statement of Profit & Loss

	2018	2017	2016	2015	2014	2013
	Rupees in million					
Net Sales	64,542	44,118	33,201	34,459	35,855	33,512
Cost of Sales	(53,722)	(35,211)	(27,777)	(31,070)	(31,492)	(29,825)
Gross Profit	10,820	8,906	5,424	3,389	4,364	3,687
Administrative, Selling and Distribution expenses	(2,188)	(1,758)	(1,446)	(1,112)	(1,033)	(933)
Other operating expenses	(834)	(605)	(381)	(101)	(185)	(115)
Share of profit in equity accounted investee	35	36	18	20	16	16
Other operating income	338	176	204	246	196	186
Operating profit before financing cost	8,172	6,755	3,818	2,442	3,357	2,840
Finance cost	(981)	(680)	(1,069)	(1,517)	(1,832)	(1,692)
Profit before Taxation	7,191	6,076	2,750	925	1,525	1,148
Taxation	(1,922)	(2,011)	(795)	(239)	(333)	(224)
Profit after Taxation	5,268	4,065	1,955	686	1,191	924
Vertical Analysis	Percentage					
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	(83.2)	(79.8)	(83.7)	(90.2)	(87.8)	(89.0)
Gross Profit	16.8	20.2	16.3	9.8	12.2	11.0
Administrative, Selling and Distribution expenses	(3.4)	(4.0)	(4.4)	(3.2)	(2.9)	(2.8)
Other operating expenses	(1.3)	(1.4)	(1.1)	(0.3)	(0.5)	(0.3)
Share of profit in equity accounted investee	0.1	0.1	0.1	0.1	0.0	0.0
Other operating income	0.5	0.4	0.6	0.7	0.5	0.6
Operating profit before financing cost	12.7	15.3	11.5	7.1	9.4	8.5
Finance cost	(1.5)	(1.5)	(3.2)	(4.4)	(5.1)	(5.0)
Profit before Taxation	11.1	13.8	8.3	2.7	4.3	3.4
Taxation	(3.0)	(4.6)	(2.4)	(0.7)	(0.9)	(0.7)
Profit after Taxation	8.2	9.2	5.9	2.0	3.3	2.8
Horizontal Analysis	Percentage					
Net Sales	46.3	32.9	(3.6)	(3.9)	7.0	16.4
Cost of Sales	52.6	26.8	(10.6)	(1.3)	5.6	16.3
Gross Profit	21.5	64.2	60.0	(22.3)	18.4	16.7
Administrative, Selling and Distribution expenses	24.4	21.6	30.1	7.7	10.7	29.1
Other operating expenses	37.9	58.8	278.1	(45.6)	61.0	160.1
Share of profit in equity accounted investee	(1.5)	100.8	(10.5)	26.7	(0.7)	56.2
Other operating income	91.7	(13.5)	(17.0)	25.5	5.5	1.0
Operating profit before financing cost	21.0	76.9	56.4	(27.3)	18.2	9.9
Finance cost	44.3	(36.4)	(29.5)	(17.2)	8.3	(26.8)
Profit before Taxation	18.4	121.0	197.2	(39.3)	32.8	318.4
Taxation	(4.4)	152.9	232.4	(28.3)	48.8	360.2
Profit after Taxation	29.6	108.0	184.9	(42.4)	29.0	309.4

Analysis of Financial Statements

Consolidated Statement of Cash Flows

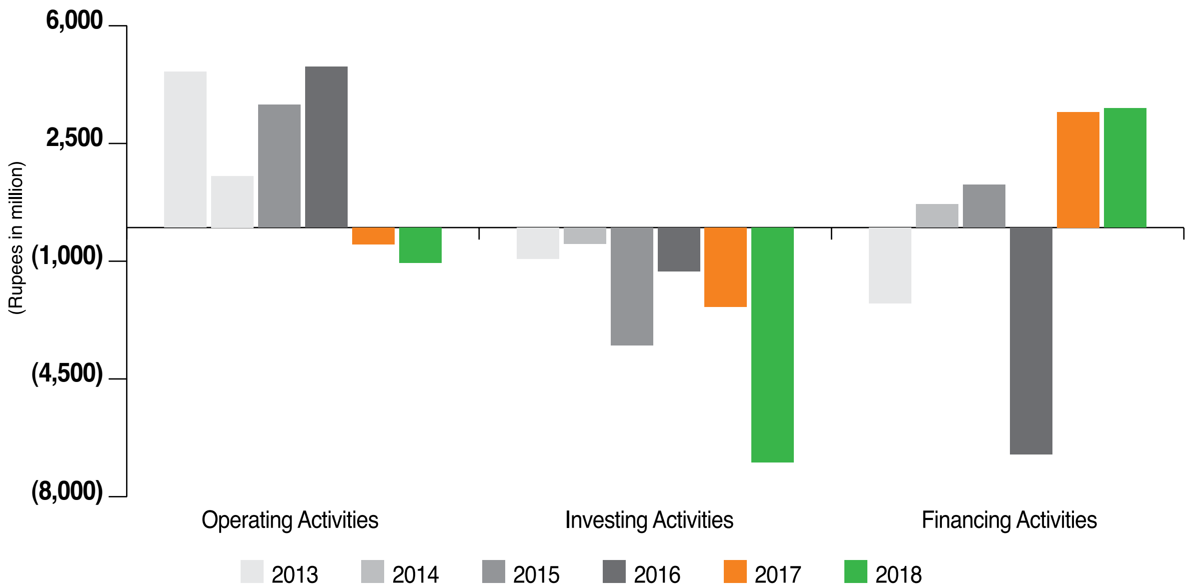
	2018	2017	2016	2015	2014	2013
	Rupees in million					
Net cash generated from/(used in) operating activities	(1,044)	(501)	4,779	3,649	1,532	4,628
Net cash inflows/(outflows) from investing activities	(6,979)	(2,351)	(1,300)	(3,504)	(487)	(924)
Net cash (outflows)/inflows from financing activities	3,546	3,436	(6,734)	1,269	692	(2,256)
Net increase/(decrease) in cash and cash equivalents	(4,477)	584	(3,255)	1,414	1,737	1,448

Vertical Analysis

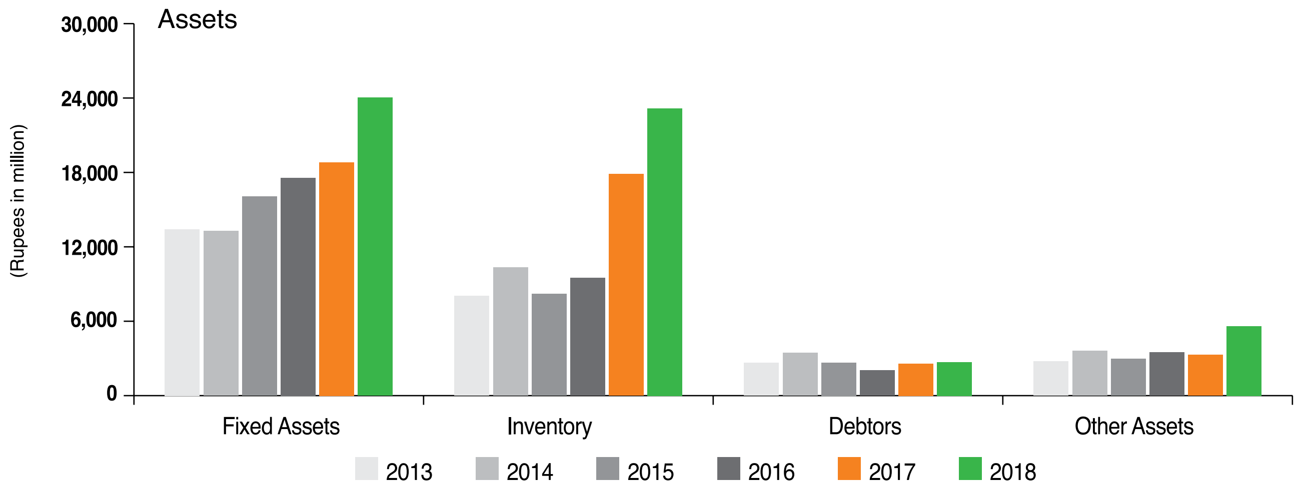
	2018	2017	2016	2015	2014	2013
	Percentage					
Net cash generated from/(used in) operating activities	(23.3)	(85.8)	146.8	258.1	88.2	319.6
Net cash inflows/(outflows) from investing activities	(155.9)	(402.4)	(39.9)	(247.8)	(28.1)	(63.8)
Net cash (outflows)/inflows from financing activities	79.2	588.2	(206.9)	89.7	39.8	(155.8)
Net increase/(decrease) in cash and cash equivalents	(100)	100.0	(100.0)	100.0	100.0	100.0

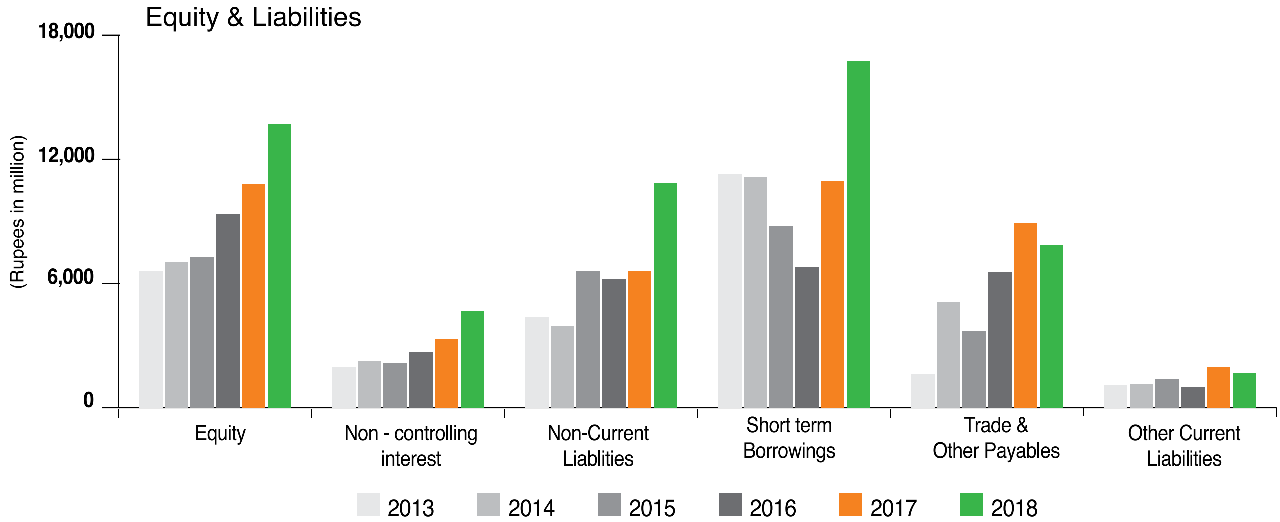
Horizontal Analysis

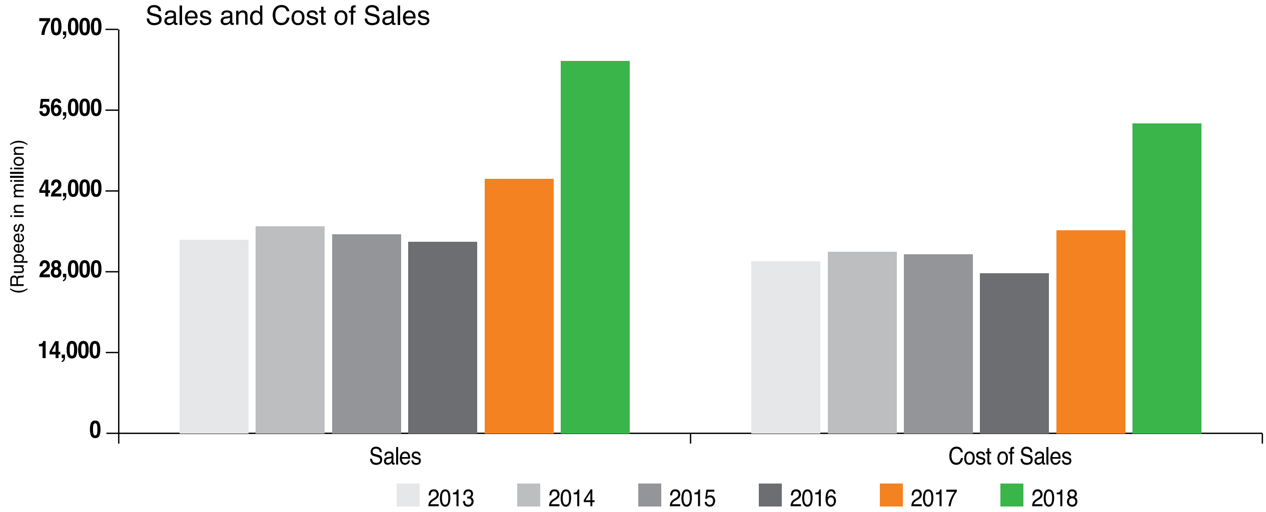
	2018	2017	2016	2015	2014	2013
	Percentage					
Net cash generated from/(used in) operating activities	108.3	(110.5)	31.0	138.1	(66.9)	(452.8)
Net cash inflows/(outflows) from investing activities	196.9	80.8	(62.9)	619.1	(47.3)	17.6
Net cash (outflows)/inflows from financing activities	3.2	(151.0)	(630.8)	83.3	(130.7)	49.8
Net increase/(decrease) in cash and cash equivalents	(866.2)	(118.0)	(330.2)	(18.6)	19.9	(140.2)



Graphical Presentation of
Consolidated Statement of Financial Position and Profit & Loss Account

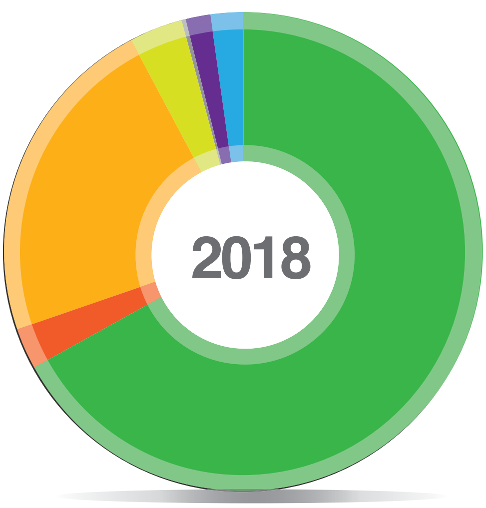


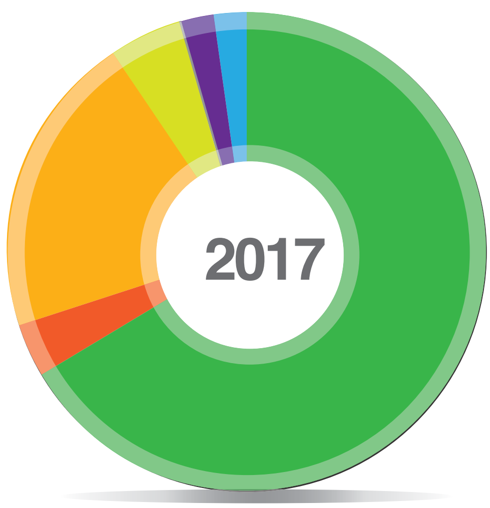




Consolidated Statement of Value Addition

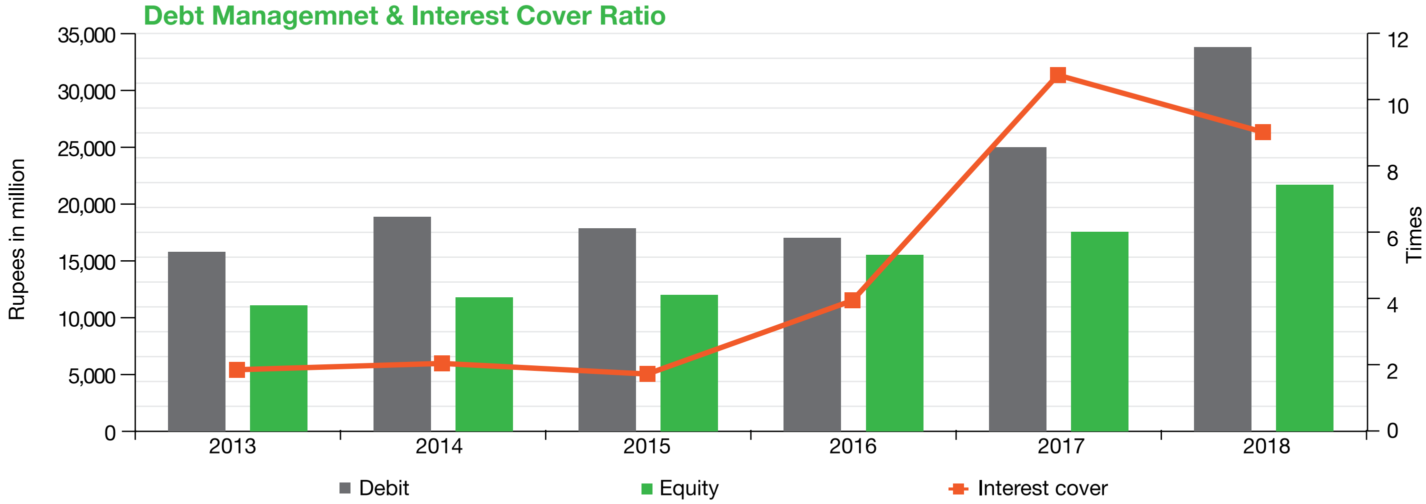
	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales including sales tax	74,540,541	99.5	50,659,687	99.7
Other operating income	337,952	0.5	176,315	0.3
	74,878,493	100	50,836,002	100.0
Wealth Distributed				
Cost of material & services	50,124,881	66.9	33,824,861	66.5
To Employees				
Salaries & other related cost	2,191,183	3	1,783,113	4
To Government				
Taxes & Duties	16,234,987	21.7	10,114,924	19.9
Worker Profit Participation Fund	395,370	0.5	328,788	0.6
Worker Welfare Fund	158,348	0.2	131,115	0.3
	16,788,705	22.4	10,574,827	20.8
To Providers of Capital				
Dividend to shareholders	1,873,837	2.5	1,743,840	3.4
Finance cost	980,924	1.3	679,731	1.3
	2,854,761	3.8	2,423,571	4.8
To Society				
Donation	93,910	0.1	71,205	0.1
Retained in Business				
For replacement of fixed assets				
Depreciation & Amortization	1,251,432	1.7	1,156,070	2.3
To provide for growth: Retained Profit	1,573,621	2.1	1,002,355	2.0
	2,825,053	3.8	2,158,425	4.2
	74,878,493	100.0	50,836,002	100.0

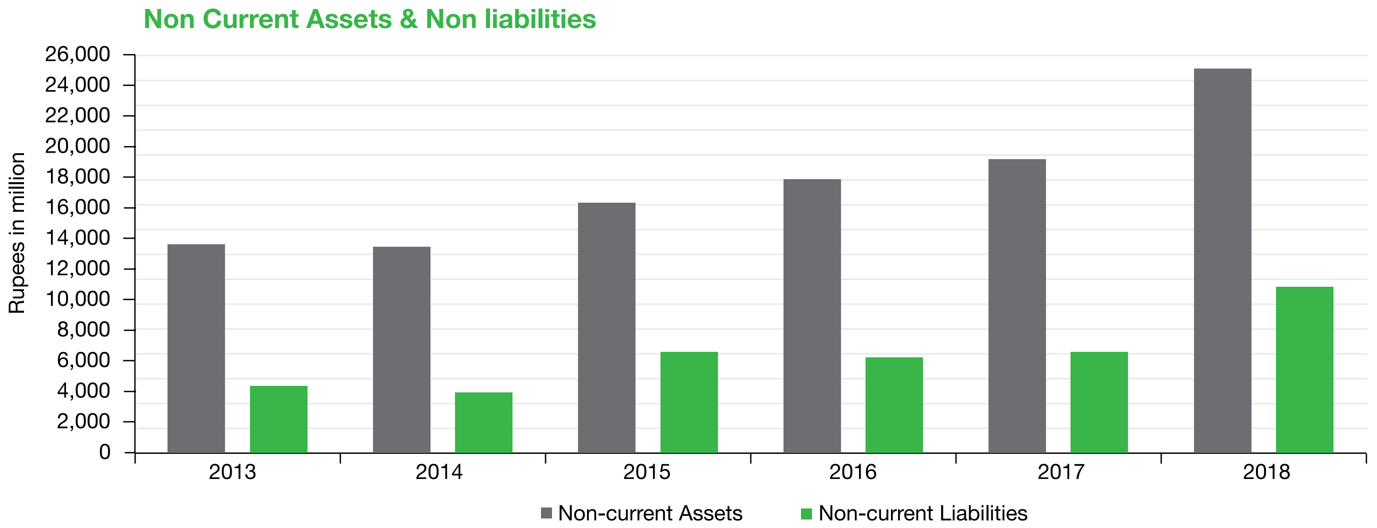


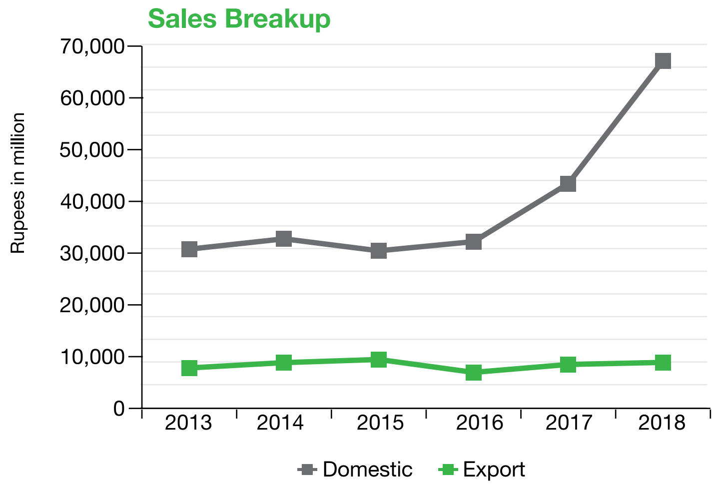


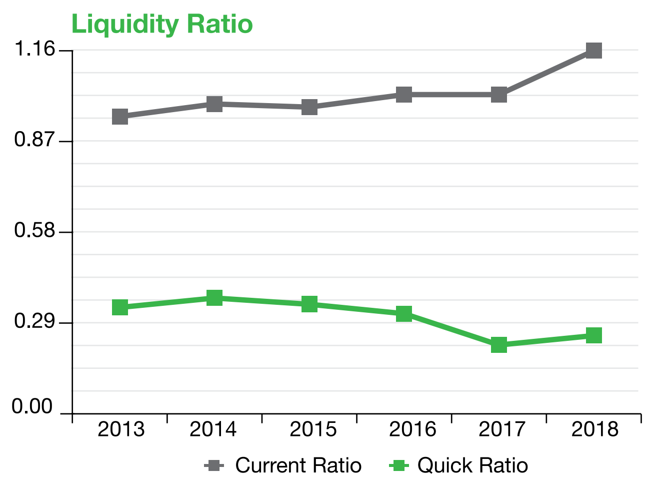
	2018	2017
Cost of material & services	66.9%	66.5%
To Employees	2.9%	3.5%
To Government	22.4%	20.8%
To Providers of Capital	3.8%	4.8%
To Society	0.1%	0.1%
Depreciation & Amortization	1.7%	2.3%
Retained Profit	2.1%	2.0%

Consolidated Performance at a Glance

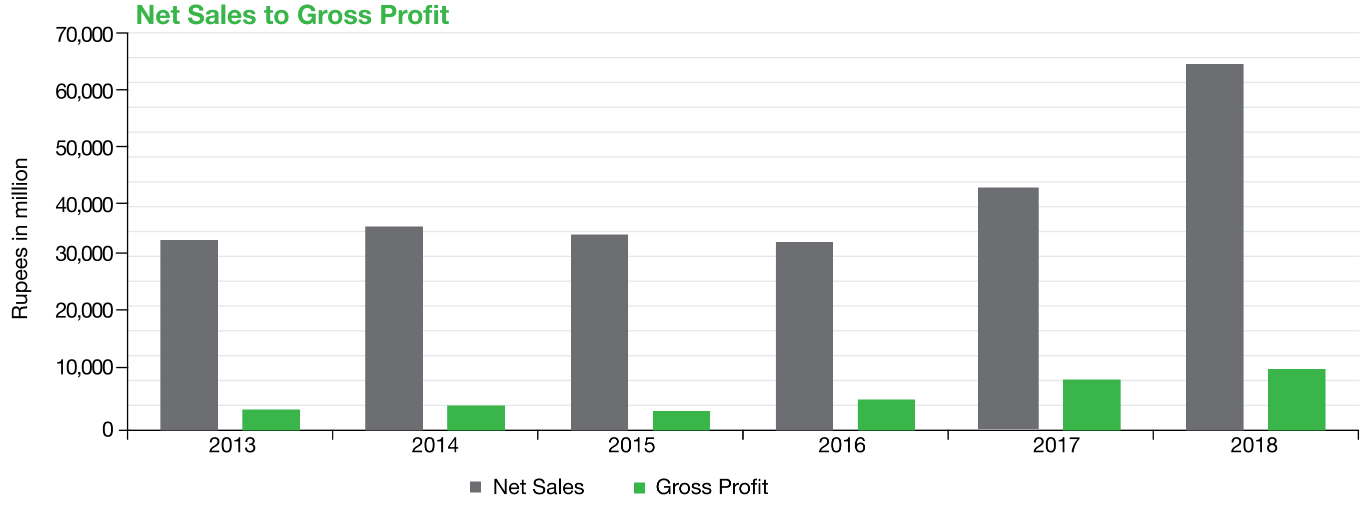




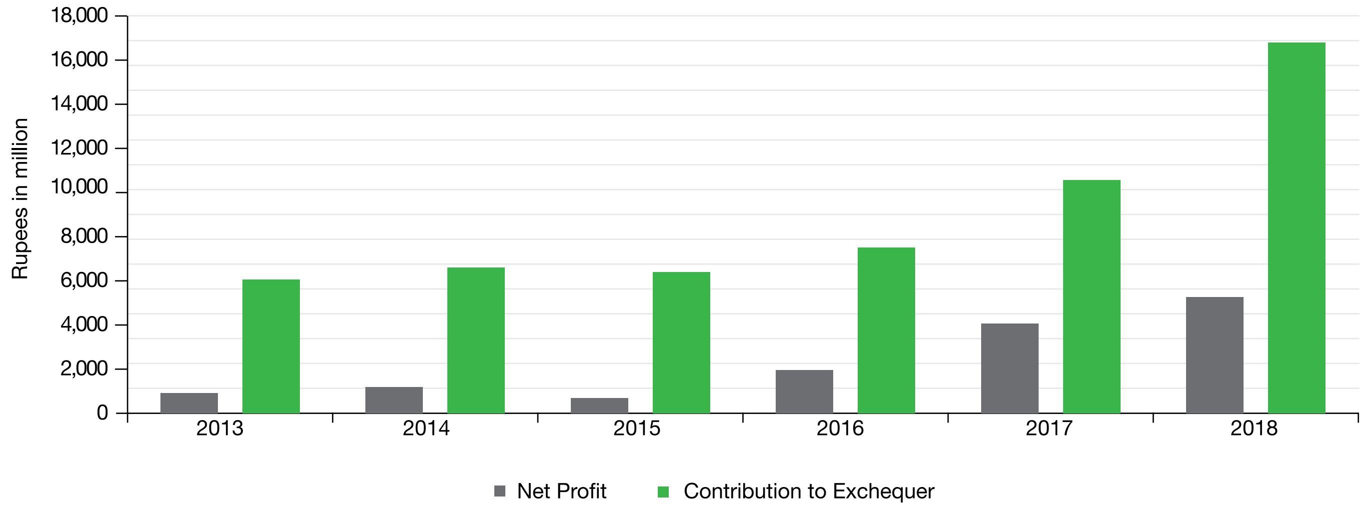




Net Sales to Gross Profit



Net Profit & Contribution to Exchequer



Independent Auditor's Report

To the members of International Industries Limited

Opinion

We have audited the annexed consolidated financial statements of **International Industries Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at **30 June 2018**, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	**Revenue recognition** Refer notes 4.10, 23 and 38 to the consolidated financial statements. The Group generates revenue from sale of goods to domestic as well as export customers and related parties. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • assessing the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and • inspecting credit notes issued to record sales returns subsequent to year end, if any.

S. No.	Key audit matters	How the matters were addressed in our audit
2.	**Valuation of Trade Debts** Refer notes 4.4.1.1 and 11 to the consolidated financial statements. As at 30 June 2018, the Group's gross trade debtors were Rs. 2,853 million against which allowances for doubtful debts of Rs. 153 million were recorded. We identified the recoverability of trade debtors as a key audit matter because estimating the recoverable amount involves inherent uncertainty and significant management judgment	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts; • assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation; • assessing the assumptions and estimates made by the management for the provision for doubtful debts; • comparing, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade debtor balances as at 30 June 2018 with the underlying documentation; and • assessing the historical accuracy of management's process for making allowances for doubtful debts by examining the utilization or release of allowances recorded as at 30 June 2017 and new allowances made in the current year in respect of trade debtors as at 30 June 2018.
3.	**Valuation of Stock-in-trade** Refer notes 4.6, 10 and 38 to the consolidated financial statements. Inventory forms a significant part of the Group's assets. During the year 50% of raw materials were purchased by the Group from a related party. We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Group.	Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following: • obtaining an understanding of internal controls over purchases and valuation of stock in trade, and testing, on a sample basis, their design, implementation and operating effectiveness; • comparing on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if any; • comparing calculations of the allocation of directly attributable costs with the underlying supporting documents; • obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.

S. No.	Key audit matters	How the matters were addressed in our audit
4.	**Capitalization of Property, Plant and Equipment** Refer notes 2(i), 4.2.1 and 6 to the consolidated financial statements. The Group has made significant capital expenditure on expansion of manufacturing facilities as explained in aforementioned notes. We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on capitalization of borrowing costs and depreciation charge for the year.	Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following: • understanding the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system; • testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred including borrowing costs for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the accounting policy and applicable accounting standards; and • inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs including borrowing cost ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matters

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

KPMG Taseer Hadi & Co.

Date: 16 August 2018
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018	2017 (Restated)	2016 (Restated)
			(Rupees in '000)	
ASSETS				
Non-current assets				
Property, plant and equipment	6	24,031,606	18,813,976	17,564,795
Intangible assets	7	11,200	19,894	13,429
Investment in equity accounted investee	8	1,004,132	299,503	270,097
Long term deposits		63,094	51,575	46,266
		25,110,032	19,184,948	17,894,587
Current assets				
Stores and spares	9	591,296	615,077	575,099
Stock-in-trade	10	23,164,108	17,857,450	9,489,551
Trade debts	11	2,700,318	2,582,530	2,036,714
Advances, trade deposits and short-term prepayments	12	1,133,553	144,447	211,970
Receivable from K-Electric (KE) - unsecured, considered good		52,628	61,089	49,011
Other receivables	13	11,290	7,133	28,036
Sales tax receivable		2,003,799	1,405,171	423,422
Taxation	14	260,145	588,108	1,792,532
Cash and bank balances	15	473,671	106,657	70,405
		30,390,808	23,367,662	14,676,740
Total assets		55,500,840	42,552,610	32,571,327
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorised capital				
200,000,000 (2017: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000	2,000,000
Share capital				
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926	1,198,926
Revenue reverves				
General reserve		2,991,258	2,991,258	2,991,258
Un-appropriated profit		6,170,136	3,196,534	1,642,279
Exchange translation reserve		305	(942)	(1,251)
Capital reserve				
Revaluation surplus on property, plant and equipment	17	3,348,391	3,424,573	3,507,105
Total shareholders' equity		13,709,016	10,810,349	9,338,317
Non - controlling interest		4,655,410	3,305,288	2,690,276
		18,364,426	14,115,637	12,028,593
LIABILITIES				
Non-current liabilities				
Long term financing - secured	18	8,736,815	4,799,619	5,083,027
Staff retirement benefits		146,253	108,699	69,331
Deferred taxation - net	19	1,949,739	1,700,014	1,068,925
		10,832,807	6,608,332	6,221,283
Current liabilities				
Trade and other payables	20	7,861,918	8,911,599	6,553,825
Short term borrowings - secured	21	16,771,867	10,938,643	6,767,004
Unpaid dividend		23,758	519,391	-
Unclaimed dividend		23,854	19,075	17,033
Unclaimed dividend attributable to non-controlling interest		2,917	656	384
Current portion of long term financing - secured	18	1,382,598	1,306,780	857,221
Sales tax payable		1,534	786	41,814
Accrued mark-up		235,161	131,711	84,170
		26,303,607	21,828,641	14,321,451
Total liabilities		37,136,414	28,436,973	20,542,734
Total equity and liabilities		55,500,840	42,552,610	32,571,327
Contingencies and commitments	22			

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Consolidated Statement of Profit and Loss Account

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees in '000)	
Net sales	23	64,541,879	44,117,667
Cost of sales	24	(53,721,740)	(35,211,228)
Gross profit		10,820,139	8,906,439
Selling and distribution expenses	25	(1,591,006)	(1,236,315)
Administrative expenses	26	(596,574)	(522,052)
		(2,187,580)	(1,758,367)
Finance cost	27	(980,924)	(679,731)
Other operating charges	28	(834,132)	(604,779)
		(1,815,056)	(1,284,510)
Other income	29	337,952	176,315
Share of profit in equity accounted investee - net of tax		35,222	35,753
Profit before taxation		7,190,677	6,075,630
Taxation	30	(1,922,271)	(2,010,547)
Profit after taxation for the year		5,268,406	4,065,083
Profit attributable to:			
- Owners of the Holding Company		3,447,458	2,746,195
- Non controlling interest		1,820,948	1,318,888
		5,268,406	4,065,083
		(Rupees)	
Earnings per share - basic and diluted	31	28.75	22.91

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	2018	2017
	(Rupees in '000)	
Profit for the year	5,268,406	4,065,083
Other comprehensive income		
Item that will never be reclassified to profit and loss account		
Remeasurements of defined benefit liability	(70,564)	(41,931)
Related tax	20,463	9,558
	(50,101)	(32,373)
Effect of change in tax rates on balance of revaluation on property, plant and equipment	(9,821)	-
Item that will be classified to profit and loss account		
Foreign operations- foreign currency translation difference	1,247	309
Proportionate share of other comprehensive income of equity accounted investee	2,943	672
Total comprehensive income for the year	5,212,674	4,033,691
Total comprehensive income attributable to:		
- Owners of the Holding Company	3,394,650	2,715,306
- Non controlling interest	1,818,024	1,318,385
	5,212,674	4,033,691

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Consolidated Statement of Cash Flow

For the year ended 30 June 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		7,190,677	6,075,630
Adjustments for:			
Depreciation		1,242,738	1,151,147
Amortisation	7.1	8,694	4,923
Provision for doubtful debts - net		(10,930)	58,360
Provision for stores and spares		19,553	-
Provision for staff gratuity		52,892	45,113
Provision for compensated absences		18,799	9,219
Income on bank deposits	29	(3,975)	(3,033)
Gain on disposal of property, plant and equipment	29	(81,021)	(29,157)
Share of profit from associated company		(35,222)	(35,753)
Finance cost	27	980,924	679,731
		9,383,129	7,956,180
Changes in:			
Working capital	32	(8,106,895)	(7,601,378)
Long term deposits		(11,519)	(5,309)
		1,264,715	349,493
Translation reserve		(2,699)	(1,000)
Finance cost paid		(877,468)	(632,190)
Income on bank deposits		3,975	3,033
Payment for staff gratuity		(85,902)	(47,676)
Payment of compensated absences		(12,485)	(7,291)
Income taxes (paid) / (repayments) - net		(1,333,917)	(165,475)
Net cash generated (used in) / generated from operating activities		(1,043,781)	(501,106)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(6,562,283)	(2,450,514)
Investment in an associated company		(684,571)	-
Amalgamation of wholly owned subsidiary company		150,000	-
Dividend received		17,037	31,537
Proceeds from disposal of property, plant and equipment		100,780	68,005
Net cash used in investing activities		(6,979,037)	(2,350,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		5,271,106	1,250,000
Repayment of long term financing		(1,258,092)	(1,083,849)
Proceeds from / (repayment of) short term borrowing - net		976,238	4,719,649
Dividend paid to non controlling interest		(738,226)	(436,854)
Dividends paid to shareholders of the Holding Company		(704,798)	(1,012,606)
Net cash generated in financing activities		3,546,228	3,436,340
Net (decrease) / increase in cash and cash equivalents		(4,476,590)	584,262
Cash and cash equivalents at beginning of the year		(2,851,446)	(3,435,708)
Transfer upon merger		(13,382)	-
Cash and cash equivalents at end of the year		(7,341,418)	(2,851,446)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	15	473,671	106,657
Short term borrowings - running finance (secured)	21	(7,815,089)	(2,958,103)
		(7,341,418)	(2,851,446)

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	Nadir Akbarali Jamal	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to owners of the Holding Company					Capital reserve			
	Issued, subscribed & paid-up capital	Revenue reserves		Exchange translation reserves	Total reserves	Revaluation surplus on property,plant & equipment	Total	Non-controlling interest	Total
		General reserve	Un-appropriated profit						
	(Rupees in '000)								
Balance as at 01 July 2016 as previously reported	1,198,926	2,991,258	1,644,740	(1,251)	4,634,747	-	5,833,673	2,692,184	8,525,857
Effect of change in accounting policy - net of tax									
Revaluation surplus on property ,plant and equipment	-	-	-	-	-	3,502,736	3,502,736	-	3,502,736
Loss on revaluation charged to profit & loss	-	-	(2,461)	-	(2,461)	4,369	1,908	(1,908)	-
-	-	-	(2,461)	-	(2,461)	3,507,105	3,504,644	(1,908)	3,502,736
Balance as at 1 July 2016 as restated	1,198,926	2,991,258	1,642,279	(1,251)	4,632,286	3,507,105	9,338,317	2,690,276	12,028,593
Total comprehensive income for the year ended 30 June 2017									
- Profit for the year	-	-	2,746,195	-	2,746,195	-	2,746,195	1,318,888	4,065,083
- Other comprehensive income for the year	-	-	(31,198)	309	(30,889)	-	(30,889)	(503)	(31,392)
Total comprehensive income for the year	-	-	2,714,997	309	2,715,306	-	2,715,306	1,318,385	4,033,691
Transactions with owners recorded directly in equity:									
Distributions to owners of the Holding Company									
- Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	-	(419,624)	-	(419,624)	-	(419,624)
- 1st Interim dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2017	-	-	(299,732)	-	(299,732)	-	(299,732)	-	(299,732)
- 2nd Interim dividend @ 45% (Rs. 4.50 per share) for the year ended 30 June 2017	-	-	(539,517)	-	(539,517)	-	(539,517)	-	(539,517)
Total transactions with owners of the Holding Company	-	-	(1,258,873)	-	(1,258,873)	-	(1,258,873)	-	(1,258,873)
Dividend to non-controlling interest	-	-	-	-	-	-	-	(712,292)	(712,292)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of deferred tax	-	-	8,321	-	8,321	(8,321)	-	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	89,810	-	89,810	(98,729)	(8,919)	8,919	-
Proportionate share of surplus on revaluation property, plant and equipments	-	-	-	-	-	24,518	24,518	-	24,518
Balance as at 30 June 2017 - as restated	1,198,926	2,991,258	3,196,534	(942)	6,186,850	3,424,573	10,810,349	3,305,288	14,115,637
Balance as at 30 June 2017 as previously reported	1,198,926	2,991,258	3,198,995	(942)	6,189,311	7,388,237	3,307,196	10,695,433	
Effect of change in accounting policy - net of tax									
Revaluation surplus on property, plant and equipment	-	-	-	-	-	3,420,204	3,420,204	-	3,420,204
Loss on revaluation charged to profit & loss	-	-	(2,461)	-	(2,461)	4,369	1,908	(1,908)	-
	-	-	(2,461)	-	(2,461)	3,424,573	3,422,112	(1,908)	3,420,204
Balance as at 1 July 2017	1,198,926	2,991,258	3,196,534	(942)	6,186,850	3,424,573	10,810,349	3,305,288	14,115,637
Total comprehensive income for the year ended 30 June 2018									
- Profit for the year	-	-	3,447,458	-	3,447,458	-	3,447,458	1,820,948	5,268,406
- Transfer upon amalgamatiom	-	-	(8,383)	-	(8,383)	-	(8,383)	-	(8,383)
- Other comprehensive loss for the year	-	-	(44,234)	1,247	(42,987)	(9,821)	(52,808)	(2,924)	(55,732)
Total comprehensive income for the year			3,394,841	1,247	3,396,088	(9,821)	3,386,267	1,818,024	5,204,291
Transactions with owners recorded directly in equity									
Distributions to owners of the Holding Company									
- Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)	-	-	-	(239,785)
- Interim dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2018	-	-	(239,785)	-	(239,785)	-	-	-	(239,785)
Total transactions with owners of the Holding Company	-	-	(479,570)	-	(479,570)	-	-	-	(479,570)
Dividend to non-controlling interest	-	-	-	-	-	-	-	(474,861)	(474,861)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of deferred tax	-	-	765	-	765	(765)	-	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	57,566	-	57,566	(64,525)	(6,959)	6,959	-
Proportionate share of surplus on revaluation property, plant and equipments	-	-	-	-	-	(1,071)	(1,071)	-	(1,071)
Balance as at 30 June 2018	1,198,926	2,991,258	6,170,136	305	9,161,699	3,348,391	14,188,586	4,655,410	18,364,426

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Ehsan A. Malik	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited, (the Holding Company) and International Steels Limited and IIL Australia PTY Limited (the subsidiary companies) [together referred to as "the Group" and individually as "Group entities"] and the Group's interest in equity accounted investee namely; Pakistan Cables Limited.

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

The manufacturing facilities of the Holding Company are situated as follows:

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

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

1.3 International Steels Limited ("the Subsidiary Company") was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.

The manufacturing facilities of the Subsidiary Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

1.4 IIL Australia PTY Limited was incorporated in Australia on 02 May 2014. The Subsidiary Company is in the business of Distribution and marketing of galvanized steel pipes, precision steel tubes and Pre-Galvanized pipes. The registered office of the Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia. IIL Australia PTY Limited is a wholly owned subsidiary of the Holding Company.

The sales office of the Subsidiary Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia.

1.5 Detail of Group's equity accounted investee is given in note 8 to these consolidated financial statement.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S CONSOLIDATED FINANCIAL POSITION AND PERFORMANCE

a) On 25 January 2018, the Board of Directors of the Holding Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiary, IIL Stainless Steels (Private) Limited with and into the Holding Company. As such, as of the Completion Date of 31 March 2018, the entire undertaking of IIL Stainless Steels (Private) Limited will stand merged with and into the Holding Company. As a result as on 31 March 2018, the entire business of IIL Stainless Steels (Private) Limited including its properties, assets, liabilities and rights and obligations vested into the Holding Company.

Since IIL Stainless Steels (Private) Limited was a group company under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of IIL Stainless Steels (Private) Limited are included in the consolidated financial statements of the Group at the same carrying values as recorded in IIL Stainless Steels (Private) Limited's own financial statements as on 31 March 2018.

b) Due to the first time application of financial reporting requirements under the Companies Act, 2017 (the Act) including disclosure and presentation requirements of the fourth schedule of the Act, some of the amounts reported for the previous period have been reclassified as detailed in note 43 to these consolidated financial statements.

c) During the year the Holding Company acquired 122 kanals of land in Sheikhupura for future expansion and for building manufacturing facility for the new product line of polyethylene pipes and PPRC pipes & fittings and further purchased plant and machinery for the same product facility (refer note 6.1)

d) During the year, the Holding Company made a further investment in the ordinary shares of Pakistan Cables Limited, an associated company (refer note 8.2)

e) The Holding Company declared an interim dividend of 20% (i.e. Rs. 2.00 per share) on 25 January 2018 for the year ended 30 June 2018.

f) During the year, the Holding Company has obtained new long term loan facilities amounting to Rs. 800 million, Rs. 100 million and an other Rs.100 million from MCB Bank. (refer note 18.1)

g) The accounting policy relating for revaluation of property, plant and equipment changed during the year as detailed in note 5 to these consolidated financial statements.

h) For a detailed discussion about the Group's performance please refer to the Directors' report accompanied in the annual report of the Group for the year ended 30 June 2018.

i) During the year International Steels Limited (the Subsidiary Company) has expanded its manufacturing facilities by addition of Cold Rolling Mill, Pickling line and related facilities. The Subsidiary Company has incurred capital expenditure amounting to Rs. 5,445.1 million in aggregate (including capitalization of borrowing cost). The Subsidiary Company's state of the art rolling mill commenced production during the year ended 30 June 2018 and related amount have been transferred from CWIP to related operating fixed assets. This addition has increased the rolling capacity of the Company to 1 million metric ton per annum. The Company has financed the expansion through long term loan from islamic window of commercial bank. The borrowing cost incurred on loan have been capitalized as detailed in note 6.1.1 to these consolidated financial statements.

3 BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company and the Subsidiary Companies for the year ended 30 June 2018. Details regarding the financial information of equity accounted investee used in the preparation of these consolidated financial statements are given in note 8 to these consolidated financial statements.

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for these financial reporting compromise of :

- International Financial Reporting (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional and presentation currency and have been rounded to the nearest thousand Rupee, unless otherwise indicated.

3.4 Use of estimates and judgments

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

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

- Property, plant and equipment and Intangible assets (notes 4.2 and 4.3).
- Trade debts, advances and other receivables (note 4.4.1.1)
- Derivative financial instruments (note 4.4.3 and 4.4.4)
- Stores and spares (note 4.5)
- Stock-in-trade (note 4.6)
- Taxation (note 4.7)
- Staff retirement benefits (note 4.8)
- Impairment (note 4.12)
- Provisions (note 4.13)
- Contingent liabilities (note 4.14)

3.5 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- IAS 7, 'Statement of Cash Flows' amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The relevant disclosure have been made in these consolidated financial statements.

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual consolidated financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation of fixed assets as more fully explained in note 5, change in nomenclature of primary statements etc. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures which have been included in these consolidated financial statements.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Group's financial reporting and therefore have not been detailed in these Group consolidated financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the consolidated financial statements of the Group:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's consolidated financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.

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

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

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

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these consolidated financial statements.

4.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Holding Company. Subsidiaries are those entities over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company using consistent accounting policies and changes are made when necessary to align them with the policies adopted by the Holding Company.

The assets and liabilities of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Holding Company. Non controlling interests are presented as a separate item in the consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

Associates are those entities in which the Holding Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Holding Company holds between 20 and 50 percent of the voting power of another entity or when the Group has significant influence through common directorship(s).

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of its associate's post acquisition profit or loss and consolidated statement of other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Dilution gains and losses arising on investments in associates are recognised in the consolidated profit and loss account.

The financial statements of the associate used for equity accounting are prepared with difference of three months from the reporting period of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in equity accounted investee (which is higher of its value in use and its fair value less cost to sell) and its carrying value and recognises the amount in the profit and loss account. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount but limited to the carrying amount that would have been determined, if no impairment loss had been recognized. A reversal of impairment is recognized in the consolidated profit an loss account.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated profit and loss account.

Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in the preparation of the Group's consolidated financial statements are translated in functional currency of the Group. Statement of financial position items are translated at the exchange rate at the reporting date and profit and loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange translation reserve. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified into profit and loss account as part of gain or loss on disposal. If the group disposes off part of its interest in a subsidiary but retains control, then the relevant portion of the cumulative amount is reattributed to non-controlling interest.

4.2 Property, plant and equipment

4.2.1 Operating assets and depreciation

Initial Recognition

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

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

Measurement

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

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

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

(c) Borrowing costs, if any.

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

Subsequent expenditure

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

Depreciation

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

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

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

Revaluation surplus

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

During the year the Group changed its accounting policy in respect of the accounting and presentation of revaluation of property, plant and equipment. Previously, the group's accounting policy was in accordance with the provisions of the repealed Companies Ordinance 1984. Those provisions and resultant previous policy of the Group was not in alignment with the accounting treatment and presentation of revaluation of property, plant and equipment as prescribed in IAS 16 . However, the Companies Act, 2017 has not specified any accounting treatment for revaluation of property, plant and equipment, accordingly the Group has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 5 to these consolidated financial statements.

Gains and losses on disposal

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

4.2.2 Capital work-in-progress

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

4.3 Intangible assets

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

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

Infinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

a) These are stated at cost less accumulated amortisation and impairment, if any.

b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 7).

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

4.4 Financial Instruments

4.4.1 Non-derivative Financial assets

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

4.4.1.1 Trade debts, advances and other receivables

Trade debts, advances and other receivables are recognised initially at fair value and subsequently measured at amortised cost, as the case may be, less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Receivables considered irrecoverable are written-off.

4.4.1.2 Cash and cash equivalents

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

4.4.2 Financial Liabilities

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

4.4.2.1 Mark-up bearing borrowings and borrowing costs

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

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

4.4.2.2 Trade and other payables

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

4.4.3 Derivative financial instruments - other than hedging

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

4.4.4 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in the 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.

4.4.5 Offsetting of financial assets and financial liabilities

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

4.5 Stores and spares

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

Provision for obsolete and slow moving stores, spares and loose tools is determined based on the management's estimate regarding their future usability.

4.6 Stock-in-trade

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

4.7 Taxation

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

Current

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

Provision for current taxation is based on taxability of certain income streams of the Group 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 after taking into account tax credits or alternate corporate tax as applicable if any, after taking into account tax credits and tax rebates available, if any.

Deferred tax

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

The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, the Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

Provision for income tax on the income of foreign subsidiary - IIL Australia PTY Limited, is computed in accordance with the tax legislation in force in the country where the income is taxable.

4.8 Staff retirement benefits

Defined benefit plan

The Holding Company operates an approved funded Gratuity Scheme (the Plan) for eligible employees of the Holding Company. The Holding Company's obligation under the scheme is determined through actuarial valuation carried out at each year end 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 Holding 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 recognized in the consolidated profit and loss account. The latest Actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

The Subsidiary Company, International Steels Limited (ISL), provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three years (except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at 1 month's basic salary (eligible salary) for each completed year of service. For executives and officer having total service of less than twenty years, the benefit is available at half month's basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at 1 month's gross salary less conditional allowances (eligible salary) for each completed year of service. The subsidiary 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 the plan assets (excluding interest) are recognised immediately in other comprehensive income.

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

Defined contribution plan

The Holding Company and a Subsidiary Company, [International Steels Limited], operates a recognized provident fund for all employees of the respective Companies except unionized staff. Equal monthly contributions are made by them and their employees to the fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the consolidated profit and loss account.

Compensated absences

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

4.9 Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the reporting date. Transactions in foreign currencies (except the results of foreign operation which are translated to Pakistani Rupees at the average rate of exchange for the year) are translated into Pakistani Rupees at the rates of exchange approximating those prevailing on the date of transactions. Exchange gains and losses are recorded in the consolidated profit and loss account.

4.10 Revenue recognition

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

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

- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited.

- Toll manufacturing / Partial manufacturing income is recognised when related services are rendered.

- Dividend income is recognised when the right to receive payment is established.

- Toll manufacturing / partial manufacturing income is recognised when related services are rendered.

- Gains / losses arising on sale of investments are included in the consolidated profit and loss account in the period in which they arise.

- Service income is recognized when services are rendered.

4.11 Income on bank deposits and finance cost

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

4.12 Impairment

4.12.1 Financial assets

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

4.12.2 Non-Financial assets

The carrying amounts of the Group'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 consolidated profit and loss account.

4.13 Provisions

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

4.14 Contingent liabilities

A contingent liability is disclosed when the Group 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 Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The management monitors the operating results of its products (i.e. Steel Coils and Sheets, Steel Pipes and Plastic Pipes) separately for the purposes of making decisions regarding resource allocation and performance assessment. Further, due to significant returns to the Holding Company on unconsolidated basis, the management now monitors returns from its strategic Investments separately. Accordingly, Investments has also been identified as a reportable segment.

4.16 Dividend and appropriation to / from reserves

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

5 CHANGE IN ACCOUNTING POLICY

Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance). Section 235 of the repealed Ordinance relating to treatment of revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified the presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment' as applicable in Pakistan. Consequently, the Group changed its accounting policy for the revaluation of property, plant and equipment in accordance with the requirement of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Group's accounting policy for revaluation surplus arising on property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation surplus on property, plant and equipment have been changed to bring it in conformity with the requirement of IAS 16 "Property, Plant and Equipment" as explained in note 4.2 to these financial statements. Further, the revaluation surplus on property, plant and equipment is now presented in the consolidated statement of financial position and consolidated statement of changes in equity as a capital reserve i.e. part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', the above explained changes in accounting policy has been accounted for retrospectively, with the restatement of the comparative information. As a result, a third consolidated statement of financial position as at the beginning of the preceding period is presented (i.e. 1 July 2016).

Consolidated Statement of Financial Position

Retrospective impact of change in accounting policy

	As at July 2016			As at 30 June 2017		
	As previously reported on 30 June 2016	Adjustments Increase/ (Decrease)	As restated on 1 July 2016	As previously reported on 30 June 2017	Adjustments Increase/ (Decrease)	As restated on 30 June 2017
	(Rupees in '000)					
Revaluation surplus on property, plant and equipment (within equity)	-	3,502,736	3,502,736	-	3,420,204	3,420,204
Unappropriated profit	4,634,747	1,908	4,636,655	6,189,311	1,908	6,191,219
Net impact on equity	4,634,747	3,504,644	8,139,391	6,189,311	3,422,112	9,611,423
Revaluation surplus on property, plant and equipment (below equity)	3,502,736	(3,502,736)	-	3,420,204	(3,420,204)	-
	3,502,736	(3,502,736)	-	3,420,204	(3,420,204)	-

The effect of the change in recognition and presentation of Rs. 3,348.391 million for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of revaluation surplus of property, plant and equipment of Rs. 3,348.391 million, previously presented below equity in the statement of financial position as at 30 June.

There was no change in the reported amount of the consolidated profit and loss account and consolidated other comprehensive income,as there was no decrease in the carrying amount of asset of the group as a result of revaluation, except in subsidiary. The decrease in the carrying amount of asset of a subsidiary as a result of revaluation amounting to Rs. 4.369 million has been accounted for in the statement of changes in equity. Except the retrospective effect stated above for the year ended 30 June 2018. There was no cash flow impact as a result of the retrospective application of change in accounting policy and no impact on basic and diluted earnings per share for the year ended 30 June 2017 and 30 June 2018.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in '000)	
Operating assets	6.1	20,315,242	17,635,458
Capital work-in-progress (CWIP)	6.7	3,697,427	1,173,025
Store and spares held for capital expenditure - at cost		18,937	5,493
		24,031,606	18,813,976

6.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery **	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2017								
Cost / revalued amount	1,989,041	1,501,234	1,732,297	969,726	16,701,148	177,256	231,863	23,302,565
Accumulated depreciation	-	-	(99,761)	(111,697)	(5,222,141)	(125,365)	(108,143)	(5,687,107)
Net Book value (NBV)	1,989,041	1,501,234	1,632,536	858,029	11,479,007	51,891	123,720	17,635,458
Additions / transfer from CWIP	-	281,509	12,717	161,882	3,378,213	19,757	88,080	3,942,158
Translation reserve	-	-	-	-	-	123	-	123
Disposals								
- Cost	-	-	(267)	(1,396)	(56,872)	(4,867)	(47,519)	(110,921)
- Accumulated depreciation	-	-	50	136	53,201	4,737	33,038	91,162
	-	-	(217)	(1,260)	(3,671)	(130)	(14,481)	(19,759)
Depreciation charge	-	-	(101,694)	(81,825)	(996,282)	(15,443)	(47,494)	(1,242,738)
Balance as at 30 June 2018 (NBV)	1,989,041	1,782,743	1,543,342	936,826	13,857,267	56,198	149,825	20,315,242
Gross carrying value as at 30 June 2018								
Cost / revalued amount	1,989,041	1,782,743	1,744,747	1,130,212	20,022,489	192,269	272,424	27,133,925
Accumulated depreciation	-	-	(201,405)	(193,386)	(6,165,222)	(136,071)	(122,599)	(6,818,683)
Net book value	1,989,041	1,782,743	1,543,342	936,826	13,857,267	56,198	149,825	20,315,242
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2016								
Cost / revalued amount	1,989,041	1,486,693	1,691,709	897,833	15,497,480	141,138	220,651	21,924,545
Accumulated depreciation	-	-	-	-	(4,381,455)	(114,090)	(105,172)	(4,600,717)
Net Book value (NBV)	1,989,041	1,486,693	1,691,709	897,833	11,116,025	27,048	115,479	17,323,828
Additions / transfer from CWIP	-	14,541	56,729	71,893	1,215,178	36,725	69,172	1,464,238
Surplus on revaluation	-	-	-	-	37,337	-	-	37,337
Translation reserve	-	-	-	-	-	50	-	50
Disposals								
- Cost	-	-	(16,141)	-	(48,847)	(657)	(57,960)	(123,605)
- Accumulated depreciation	-	-	1,248	-	43,401	608	39,500	84,757
			(14,893)	-	(5,446)	(49)	(18,460)	(38,848)
Depreciation charge	-	-	(101,009)	(111,697)	(884,087)	(11,883)	(42,471)	(1,151,147)
Balance as at 30 June 2017 (NBV)	1,989,041	1,501,234	1,632,536	858,029	11,479,007	51,891	123,720	17,635,458
Gross carrying value as at 30 June 2017								
Cost / revalued amount	1,989,041	1,501,234	1,732,297	969,726	16,701,148	177,256	231,863	23,302,565
Accumulated depreciation *	-	-	(99,761)	(111,697)	(5,222,141)	(125,365)	(108,143)	(5,667,107)
Net book value	1,989,041	1,501,234	1,632,536	858,029	11,479,007	51,891	123,720	17,635,458
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

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

** This includes capital spares having cost of Rs 406 million (2017: Rs 143 million) and net book value of Rs.341 million (2017: Rs.93 million).

6.1.1 Additions to plant and machinery include borrowing cost capitalized incurred on loan obtained for expansion project amounting to Rs. 82.6 million (2017: Rs. Nil). Rate of mark-up capitalisation ranges from 6.56% to 7.12% per annum (2017: Nil).

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

	Note	2018	2017
		(Rupees in '000)	
Cost of sales	24	**1,116,413**	1,062,415
Selling and distribution expenses	25	**18,211**	15,214
Administrative expenses	26	**20,019**	20,779
Income from power generation	29.1	**88,095**	52,739
		1,242,738	1,151,147

6.3 The revaluation of the freehold land, leasehold land and buildings thereon of the Holding Company and Subsidiary Company was carried out as of 30 June 2016 by MYK Associates (Private) Limited (an independent valuer) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation. The revaluation resulted in a surplus amounting to Rs.1,187 million which was incorporated in the books of the Holding and Subsidiary Company as at 30 June 2016.

The carrying amount of the above mentioned assets as at 30 June 2018, if the said assets had been carried at historical cost would have been as follows:

	Cost	Accumulated depreciation	Net book value
		(Rupees in '000)	
Freehold land	623,893	-	623,893
Leasehold land	662,846	-	662,846
Buildings	2,198,317	(755,073)	1,443,244
As at 30 June 2018	3,485,056	(755,073)	2,729,983
As at 30 June 2017	3,029,604	(665,574)	2,364,030

6.4 Forced Sales Value of leasehold land and building on leasehold land is Rs. 1,279.45 million and Rs. 617.45 million respectively.

6.4.1 Forced Sales Value of leasehold land and building on leasehold land at Sheikhupura is Rs. 488.751 million and 234.618 million respectively.

6.4.2 Forced Sales Value of freehold land and building on freehold land is Rs. 686.750 million and Rs. 2400.300 million respectively.

6.5 Particulars of immovable property (i.e. land and building) in the name of the Group are as follows:

Particulars	Location	Total Area
Leasehold Land (Manufacturing plant)	Plot no.LX15-16, HX-7/4 Landhi Industrial Estate Karachi	123,858.13 Sq. Yd
Leasehold Land (Manufacturing plant)	22 KM Sheikhupura Road, Mouza Khanpur Nabipur Tehsil Ferozpur Distirct Sheikhupura.	145,452.52 Sq. Yd
Freehold Land (Manufacturing plant)	Survey Nos.402,405-406, Deh Sharabi, Landhi Town, City District Government, Karachi	48,400.00 Sq. Yd
Freehold Land (Manufacturing plant)	Survey Nos.399-405, Deh Sharabi, Landhi Town, City District Government, Karachi	157,058.00 Sq. Yd
Office Premises	Office No.101-105, 1st Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	13,675.62 Sq. Ft
Office Premises	Office No.203, 2nd Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	1,794.37 Sq. Ft
Sales Office Premises	Chinoy House, 2nd and 3rd Floor Off Thornton Road, Hadbast Mouza Khas District Lahore	2,453 Sq. Ft
Sales Godown	Plot bearing No.NEIR-61 Khasra No.3303 - 3308, Hadbast Mouza Naulakha GT Road Lahore	6,295 Sq. Ft
Sales Godown	Plot bearing No.47, Khasra Nos.298/1, 2978/1 Ghoray Shah Road, Hadbast Mouza Khoi Meran District Lahore	6,215 Sq. Ft

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer	Relationship with buyer
	(Rupees in '000)							
Buildings	1,397	136	1,261	3,184	1,923	Negotiation	M/s.Arshad Bros.	None
Plant and Machinery								
Gear Boxes E-38A	5,000	4,357	643	724	81	Negotiation	M/s.Rahim / Arshad	None
3 ton DG Bridge	2,221	1,556	665	1,076	411	Negotiation	M/s.Modilina Ent.	None
Vehicles								
Toyota Corolla	2,554	128	2,426	-	(2,426)	Group's Policy	Mr.Pervaiz Ibrahim	Employee
Suzuki Cultus	1,129	132	997	1,075	78	Negotiation	Mr. Shaikh M. Sajid	None
Toyota Corolla	1,864	124	1,740	1,930	190	Negotiation	Mr. Mubashir Ahmed	None
Toyota Corolla	1,828	731	1,097	1,740	643	Negotiation	Mr. Shahzad Butt	None
Toyota Corolla	1,863	435	1,428	1,875	447	Negotiation	Syed Riaz Ahmed	None
Honda City	1,663	832	832	1,500	668	Company's Policy	Mr. Kashan Mansori	Ex-employee
Mercedes	3,043	609	2,434	3,529	1,095	Negotiation	Syed Riaz Ahmed	None
	22,562	9,040	13,523	16,633	3,110			

6.7 Capital work-in-progress (CWIP)

	Cost			
	As at 01 July 2017	Additions / Adjustments	(Transfers) / Adjustments	As at 30 June 2018
	(Rupees in '000)			
Freehold land	-	61,250	-	61,250
Leasehold land	-	281,509	(281,509)	-
Buildings on freehold land	961	719,564	(12,039)	708,486
Buildings on leasehold land	5,555	231,809	(162,560)	74,804
Plant and machinery	1,155,772	4,799,060	(3,114,283)	2,840,549
Furniture, fixtures and office equipments	2,965	25,677	(19,757)	8,885
Vehicles	7,772	83,761	(88,080)	3,453
	1,173,025	6,202,630	(3,678,228)	3,697,427

	Cost			
	As at 01 July 2016	Additions / Adjustments	(Transfers) / Adjustments	As at 30 June 2017
	(Rupees in '000)			
Leasehold land	3,585	10,956	(14,541)	-
Buildings on freehold land	7,959	49,731	(56,729)	961
Buildings on leasehold land	11,259	66,189	(71,893)	5,555
Plant and machinery	212,633	2,158,317	(1,215,178)	1,155,772
Furniture, fixtures and office equipment	1,731	37,959	(36,725)	2,965
Vehicles	1,503	75,441	(69,172)	7,772
	238,670	2,398,593	(1,464,238)	1,173,025

6.7.1 Additions to plant and machinery include borrowing cost capitalized incurred on loan obtained for expansion project amounting to Rs. 82.6 million (2017: Rs. Nil). Rate of mark-up capitalisation ranges from 6.56% to 7.12% per annum (2017: Nil).

7. INTANGIBLE ASSETS

	Note	2018	2017
		(Rupees in '000)	
Operating intangible assets	7.1	10,120	18,814
Capital work-in-progress (CWIP)	7.2	1,080	1,080
		11,200	19,894

7.1 Net book value as at 01 July		18,814	3,329
Additions / adjustments		-	20,408
Amortisation	7.1.2	(8,694)	(4,923)
Net book value as at 30 June		10,120	18,814
Gross carrying value as at 30 June			
Cost		96,646	97,188
Accumulated amortisation		(86,526)	(78,374)
Net book value		10,120	18,814
		(Percent)	
Amortization rate (per annum)		33.33	33.33

7.1.1 Intangible assets comprise of computer software and licenses.

7.1.2 The amortization expense for the year has been allocated as follows:

	Note	2018	2017
		(Rupees in '000)	
Cost of sales	24	4,748	2,107
Selling and distribution expenses	25	1,829	1,161
Administrative expenses	26	2,117	1,655
		8,694	4,923

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

8. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
6,092,470	2,425,913	Pakistan Cables Limited (PCL) - associated company	1,004,132	299,503

8.1 The Company holds 17.124% (2017: 8.52%) ownership interest in PCL. During the year the Company made a further investment in 2,448,063 ordinary shares of PCL at cost of Rs. 489.612 million and subscribed to 1,218,494 right shares at a cost of Rs. 194.960 million.

8.2 The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 June 2018 was Rs. 1,138.987 million (30 June 2017 Rs. 776.292 million) and is categorised as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on unaudited condensed interim financial information as at 31 March 2018 as the latest financial statements as at 30 June 2018 are not presently available. The summarised financial information of the equity accounted investee based on condensed interim financial information is as follows:

	31 March 2018 (Unaudited)	30 June 2017 (Audited)
	(Rupees in '000)	
Assets	6,486,748	5,789,727
Liabilities	3,277,672	2,678,169

	For the period ended 31 March 2018	For the year ended 30 June 2017
	(Rupees in ,000)	
Total revenue	6,829,330	8,083,511
Profit after taxation for the period / year	225,970	478,456

9. STORES AND SPARES

	2018	2017
	(Rupees in '000)	
Stores	263,824	124,514
Spares	316,660	482,314
Loose tools	10,812	8,249
	591,296	615,077

10. STOCK-IN-TRADE

	2018	2017
	(Rupees in '000)	
Raw material - in hand	10,219,889	6,765,072
- in transit	5,294,294	3,548,336
	15,514,183	10,313,408
Work-in-process	2,597,105	2,188,580
Finished goods	4,922,892	5,265,805
By-products	24,655	2,686
Scrap material	105,273	86,971
	23,164,108	17,857,450

10.1 Raw material of Holding Company amounting to Rs. 3.8 million (2017: Rs. 1.7 million) is held at a vendor's premises for the production of pipe caps.

11. TRADE DEBTS

	Note	2018	2017
		(Rupees in '000)	
Considered good - secured	11.1	258,223	628,346
- unsecured		2,442,095	1,954,184
		2,700,318	2,582,530
Considered doubtful		152,649	163,579
		2,852,967	2,746,109
Provision for doubtful debts	11.3	(152,649)	(163,579)
		2,700,318	2,582,530

11.1 This represents trade debts arising on account of export sales of Rs.203.398 million (2017: Rs.505.42 million) which are secured by way of Export Letters of Credit and Rs.54.822 million (2017: Rs.122.95 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

11.2 Related parties from whom trade debts are due are as under:

	2018	2017
	(Rupees in '000)	
Doogood Enterprise Pty Limited	-	39,712
Sumitomo Corporation	43,320	9,560
Pakistan Cables Limited	-	11
	43,320	49,283

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

	Note	2018	2017
		(Rupees in '000)	
Not yet due		43,230	41,203
Past due 1-60 days		-	8,080
Past due 61 days - 365 days		-	-
Total		43,230	49,283

11.3 Provision for doubtful debts

	Note	2018	2017
Balance as at 01 July		163,579	109,142
Charge for the year		15,566	75,272
Recoveries during the year		(26,496)	(16,912)
	25	(10,930)	58,360
Write off during the year		-	(3,923)
Balance as at 30 June		152,649	163,579

12. ADVANCES, TRADE DEPOSITS AND SHORT - TERM PREPAYMENTS

	2018	2017
	(Rupees in '000)	
Considered good		
- Suppliers	1,072,496	102,404
- Employees for business related expenses	993	5,073
- Workers	-	-
Trade deposits	24,357	14,794
Margin against shipping guarantee	13,949	-
Short term prepayments	21,758	22,176
	1,133,553	144,447

12.1 These advances and trade deposits are non interest bearing.

13. OTHER RECEIVABLES

	2018	2017
	(Rupees in '000)	
Considered good		
Insurance claim	46	344
Others	11,244	6,789
	11,290	7,133
Considered doubtful		
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
	37,230	33,073
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Welfare Fund in earlier periods	(25,940)	(25,940)
	11,290	7,133

14. TAXATION - NET

	Note	2018	2017
		(Rupees in '000)	
Tax receivable as at 1 July		588,108	1,792,532
Tax payments / adjustment made during the year		1,333,941	399,502
Refunds received during the year		-	(234,027)
		1,922,049	1,958,007
Less: Provision for tax	30	(1,661,904)	(1,369,899)
Tax (payable) / receivable as at 30 June		260,145	588,108

15. CASH AND BANK BALANCES

	Note	2018	2017
- Cash in hand		10	84
- Current accounts		269,603	45,088
- Profit and loss sharing accounts	15.1	204,058	61,485
		473,671	106,657

15.1 Mark-up rate on profit and loss sharing account ranges from 4.5 % to 4.75 % per annum (2017: 5.6% to 6.2% per annum). The deposits accounts are placed with bank under conventional banking arrangements.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
(Number of shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 576,000 (2017 : 576,000) ordinary shares of Rs. 10 each at the year end.

17. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
		(Rupees in '000)	
Freehold land			
Balance as at 30 June		**1,365,148**	1,365,148
Leasehold land			
Balance as at 30 June		**1,119,897**	1,119,897
Buildings			
Balance as at 01 July		**1,138,007**	1,279,148
Disposal of buildings		**(1,007)**	(10,754)
Transferred to retained earnings (Un-appropriated Profit) in respect of incremental depreciation charged during the year		**(93,358)**	(130,387)
		1,043,642	1,138,007
Related deferred tax liability	17.1	**(273,504)**	(292,758)
Balance as at 30 June - net of deferred tax		**770,138**	845,249
		3,255,183	3,330,294
Proportionate share of surplus on revaluation of property, plant and equipment of equity accounted investee		**93,208**	94,279
		3,348,391	3,424,573

17.1 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.

17.2 Movement in related deferred tax liability

	2018	2017
	(Rupees in '000)	
Balance as at 01 July	**292,758**	326,849
Effect of change in tax rate	**9,821**	-
Tax effect on disposal	**(242)**	(2,433)
Tax effect on incremental depreciation transferred to retained earnings	**(28,833)**	(31,658)
Deferred tax liability as at 30 June	**273,504**	292,758

18. LONG TERM FINANCING - secured

	Note	2018	2017
		(Rupees in '000)	
Long-term finances utilised under mark-up arrangements	18.1	**10,119,413**	6,106,399
Current portion of long term finances shown under current liabilities		**(1,382,598)**	(1,306,780)
		8,736,815	4,799,619

18.1 Long term finances utilised under mark-up arrangements

	Sale price	Purchase price	Number of instalments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2018	2017
	(Rupees in '000)					(Rupees in '000)	
CONVENTIONAL							
i) **MCB Bank Limited** Financing under Long term Finance Facility for Plant and Machinery (note 18.1.1)	550,000	906,963	34 quarterly 29-Oct-16	28-Mar-24 to 20 Nov 25	SBP+0.70% (fixed rate)	538,054	538,054
ii) **MCB Bank Limited** Finance Facility for Plant and Machinery (note 18.1.1)	800,000	1,164,316	11 half yearly 30 June 2019	28 Dec 2024	0.1 % over 6 months KIBOR	800,000	-
iii) **MCB Bank Limited** Finance Facility for Plant and Machinery (note 18.1.1)	100,000	149,976	34 quarterly 31 May 2019	31 Aug 2027	SBP+0.50% (fixed rate)	103,037	-
iv) **MCB Bank Limited** Finance Facility for Plant and Machinery (note 18.1.1)	100,000	147,862	34 quarterly 30 Jan 2020	30 June 2028	SBP+0.50% (fixed rate)	68,069	-
v) **Long term finance** Local currency assistance for plant and machinery (note 18.1.2)	1,000,000	4,675,000	32 quarterly 16-Oct-16	11-Nov-26	1.00% over SBP Refinance rate (fixed rate)	865,442	988,012
vi) **Long term finance** Local currency assistance for plant and machinery (note18.1.2)	1,000,000 12-Dec-16	2,501,562	16 half yearly	28-Nov-26	1.00% over SBP Refinance rate (fixed rate)	843,405	952,555
vii) **Long term finance** Local currency assistance for plant and machinery (note 18.1.2)	800,000	1,112,512	18 half yearly 30-Jun-16	1-Sep-20	1.00% over 6 months KIBOR	444,445	577,778
viii) **Long term finance** Local currency assistance for plant and machinery (note 18.1.2)	1,000,000	1,610,411	60 equal monthly 28-Jul-16	28-Jun-21	0.15% over 3 months KIBOR	100,000	800,000
ISLAMIC							
i) **Meezan Bank Limited** Diminishing Musharakah of Rs.500 million for plant and machinery (Refer note 18.1.3)	500,000	950,361	10 half yearly 30-Jun-18	30-Jun-23	0.1 % over 6 month KIBOR	454,545	500,000
ii) **Long term finance** Local currency assistance for plant and machinery (note 18.1.2)	1,000,000	1,743,300	8 half yearly 26-Dec-16	26-Jun-20	0.20% over 6 months KIBOR	416,667	750,000
iii) **Meezan Bank Limited** Diminishing Musharakah of Rs.250 million for plant and machinery (Refer note 18.1.3)	250,000	279,978	11 half yearly 30-Jun-19	30-Jun-24	0.1 % over 6 month KIBOR	250,000	250,000
iv) **Meezan Bank Limited** Diminishing Musharakah of Rs.750 million for plant and machinery (Refer note 18.1.2)	1,000,000	1,098,867	36 equal monthly 31-Oct-16	1-Sep-19	0.20 % over 1 month KIBOR	500,000	750,000
v) **Habib Bank Limited** Diminishing Musharakah of Rs.4,300 million for plant and machinery (Refer note 18.1.2)	4,300,000	5,640,228	10 half yearly 28-Feb-20	24-Feb-25	0.10 % over 6 months KIBOR	4,300,000	-
vi) **Meezan Bank Limited** Diminishing Musharakah of Rs.4,300 million for plant and machinery (Refer note 18.1.2)	500,000	575,512	30 equal monthly 28-Dec-18	28-Jun-21	0.15 % over 3 months KIBOR	500,000	-
						10,183,664	6,106,399

18.1.1 The Holding Company has an approved financing facility under Long Term Finance Facility of an amount aggregating Rs. 550 million, and Rs. 800 million, Rs. 100 million and Rs. 100 million which were obtained during the year. As at 30 June 2018 the Holding Company has withdrawn Rs. 473.8 million (2017: Rs. 538.1 million) from a commercial bank. These facilities are secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.

18.1.2 These finance are obtained by Subsidiary Company (ISL) and are secured against joint pari passu charge over fixed assets of the Subsidiary Company (such as. land, building, plant and machinery etc) with aggregate carrying amount of Rs.14,671 million.

18.1.3 The above long term financing utilised under mark-up arrangement is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey no. 405, 405-406, Dehsharabi, Landhi Town, Karachi.

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

19. DEFERRED TAXATION - NET

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

	2018	2017
	(Rupees in '000)	
Taxable temporary differences		
Accelerated tax depreciation	1,967,039	2,076,787
Share of profit from equity accounted investee	18,435	13,153
Surplus on revaluation of buildings	273,504	149,362
Deductible temporary differences		
Provision for infrastructure cess	(225,456)	(133,998)
Provision for doubtful debts	(40,600)	(45,000)
Unrealised exchange losses	5,784	(292)
Provision for obsolescence against stores and spares	(5,170)	-
Staff retirement benefits	(2,425)	(25,688)
Provision for compensated absences	(41,372)	(3,770)
Alternate Corporate Taxation	-	(330,540)
	1,949,739	1,700,014

20. TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in '000)	
Trade creditors	20.1	2,240,120	4,210,803
Bills payable		17,293	952,646
Derivative financial liabilities		-	4,768
Sales Commission payable		60,868	52,509
Accrued expenses		2,496,774	1,899,203
Provision for Infrastructure Cess	20.2 & 22.1.2	1,176,189	841,741
Provision for Government Levies	20.3	230	257
Short term compensated absences		22,004	15,691
Advances from customers	20.5	1,136,378	562,356
Workers' Profit Participation Fund	20.4	23,860	2,576
Workers' Welfare Fund		367,299	209,733
Others		320,903	159,316
		7,861,918	8,911,599

20.1 This includes an amount of Rs. 1,072.8 million payable to associated companies by Subsidiary Company (ISL) (2017: Rs. 3,011.9 million).

20.2 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 22.1.2).

Provision for Infrastructure Cess	2018	2017
	(Rupees in '000)	
Balance as at 01 July	841,741	630,056
Charge for the year	334,448	211,685
Balance as at 30 June	1,176,189	841,741

20.3 Provision for Government levies

	2018	2017
	(Rupees in '000)	
Balance as at 01 July	257	409
Payment / adjustment during the year	(27)	(152)
Balance as at 30 June	230	257

20.4 Workers Profit Participation Fund

	Note	2018	2017
		(Rupees in '000)	
Balance as at 01 July		2,576	23,117
Interest on funds utilised in the Company's business	27	4,337	506
		6,913	23,623
Allocation for the year	28	393,915	325,364
		400,828	348,987
Payments made during the year		(376,968)	(346,411)
Balance as at 30 June		23,860	2,576

20.5 Advance from customers includes Rs. 0.18 million received from a related party by the Subsidiary Company (ISL) (2017: Rs. 0.15 million).

21. SHORT TERM BORROWINGS - secured

	Note	2018	2017
		(Rupees in '000)	
CONVENTIONAL			
Running finance under mark-up arrangement from banks	21.1	5,116,633	1,861,128
Short term borrowing under Money Market Scheme	21.2	3,716,854	2,736,526
Short term borrowing under Export Refinance Scheme	21.3	3,806,175	3,218,500
Running finance under FE-25 Export and Import Scheme	21.4	-	527,320
Book overdraft		8,596	8,691
ISLAMIC			
Short term borrowing under running Musharakah	21.5	2,698,456	1,096,975
Short term finance under term Musharakah	21.6	1,425,153	1,489,503
		16,771,867	10,938,643

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 9,958 million (2017: Rs. 9,039 million). The rates of mark-up on these finances obtained by the Holding Company ranges from 6.53 % to 8.17% per annum (2017: 6.75% to 7.89% per annum). The rates of mark-up on these finances obtained by the Subsidiary Company ranges from 6.62% to 8.42% (2017: 6.08% to 8.00%).

21.2 The facilities for short term borrowing under Money Market Scheme financing available from various commercial banks under mark-up arrangement amounted to Rs. 5,140 million (2017: Rs. 4,417 million). The rate of mark-up on these finances obtained by Holding Company ranges from 6.43% to 7.02 % per annum (2017: 6.05% to 6.20% per annum).

21.3 The Group has obtained short term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,113 million (2017: Rs. 3,218.5 million). The rates of mark-up on this facility range from 2.10% to 2.20% per annum (2017: 2.1% to 2.20 % per annum).

21.4 The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks are for the purpose of meeting import requirements. The facilities availed is for an amount of Rs. Nil (2017: Rs. 527 million) by Holding Company. The rates of mark-up on these finances range from 1.7% to 2.10% (2017: 1.70% to 2.10%) per annum. These facilities mature within six months and are renewable.

21.5 The Group has obtained facilities for short term finance under Running Musharakah. The rate of profit on these finances obtained by the Holding Company is 6.63% per annum (2017: 6.32%) per annum. The rate of mark-up on these finance obtained by the Subsidiary Company ranges from 6.34% to 6.63% (2017: 6.33% to 6.53%) per annum. This facility matures within twelve months and is renewable.

21.6 The Subsidiary Company has obtained facilities for short term finance under Term Musharakah. The rate of profit is 6.09% to 6.47% (2017: 6.07% to 6.14%) per annum. The facility matures within twelve months and is renewable.

21.7 All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

21.8 As at 30 June 2018, the un-availed facilities from the above borrowings amounted to Rs.7,888 million (2017: 12,143 million).

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

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

During 2015, the Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act'), by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. The Holding Company and Subsidiary Company (ISL) have obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Holding Company and Subsidiary Company (ISL) are confident of favourable outcome and therefore have not recorded, to the extent of self consumption, a provision of Rs. 475.9 million (from 01 July 2011 till 22 May 2015) in these consolidated financial statements. However, the Holding Company and Subsidiary Company (ISL) made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of aforementioned developments, the Holding Company and Subsidiary Company (ISL) on prudent basis, continue to recognise provision after the passage of the Act.

Further, the Holding Company and the Subsidiary Company (ISL) have not recognized GIDC amounting to Rs. 917.97 million (2017: Rs.785.84 million) pertaining to period from 01 July 2011 to 30 June 2018 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. The Holding Company and the Subsidiary Company (ISL) consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

22.1.2 The Holding Company filed a Suit before Honorable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee levied ('levy') through Sindh Finance Act 1994. The Court vide its order ('order') declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, Court granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The Court decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honorable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice in court.

Subsequently, in May 2011, the Honarable Supreme Court ('SCP') disposed-off the appeal by referring the matter back to the Court. On 31st May 2011, the Court granted an interim relief for return of bank guarantees in respect of the consignments released up to 27th December, 2006. In respect of consignments to be released subsequent to 27th December, 2006 Court ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs.1,307 million (30 June 2017: Rs.440 million) which includes afore-mentioned bank guarantees of Rs.115 million are outstanding as at 30th June, 2018. As a matter of prudence, company is making provision for the balance amount, which amounts to Rs.401.4million (note 20.2) as at 30th June, 2018.

22.1.3 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs. 1,335.8 million (2017: Rs. 774.5 million) as security for continued provision of services.

22.1.4 Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in the gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Group has filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the different amount with the Nazir of the Court. The Group has deposited amount of Rs.428.5 million (2017: Rs. 133.6) as cheques with the Nazir. The Group, on a prudent basis, has also accrued this amount in these consolidated financial statements.

22.1.5 The Group's share of associate's contingent liability is Rs. 40.3 million (2017: Rs. 51.8 million).

Holding Company

22.1.6 Customs duties amounting to Rs. 40.5 million as at 30 June 2018 (2017: Rs. 52 million) on import of raw material shall be payable by the Holding Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Holding Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for duties amounting to Rs. 51 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

22.1.7 An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.8 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Holding Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal is remote.

22.1.9 Sindh Revenue Board (SRB) issued a notice to the Holding Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a seperate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement. A similar view is likely to be taken in this case as well where the liability will have to be discharged in the respective province.

22.1.10 The Holding Company has filed the petition in the Sindh High Court and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court against the tax demand on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million have also been given to Nazir High Court as a security against tax demand on dividend declared by the International Steels Limited on 02 June 2017, 26 September 2017 and 23 January 2018.

Subsidiary Company

22.1.11 The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% sales tax, a Constitutional Petition in the Sindh High Court (SHC) has been filed on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 were implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The Court granted a stay order by allowing Company's exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (2017: Rs. 2.65 million) (i.e. value of disputed sales tax amount) before the Nazir of the Court. On 30 October 2015 the tax authority issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The same has already been filed before the Court and disposal of the case along with return of the said bank guarantees is awaited.

22.2 Commitments

Group

22.2.1 Capital expenditure commitments outstanding as at 30 June 2018 amounted to Rs. 671 million (2017: Rs. 3,105 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2018 amounted to Rs. 11,639 million (2017: Rs. 5,902 million).

22.2.3 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 14,657 million (2017: Rs. 21,384 million) and Rs. 553 million (2017: Rs. 372 million) respectively.

Holding Company

22.2.4 Commitments under purchase contracts as at 30 June 2018 amounted to Rs. 191 million (2017: Rs. 306.9 million).

23. NET SALES

	Note	2018	2017
		(Rupees in '000)	
Local		67,160,360	43,433,873
Export		8,883,272	8,486,257
		76,043,632	51,920,130
Toll manufacturing		-	1,523
		76,043,632	51,921,653
Sales tax		(9,998,662)	(6,542,020)
Trade discounts		(895,604)	(1,152,161)
Export commission		(607,487)	(109,805)
		(11,501,753)	(7,803,986)
		64,541,879	44,117,667

24. COST OF SALES

	Note	2018	2017
Opening stock of raw material and work-in-process		8,953,652	4,930,520
Purchases		55,043,952	39,070,289
Salaries, wages and benefits	24.1	1,480,036	1,213,069
Rent, rates and taxes		3,650	1,664
Electricity, gas and water		1,373,671	1,242,301
Insurance		25,781	28,225
Security and janitorial		50,272	44,439
Depreciation and amortisation	6.2 & 7.1.2	1,121,161	1,064,523
Operational supplies and consumables		202,218	162,081
Repairs and maintenance		239,511	205,110
Postage, telephone and stationery		22,517	22,317
Vehicle, travel and conveyance		32,271	34,601
Internal material handling		69,489	44,952
Toll manufacturing expenses		12,937	32,830
Environment controlling expense		2,005	1,825
Sundries		44,504	21,794
Provision for obsolescence against spares		19,553	6,946
Partial manufacturing expenses		-	25,231
Recovery from sale of scrap		(2,430,007)	(1,710,826)
		66,267,173	46,441,892
Closing stock of raw material and work-in-process	10	(12,816,994)	(8,953,652)
Cost of goods manufactured		53,450,179	37,488,240
Finished goods and by-products:			
Opening stock		5,268,491	2,991,479
Closing stock	10	(4,996,930)	(5,268,491)
		271,561	(2,277,012)
		53,721,740	35,211,228

24.1 Salaries, wages and benefits include Rs. 75.41 million (2017: Rs. 54.18 million) in respect of staff retirement benefits.

25. SELLING AND DISTRIBUTION EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Freight and forwarding expense		1,026,655	726,834
Salaries, wages and benefits	25.1	265,159	225,333
Rent, rates and taxes		5,128	3,933
Electricity, gas and water		9,787	7,000
Insurance		10,185	8,998
Depreciation and amortisation	6.2 & 7.1.2	20,040	16,375
Repairs and maintenance		864	1,927
Advertising and sales promotion		186,023	112,829
Postage, telephone and stationery		10,099	9,147
Office supplies		476	140
Vehicle, travel and conveyance		43,946	29,557
Provision for doubtful debts - net	11.3	(10,930)	58,360
Certification and registration charges		1,966	3,074
Others		21,608	32,808
		1,591,006	1,236,315

25.1 Salaries, wages and benefits include Rs. 14.35 million (2017: Rs. 13.23 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	2018	2017
Salaries, wages and benefits	26.1	418,272	320,340
Rent, rates and taxes		5,829	4,376
Electricity, gas and water		4,413	5,265
Insurance		3,900	3,831
Depreciation and amortisation	6.2 & 7.1.2	22,136	22,434
Repairs and maintenance		2,231	1,834
Postage, telephone and stationery		20,948	12,420
Office supplies		275	139
Vehicle, travel and conveyance		16,866	13,140
Legal and professional charges		58,987	102,660
Certification and registration charges		10,257	13,785
Others		32,460	21,828
		596,574	522,052

26.1 Salaries, wages and benefits include Rs. 22.13 million (2017: Rs. 17.71 million) in respect of staff retirement benefits.

27. FINANCE COST

	Note	2018	2017
Mark-up on:			
- long term financing		178,372	240,363
- short term borrowings		507,733	201,193
- running musharakah		64,521	41,534
- term musharakah		43,878	20,849
- diminishing musharakah		154,614	142,788
Exchange loss and others		3,074	2,902
Interest on Workers' Profit Participation Fund	20.4	4,337	506
Bank charges		24,395	29,596
		980,924	679,731

28. OTHER OPERATING CHARGES

	Note	2018	2017
		(Rupees in '000)	
Auditors' remuneration	28.1	5,119	4,797
Loss on derivative financial instruments		-	36,251
Donations	28.2	93,910	71,205
Exchange loss - net		158,225	-
Provision for receivable from WPPF related to prior period		-	25,940
Workers' Profit Participation Fund	20.4	393,915	325,364
Workers' Welfare Fund		157,566	130,146
Business development expenses		25,397	11,076
		834,132	604,779

28.1 Auditors' remuneration

	2018	2017
Audit fee	3,086	2,765
Half yearly review	867	766
Out of pocket expenses	276	262
	4,229	3,793
Non-audit services		
Certifications for regulatory purposes	890	1,004
	5,119	4,797

28.1.1 These amounts are inclusive of sales tax.

28.2 Donations

28.2.1 Donations to the following organization exceed Rs.500,000

	2018	2017
SINA Health, Education and Welfare Trust	11,500	19,500
The Citizen Foundation	14,600	12,400
Al-Rehmat Benevolent Trust Hospital	3,000	2,000
Amir Sultan Chinoy Foundation	9,500	9,186
Hyderabad Relief & Rehabilitation Trust	1,000	1,000
Indus Hospital	9,000	3,640
Sindh Institute of Urology and Transplantation (SIUT)	6,000	9,000
The Layton Rehmatullah Benevolent Trust	2,000	3,000
Ahmed E.H Jaffer Foundation	1,500	-
Habib University Foundation	10,500	-
Aga Khan Planning and Building Service Pakistan	5,000	-
Charter for compassion	3,200	-
Patients Aid Foundation (JPMC)	3,000	-
The Hunar Foundation	2,700	-
Society for the Rehabilitation of Special Children	1,600	-
National University Of Sciences And Technology (NUST)	1,000	-
Karwan-e-Hayat Psychiatric Care and Rehabilitation Center	1,000	-
Ghulaman-e-Abbas Education & Medical Trust	1,000	-
Insaf Community Welfare Society	1,000	-
Al Rehmat Benevolent Trust	1,000	-
The Kidney Centre	900	-
Carvan for Life Trust	-	1,000
The Patients' Behbud - Aga Khan University Hospital	-	2,000
Aga Khan Education Servive Pakistan	-	2,000
Bait-ul-Sakoon Cancer Hospital	-	1,600
	90,000	66,326

28.2.2 None of the other donations were made to any donee in which a director or his spouse had any interest at any time during the year.

29. OTHER INCOME

	Note	2018	2017
		(Rupees in '000)	
Income / return on financial assets			
Income on bank deposits - conventional		3,989	3,033
Exchange gain		161,720	46,019
Income from non-financial assets			
Income from power generation	29.1	36,081	55,682
Rental income		1,975	1,587
Gain on disposal of property, plant and equipment		81,021	29,157
Others		53,166	40,837
		337,952	176,315

29.1 Income from power generation

	Note	2018	2017
Net sales		514,894	525,896
Cost of electricity produced:			
Salaries, wages and benefits	29.1.1	(27,716)	(24,371)
Electricity, gas and water		(895,233)	(873,299)
Depreciation	6.2	(88,095)	(52,739)
Stores and spares consumed		(23,507)	(24,899)
Repairs and maintenance		(35,810)	(26,689)
Sundries		(1,661)	(1,653)
		(1,072,022)	(1,003,650)
Self consumption		593,209	533,436
Income from power generation		36,081	55,682

29.1.1 Salaries, wages and benefits include Rs. 1.67 million (2017: Rs. 1.05 million) in respect of staff retirement benefits.

29.1.2 The Holding Company has 4MW electricity power generation facility at its premises. IIL has generated excess of its requirements which was supplied to K-Electric Limited under an agreement. The agreement is valid for period up to 3 years w.e.f 30 April 2015.Subsequent to the expiry of the contract, renewal of contract is in progress.

29.1.3 The Subsidiary Company (ISL) has 18MW electricity power generation facilities at its premises. ISL has generated excess of its requirements which was supplied to K-Electric Limited under an agreement. The agreement is valid for period upto 20 years w.e.f. 31st August 2007.

30. TAXATION

	Note	2018	2017
		(Rupees in '000)	
Current			
- for the year		1,482,154	1,233,579
- for prior years		179,750	136,320
	14	1,661,904	1,369,899
Deferred		260,367	640,648
		1,922,271	2,010,547

30.1 Relationship between income tax expense and accounting profit

	2018	2017	2018	2017
	Effective tax rate (%)		(Rupees in '000)	
Profit before taxation			7,190,677	6,075,630
Tax at the enacted tax rate	30.00	31.00	2,157,203	1,883,445
Tax effect of exempt income	-	-	-	-
Tax effect of income subject to final tax regime	(0.01)	(2.68)	(553)	(162,970)
Tax effect of income taxed as separate block of income	(1.31)	-	(94,451)	-
Tax effect of rebate / credits	(0.37)	(0.83)	(26,837)	(50,609)
Tax effect on exports under final tax regime	1.72	0.00	123,587	-
Super tax	2.92	(0.92)	209,933	(55,883)
Tax effect of prior year taxation	2.50	(2.24)	179,750	(136,320)
Deferred tax charge not booked on final tax regime	-	(0.06)	249	(3,522)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and effect of tax on reduced rate	(3.73)	9.39	(268,311)	570,583
Tax effect of prior year taxation	-	-	-	-
Effect of tax credit u/s 65b	(4.03)	-	(289,659)	-
Effect of change in rates and proportionate etc.	-	(0.44)	-	(26,719)
Others	(0.91)	(0.12)	(68,640)	(7,458)
	26.78	33.09	1,922,271	2,010,547

30.2 The Group compute tax based on the generally accepted interpretations of the tax laws to ensures that the sufficient provision for the purposes of taxation is available which can be analysed as follows:

	2017	2016	2015
		(Rupees in '000)	
Income tax provision for the year (as per accounts)	1,343,253	394,471	260,311
Income tax as per tax return / assessment	1,051,558	277,082	222,035

The difference mainly pertains to the tax provisions booked in respectective years which have not become due as the company is contesting contentious matters at various levels.

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

The Board of Directors in their meeting held on 16 August 2018 have recommended sufficient cash dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Group in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these consolidated financial statements for the year ended 30 June 2018.

31. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2018	2017
		(Rupees in '000)	
Profit after taxation for the year		3,447,458	2,746,195
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	119,892,619	119,892,619
		(Rupees)	
Earnings per share		28.75	22.91

31.1 There is no dilutive impact on Earnings per share

32. CHANGES IN WORKING CAPITAL

	2018	2017
	(Rupees in '000)	
Decrease / (increase) in current assets:		
Stores and spares	4,228	(39,978)
Stock-in-trade	(5,677,689)	(7,485,726)
Trade debts	(145,336)	(604,176)
Advances, trade deposit and short term prepayments	(989,106)	85,330
Receivable from K-Electric Limited	8,461	(14,335)
Other receivables	(4,157)	7,057
Sale tax receivables	(593,816)	(1,031,873)
	(7,397,415)	(9,083,701)
(Decrease) / increase in current liabilities:		
Trade and other payables	(709,480)	1,482,323
	(8,106,895)	(7,601,378)

33. STAFF RETIREMENT BENEFITS

33.1 Staff Provident Fund

33.1.1 Holding Company

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.

33.2 Gratuity Fund

The actuarial valuation of gratuity was carried out on 30 June 2018. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

	2018	2017
Financial assumptions	(% per annum)	
Holding Company		
Rate of discount	9.00 %	7.75%
Expected rate of salary increase	8.00 %	6.75%
Subsidiary Company		
Rate of discount	10.00 %	9.25%
Expected rate of salary increase	9.00 %	8.25%
Demographic assumption	SLIC	SLIC
Holding Company		
Mortality rate	2001-05-1	2001-05-1
Rates of employee turnover	Heavy	Heavy
Post retirement morality rates	N/A	N/A
Subsidiary Company	SLIC	SLIC
Mortality rate	2001-2005	2001-2005
Rates of employee turnover	Moderate	Moderate
Retirement assumption	Age 60 years	Age 60 years

The amount recognised in the consolidated statement of financial position is as follows:

	2018	2017
	(Rupees in '000)	
Present value of defined benefit obligation	688,409	582,246
Fair value of plan assets	(546,013)	(473,548)
Liability as at 30 June	142,396	108,698
Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation - beginning of the year	582,246	467,112
Current service cost	46,282	40,637
Interest cost	45,504	34,612
Re-measurement : Actuarial losses/ (gain) on obligation	43,037	61,643
Benefits paid	(28,660)	(21,758)
Present value of defined benefit obligation - closing	688,409	582,246
Movement in the fair value of plan assets		
Fair value of plan assets - beginning of the year	473,547	397,782
Interest income on plan assets	38,894	30,136
Return on plan assets, excluding interest income	(27,527)	19,712
Benefits paid	(24,803)	(21,758)
Benefits due but not paid	-	-
Contribution to the Fund	85,902	47,676
Fair value of plan assets - closing	546,013	473,548
Movement in the net defined liability / (asset)		
Opening balance	108,698	69,330
Re-measurements recognized in other comprehensive income during the year	70,564	41,931
Expense chargeable to profit & loss account	52,892	45,113
Contribution paid during the year	(85,902)	(47,676)
Closing balance	146,252	108,698

Amounts recognized in total consolidated comprehensive income

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

	2018	2017
Component of defined benefit costs recognized in profit and loss account current service cost	46,281	40,637
Net interests cost		
- Interest cost on defined benefits obligation	45,504	34,612
- Interest income on plan assets	(38,893)	(30,136)
	52,892	45,113
Component of defined benefit costs (re-measurement) recognized in profit and loss account		
Re-measurement: Actuarial loss on obligation		
- Loss / (gain) due to change in experience adjustment	43,037	61,643
Interest income on plan assets	27,527	(19,712)
Net re-measurement recognised in other income	70,564	41,931
Total defined benefit cost recognized in profit and loss account and other comprehensive income	123,456	87,044
Actual return on plan assets	8,001	40,645
Expected contributions to funds in the following year	67,917	56,155
Expected benefits payment to retires in the following year	36,199	36,199

	2018	2017
	(Rupees in '000)	
Re-measurements : Accumulated actuarial losses recognized in equity	(25,002)	(25,002)
Weighted average duration of the defined benefit obligation (years) of Holding Company	7.12	7.12
Weighted average duration of the defined benefit obligation (years) of Subsidiary Company	12	12
Vested / Non-vested		
- Vested benefits	559,951	480,449
- Non - vested benefits	3,059	3,040

Disaggregation of fair value of plan assets

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

Cash and cash equivalents (comprising bank balances and adjusted for current liabilities)	21,302	21,323
Equity instruments	155,054	126,582
Government securities	365,799	325,642
Mutual funds		
- Money Market fund	-	-
- Income fund	-	-
- Asset allocation fund	-	-
- Stock fund	-	-
	-	-

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligation by the amount shown below:

	2018	2017
	(Rupees in '000)	
Discount rate + 100 basis point	640,758	541,663
Discount rate - 100 basis point	742,960	628,717
Salary increase + 100 basis point	745,985	631,331
Salary decrease - 100 basis point	637,265	538,650

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

Maturity profile of the defined benefit obligation

	2018	2017
Years	(Rupees in '000)	
1	60,012	53,124
2	56,789	55,694
3	57,206	50,975
4	71,295	50,015
5	97,543	58,139
6 and onwards	515,734	428,945

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executive	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Managerial Remuneration	43,841	39,124	-	-	379,392	344,713
Variable performance pay	13,074	11,771	-	-	89,755	80,456
Retirement benefits	2,739	2,546	-	-	23,076	20,363
Rent, utilities, leave encashment, medical etc.	16,440	14,671	-	-	167,453	134,027
Directors' fee	-	-	5,400	5,820	-	-
	76,094	68,112	5,400	5,820	659,676	579,559
Number of persons	1	1	8	8	87	79

34.1 In addition to the above, the Chief Executive, directors and certain executives are provided with free use of Company maintained vehicles in accordance with the Holding Company's policy.

34.2 Fees paid to non-executive directors is Rs. 10.4 million (2017: Rs. 9.5 million) on account of meetings attended by them.

34.3 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

34.4 Reimbursement of chairman expense was Rs. 5.7 million (2017: Rs. nil).

34.5 Comparatives relating to Executives are re-presented for the purposes of comparison.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Group ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group 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 Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee ("the Committee") oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation without considering fair value of collateral available thereagainst.

Exposure to credit risk

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

	2018	2017
	(Rupees in '000)	
- Long term deposit	63,094	51,575
- Trade debts - net of provision	2,700,318	2,582,530
- Trade deposits	24,357	14,794
- Other receivable (excluding receivable from K-Electric Ltd)	11,290	7,133
- Receivable on transmission of electricity to K-Electric Ltd	52,628	61,089
- Bank balances	473,661	106,573
	3,325,348	2,823,694

The Group does not take into consideration the value of collateral while testing financial assets for impairment. The Group considers the credit worthiness of counter parties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Group does not foresee any credit exposure there against as the amounts are paid to counter parties as per the agreement and are refundable on termination of agreement with respective counterparties.

Trade deposits

These represent deposits placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss there against.

Trade debts

The Group’s exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Group has no major concentration of credit risk with any single customer. The majority of the Group’s customers have been transacting with the Group for several years. The Holding Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

Receivable from K-Electric Limited

This represents receivable from KE on account of electricity provided to it from the 4 MW and 18 MW plant located at factory sites of the Holding Company and Subsidiary Company respectively under an agreement. The Group does not expect to incur credit loss there against.

Analysis of amounts receivable from KE and from local and foreign trade debtors are as follows:

	2018	2017
	(Rupees in '000)	
Domestic	1,411,310	1,410,546
Export	1,494,285	1,396,652
	2,905,595	2,807,198

The majority of export debtors of the Holding Company are situated in America, Australia, Sri Lanka, Afghanistan, Europe and Middle East.

Impairment losses

The aging of trade debtors and amounts receivable from K-Electric Limited at the reporting date was as follows:

	2018		2017	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	2,460,035	-	2,358,428	-
Past due 1-60 days	207,455	-	268,616	-
Past due 61 days -1 year	119,779	10,612	68,287	24,081
More than one year	118,326	142,037	111,867	139,498
Total	2,905,595	152,649	2,807,198	163,579

Based on an assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances. Movement in provision has been stated elsewhere in these consolidated financial statements.

Other receivables

These comprise of interest receivable and other miscellaneous receivables and management does not expect to incur material losses against those balances.

Balances with bank

The Group places its surplus funds with banks carrying good credit standing assessed by reputable credit agencies. As at 30 June 2018 the Group has placed funds with banks having credit ratings as follows:

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

Concentration of credit risk

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

35.2 Liquidity risk

Liquidity risk is the risk that the Group 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 Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group'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 Group's reputation. The Group ensures that it has sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2018						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	10,183,664	-	(10,959,262)	(854,370)	(874,063)	(7,397,968)	(1,832,861)
Trade and other payables	5,186,487	(368,515)	(4,817,972)	(4,817,972)	-	-	-
Accrued mark-up	235,161	-	(235,161)	(235,161)	-	-	-
Short-term borrowings	16,771,867	(16,771,867)	-	-	-	-	-
	32,377,179	(17,140,382)	(16,012,395)	(5,907,503)	(874,063)	(7,397,968)	(1,832,861)
Derivative financial liabilities	-	-					
	32,377,179	(17,140,382)	(16,012,395)	(5,907,503)	(874,063)	(7,397,968)	(1,832,861)

	2017						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	6,106,399	-	(8,330,624)	(885,011)	(1,816,902)	(4,818,290)	(810,421)
Trade and other payables	7,813,599	(697,782)	(7,115,817)	(7,115,817)	-	-	-
Accrued mark-up	131,711	-	(131,711)	(131,711)	-	-	-
Short-term borrowings	10,938,643	(10,938,643)	-	-	-	-	-
	24,990,352	(11,636,425)	(15,578,152)	(8,132,539)	(1,816,902)	(4,818,290)	(810,421)
Derivative financial liabilities	4,768	-	(4,768)	(4,768)	-	-	-
	24,995,120	(11,636,425)	(15,582,920)	(8,137,307)	(1,816,902)	(4,818,290)	(810,421)

35.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in notes 18.1 and 21 to these consolidated financial statements.

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

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group'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 Group is exposed to currency risk and interest rate risk only.

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 Group is exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accrued mark-up that are denominated in a currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2018			2017		
	Rupees	US Dollars	Australian Dollars	Rupees	US Dollars	Australian Dollars
	(Amount in '000)					
Financial assets						
Trade debts and bank balance in foreign currency	1,492,760	7,531	6,447	1,396,652	9,731	4,691
Financial liabilities						
Running finance under FE-25 Export and Import Scheme	-	-	-	(527,320)	(5,023)	-
Trade and other payable	(3,938,871)	(32,333)	(67)	(3,938,871)	(37,509)	(75)
Accrued mark-up on running finance under FE-25 Export and Import Scheme	-	-	-	-	-	-
	(3,938,871)	(32,333)	(67)	(4,466,191)	(42,532)	(75)
Net exposure	(2,446,111)	(24,802)	6,380	(3,069,539)	(32,801)	4,616

The following significant exchange rates applied during the year:

	Average Rates		Reporting Date Rate	
	2018	2017	2018	2017
US Dollars to PKR	121.6	104.9	121.45 / 121.63	104.79 / 104.98
Australian Dollars to PKR	89.7	77.7	89.68 / 89.81	80.61 / 80.75

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2017.

	Effect on profit and loss (net of tax)	
	2018	2017
	(Rupees in '000)	
As at 30 June		
Effect - US Dollars	(208,156)	(237,304)
Effect - Australian Dollars	39,536	25,719

Interest rate risk

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

At the reporting date the interest rate profile of the Group's interest-bearing financial instrument is:

	Carrying amount	
	2018	2017
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	(5,654,116)	(5,322,344)
Variable rate instruments		
Financial liabilities	(21,301,415)	(11,722,698)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss account by Rs. 117 million (2017: Rs. 101 million) with corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2017.

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

	2018				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Retained Earnings	Total
	(Rupees in '000)				
Balance as at 1 July 2017	2,958,103	8,066,695	6,151,955	6,186,850	23,363,603
Changes from financing cash flows					
Repayment of long term loan			(1,258,092)		
Proceeds from long term loan			5,271,106		
Dividend paid				(704,798)	
Total changes from financing activities	-	-	4,013,014	(704,798)	23,363,603
Other changes - interest cost					
Interest expense		647,938	332,986		980,924
Interest paid		(619,340)	(258,134)		(877,474)
Captialized borrowing cost					
Changes in short term borrowings	4,856,986	976,238			5,833,224
Total equity related other changes	4,856,986	1,004,836	74,852	-	5,936,674
Total equity related other changes	-	-	-	3,679,647	3,679,647
Balance as at 30 June	7,815,089	9,071,531	10,239,821	9,161,699	56,343,527

Other price risks

At present the Group is not exposed to any other price risks.

35.5 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the balance sheet approximate their fair values.

35.6 Financial instruments by categories

Financial assets

	2018	2017
	(Rupees in '000)	
Loans and receivables		
- Long term deposit		
- Trade debts - net of provision	2,700,318	2,582,530
- Trade deposits	24,357	14,794
- Receivable on transmission of electricity to K-Electric Ltd	52,628	61,089
- Other receivable (excluding receivable from K-Electric Ltd)	11,290	7,133
- Bank balances	473,661	106,573
	3,325,348	2,823,694

Financial liabilities

	2018	2017
	(Rupees in '000)	
Financial liabilities at amortized cost		
- Long term financing	10,183,664	6,106,399
- Trade and other payables	5,186,487	7,813,599
- Accrued mark-up	235,161	131,711
- Short-term borrowings	16,771,867	10,938,643
	32,377,179	24,990,352
Financial liabilities at fair value through profit and loss		
- Derivative financial liabilities	-	4,768

35.7 None of the financial assets and liabilities are offset in the consolidated statement of financial position.

36. CAPITAL MANAGEMENT

The objective of the Group when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

37. MEASUREMENT OF FAIR VALUES

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

	30 June 2018							
	Carrying amount				Fair Value			
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets not measured at fair value								
Long term deposits	63,094	-	-	-	63,094	-	-	-
Trade debts - net of provision	2,700,318	-	-	-	2,700,318	-	-	-
Trade deposits	24,357	-	-	-	24,357	-	-	-
Other receivables	68,222	-	-	-	68,222	-	-	-
Cash and bank balances	473,661	10	-	-	473,671	-	-	-
Financial liabilities measured at fair value								
- Derivative financial liabilities	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
- Long term financing	-	-	-	10,183,664	10,183,664	-	-	-
- Trade and other payables	-	-	-	5,186,487	5,186,487	-	-	-
- Accrued mark-up	-	-	-	235,161	235,161	-	-	-
- Short term borrowings	-	-	-	16,771,867	16,771,867	-	-	-

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

Assets measured at fair value	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 2016	The valuation model is based on price per square metre. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.
Liabilities measured at fair value		The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date. The fair value of forward exchange contract are included in level 2 in the fair value hierarchy.	
Derivative financial liabilities			
- Forward exchange contract			

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit assets and long term liabilities management consider that their carrying values approximates fair value. Fair value of long term investment in equity accounted investee is disclosed in note 8.2.

	30 June 2017							
	Carrying amount				Fair Value			
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets not measured at fair value								
Long term deposits	51,575	-	-	-	51,575	-	-	-
Trade debts - net of provision	2,582,530	-	-	-	2,582,530	-	-	-
Trade deposits	14,794	-	-	-	14,794	-	-	-
Other receivables	68,222	-	-	-	68,222	-	-	-
Cash and bank balances	106,573	84	-	-	106,657	-	-	-
Financial liabilities measured at fair value								
- Derivative financial liabilities	-	-	4,768	-	4,768	-	4,768	-
Financial liabilities not measured at fair value								
- Long term financing	-	-	-	6,106,399	6,106,399	-	-	-
- Trade and other payables	-	-	-	7,813,599	7,813,599	-	-	-
- Accrued mark-up	-	-	-	131,711	131,711	-	-	-
- Short term borrowings	-	-	-	10,938,643	10,938,643	-	-	-

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 2016	The valuation model is based on price per square meter. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit assets and long term liabilities management consider that their carrying values approximates fair value. Fair value of long term investment in equity accounted investee is disclosed in note 8.2.

38. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, Directors of the Group Companies, key management employees and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contribution to its defined contribution plan (Provident Fund) are made as per the terms of employment and contribution to its defined benefit plan (Gratuity Fund) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of employment and Group policy.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Group 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.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements, are as follows:

	2018	2017
	(Rupees in '000)	
Associated companies		
Sales	1,172,708	810,566
Purchases	27,261,073	15,508,126
Insurance premium expense	3,288	-
Rent income	1,942	1,932
Right shares at premium	194,959	-
Dividend paid	100,998	144,220
Dividend received	17,037	31,537
Registration and training	1,851	-
Services	49,019	-
Reimbursement of expenses	481	859
Associated Person / company		
Sales Commission	-	210
Key management personnel		
Remuneration	517,688	413,119
Non executive directors		
Directors' fee	10,350	9,480
Reimbursement of Chairman's expenses	5,761	-
Staff retirement funds		
Contributions paid	151,365	107,339

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

Name of the Related Party	Relationship and percentage of Shareholding
IIL Australia Pty Limited	Wholly owned Subsidiary Company
Pakistan Cables Limited	Associated Company holds 17.124% (2017:8.5236%)
Jubilee Life Insurance Company Limited	Associated Company by nature of common directorship
Pakistan Institute of Corporate Governance	Associated Company by nature of common directorship
Sumitomo Corporation	Associated Company holds 9% (2017:9%)
Intermark (Private) Limited	Associated Company due to significant influence.
Jubilee General Insurance Company Limited	Associated Company by nature of common directorship
KSB Pumps Limited	Associated Company by nature of common directorship

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

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

39. ANNUAL PRODUCTION CAPACITY

Actual production capacity at the year end was as follows:	Note	2018	2017
		(Metric tons)	
Holding company			
Steel pipe		515,000	500,000
GI pipe		150,000	150,000
Cold rolled steel strip	39.1	50,000	70,000
Polymer pipes & fittings		25,000	25,000
Stainless steel - pipe		1,200	-
Subsidiary company - International Steels Limited			
Galvanising		462,000	462,000
Cold rolled steel strip		1,000,000	550,000
Colour coated		84,000	84,000

The actual production for the year was:

		2018	2017
Holding company			
Steel pipe		241,268	184,682
GI pipe		82,683	84,588
Polymer pipes & fittings		11,089	7,427
Stainless steel - pipe		673	-
Subsidiary company - International Steels Limited			
Galvanising		330,259	312,886
Cold rolled steel strip		470,841	464,023
Colour coated		19,846	9,345

Actual production during the year was sufficient to meet the market demand.

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

39.1 Reduction in capacity is due to disposal of certain plant and machinery during the year.

40. SEGMENT REPORTING

The Group has identified Steel coils and sheet, steel pipes, polymer and investment as reportable segments. Performance is measured based on respective segment results. Information regarding the Group's reportable segments is presented below.

40.1 Segment revenue and results

	2018				
	Steel coils & sheets segment	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)				
For the year ended 30 June 2018					
Sales	39,653,410	22,679,621	2,208,848	-	64,541,879
Cost of sales (Excluding depreciation and amortization)	(32,583,953)	(18,064,444)	(1,950,313)	-	(52,598,710)
Depreciation and amortization	(763,427)	(316,962)	(42,641)	-	(1,123,030)
Gross profit	6,306,030	4,298,215	215,894	-	10,820,139
Selling and distribution expenses	(426,216)	(1,034,133)	(130,657)	-	(1,591,006)
Administrative expenses	(285,397)	(284,096)	(27,081)	-	(596,574)
	(711,613)	(1,318,229)	(157,738)	-	(2,187,580)
Finance cost	(539,116)	(400,764)	(41,044)	-	(980,924)
Other operating charges	(661,595)	(171,432)	(1,105)	-	(834,132)
	(1,200,711)	(572,196)	(42,149)	-	(1,815,056)
Other income	93,036	244,916	-	-	337,952
Share of profit in equity accounted investee - net of tax	-	-	-	35,222	35,222
Profit before taxation	4,486,742	2,652,706	16,007	35,222	7,190,677
Taxation					(1,922,271)
Profit after taxation					5,268,406

	2017				
	Steel coils & sheets segment	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)				
For the year ended 30 June 2017					
Sales	27,673,829	15,197,093	1,246,745	-	44,117,667
Cost of sales (Excluding depreciation and amortization)	(22,116,448)	(10,919,169)	(1,114,413)	-	(34,150,030)
Depreciation and amortization	(710,881)	(316,962)	(33,355)	-	(1,061,198)
Gross profit	4,846,500	3,960,962	98,977	-	8,906,439
Selling and distribution expenses	(325,961)	(858,592)	(51,762)	-	(1,236,315)
Administrative expenses	(212,584)	(287,337)	(22,131)	-	(522,052)
	(538,545)	(1,145,929)	(73,893)	-	(1,758,367)
Finance cost	(455,500)	(203,530)	(20,701)	-	(679,731)
Other operating charges	(424,951)	(179,437)	(391)	-	(604,779)
	(880,451)	(382,967)	(21,092)	-	(1,284,510)
Other income	12,175	164,140	-	-	176,315
Share of profit in equity accounted investee - net of tax	-	-	-	35,753	35,753
Profit before taxation	3,439,679	2,596,206	3,992	35,753	6,075,630
Taxation					(2,010,547)
Profit after taxation					4,065,083

40.2 Segment assets and liabilities

	Steel coils & sheets segment	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)				
As at 30 June 2018					
Segment assets	**32,802,945**	**14,495,749**	**2,255,417**	**1,004,132**	**50,558,243**
Segment liabilities	**22,343,525**	**9,753,426**	**1,182,477**	**-**	**33,279,428**
As at 30 June 2017					
Segment assets	24,020,336	13,540,885	1,345,368	299,503	39,206,092
Segment liabilities	16,362,608	7,963,492	504,349	-	24,830,449

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance Sheet is as follows:

	2018	2017
	(Rupees in '000)	
Total for reportable segments assets	**50,558,243**	39,206,092
Unallocated assets	**4,942,597**	3,346,518
Total assets as per balance sheet	**55,500,840**	42,552,610
Total for reportable segments liabilities	**33,279,428**	24,830,449
Unallocated liabilities	**3,856,986**	3,606,524
Total liabilities as per balance sheet	**37,136,414**	28,436,973

40.3 Segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

40.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

40.5 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 2,717 million (2017: Rs. 829 million), where as in the Steel segment was Rs. 1,157 (2017: nil) whose revenue accounts for more than 10% of segment's revenue.

40.6 Geographical information

The Group's gross revenue from external customers by geographical location is detailed below:

	Note	2018	2017
		(Rupees in '000)	
Domestic sales		**67,160,360**	43,435,396
Export sales	40.6.1	**8,883,272**	8,486,257
		76,043,632	51,921,653

40.6.1 Region wise export sales are as under:

	2018	2017
Sri Lanka	**685,238**	1,219,392
America	**2,289,690**	2,478,697
Australia	**1,355,561**	1,155,097
Afghanistan	**1,055,792**	1,102,297
Others	**3,496,991**	2,530,774
	8,883,272	8,486,257

40.6.2 Details of outstanding trade debts in respect of export sales are as follows:

Country	Total export sales made	Amount outstanding	Mode of Contract
Afghanistan	323,892	17,394	Letter of Credit / Document against Payment
Canada	1,332,469	108,044	Letter of Credit / Document against Payment
Germany	47,027	10,190	Letter of Credit
Korea	237,112	19,015	Letter of Credit
Sri Lanka	662,437	27,193	Letter of Credit / Document against Payment
Switzerland	207,662	61,007	Letter of Credit / Document against Payment
UAE	367,710	76,797	Letter of Credit / Document against Payment
West Indies	265,811	133,439	Letter of Credit / Document against Acceptance / Payment
USA	1,663,691	108,909	Letter of Credit
South Africa	603,831	292,696	Letter of Credit / Document against Acceptance / Payment
Qatar	274,356	19,738	Letter of Credit / Document against Payment
Somaliland	8,669	1,361	Letter of Credit / Document against Payment
Mauritius	4,669	292	Letter of Credit / Document against Payment
		876,075	

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

40.8 As at 30 June 2018, all non current assets of the Group are located in Pakistan with an exception of its assets of IIL-Australia Pty Limited which are not material to the Group therefore have not been disclosed.

41. INTERESTS IN OTHER ENTITIES

41.1 Non-controlling interests

Set out below is summarised financial information of Subsidiary Company (ISL) which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	2018	2017
	(Rupees in '000)	
NCI Percentage (%)	43.67%	43.67%
Non-current assets	18,265,275	13,643,454
Current assets	17,327,314	12,727,641
Non-current liabilities	8,476,513	5,101,271
Current Liabilities	15,291,068	12,715,577
Net assets attributable to non-controlling interests	5,163,981	3,735,640
Revenue	47,620,719	33,732,622
Expenses	43,255,761	30,688,600
Profit after taxation for the year	4,364,958	3,044,022
Profit attributable to non-controlling interests	1,906,177	1,329,324
Other comprehensive loss attributable to non-controlling interests	(2,925)	(503)
Total comprehensive income attributable to non-controlling interests	1,903,253	1,328,822
Net cash inflow from operating activities	293,548	1,568,756
Net cash outflow from investing activities	(5,470,778)	(1,787,168)
Net cash outflow from financing activities	2,479,575	505,738

41.2 Associates

Details about the Group's investment in associated company and summarised financial information are disclosed in note 8 to these consolidated financials statements.

42. NUMBER OF EMPLOYEES

	2018	2017
	Number	
Holding company		
Average number of employees during the year	1,055	995
Number of employees as at 30 June	1,079	1,015
Employees working in the Company's factory at the year end	951	898
Average employees working in the Company's factory during the year	926	878
Subsidiary companies		
Average number of employees during the year	633	563
Number of employees as at 30 June	673	565
Employees working in the Company's factory at the year end	617	515
Average employees working in the Company's factory during the year	580	516

43. GENERAL

Corresponding Figures

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of the consolidated financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year other than disclosed elsewhere in these consolidated financial statements.

	Description	Reclassified from	Reclassified to	2017
				(Rupees in '000)
	Trade deposits and short-term prepayments	Trade deposits and short-term prepayments	Advances, trade deposits and short-term prepayments	61,495
	Receivable from K-Electric Limited	Other receivables	Receivable from K-Electric Limited (presented on face of statement of financial position)	18,102
	Unpaid dividend	Trade and other payables	Unpaid dividend (presented on face of statement of financial position)	519,391
	Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	19,731
43.1	Salaries, wages and benefits	Cost of sales	Income from power generation cost of electricity produced (in other income)	4,517
	Electricity, gas and water			74,759
	Insurance			47
43.2	Depreciation and amortisation			4,467
	Operational supplies & consumables			3,116
	Repairs and maintenance			3,004

43.3 Non Adjusting events after balance sheet date

The Board of Directors of the Holding Company in their meeting held on 16 August 2018 has proposed a final cash dividend of Rs. 6.5 per share amounting to Rs. 779.3 million (2017: Rs. 2.00 per share amounting to Rs. 239.8 million) for the year ended 30 June 2018. The approval of the Members of the Holding Company for the dividend shall be obtained at the Annual General Meeting to be held on 28 September 2018. The consolidated financial statements for the year ended 30 June 2018 do not include the effect of the proposed final cash dividend which will be accounted for in the year ending 30 June 2019.

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 16 August 2018 by the Board of Directors.

Ehsan A. Malik	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Stakeholders' Information

OWNERSHIP
On 30th June, 2018 there were 3090 members on the record of the company's ordinary shares.

DIVIDEND PAYMENT
The Board of Directors of the company has recommended 65% final dividend for the year as per the Profit Appropriation Policy. The proposal shall be placed before the shareholders of the company in the Annual General Meeting for their consideration and approval on 28th September 2018. The dividend if approved by the shareholders, shall be directly credited to their designated banks account to the shareholders listed in the company's share register at the close of business on 13th September, 2018 and shall be subject to the Zakat and Tax deductions as per law.

Financial Calendar

RESULTS

First quarter ended 30th September 2017	Approved and Announced on	19th October 2017
Half year ended 31st December 2017	Approved and Announced on	25th January 2018
Third quarter ended 31st March 2018	Approved and Announced on	20th April 2018
Year ended 30th June 2018	Approved and Announced on	17th August 2018

DIVIDENDS

Final – Cash (2016-17)	Approved on	17th August 2017
	Entitlement date	28th September 2017
	Statutory limit up to which payable	27th October 2017
	Paid on	25th October 2017
1st Interim – Cash (2017-18)	Approved on	25th January 2018
	Entitlement date	15th March 2018
	Statutory limit up to which payable	4th April 2018
	Paid on	4th April 2018

LATEST ANNUAL REPORT ISSUED ON	6th September 2018
70TH ANNUAL GENERAL MEETING TO BE HELD ON	28th September 2018

TENTATIVE DATES OF FINANCIAL RESULTS OF 2018-19

For the period	To be announced
1st Quarter	**18-10-2018**
2nd Quarter	**30-01-2019**
3rd Quarter	**18-04-2019**
Annual Accounts	**22-08-2019**

Pattern of Shareholding

As at 30 June 2018

Number of shareholders	Having shares From	Having shares To	Shares held	Percentage
834	1	100	28,813	0.024
643	101	500	201,822	0.168
334	501	1,000	278,412	0.232
645	1,001	5,000	1,660,827	1.385
178	5,001	10,000	1,363,519	1.137
133	10,001	20,000	1,983,460	1.654
73	20,001	30,000	1,783,461	1.487
39	30,001	40,000	1,411,998	1.177
32	40,001	50,000	1,498,043	1.249
45	50,001	75,000	2,760,372	2.302
26	75,001	100,000	2,347,087	1.957
16	100,001	125,000	1,802,708	1.503
15	125,001	125,001	2,061,625	1.719
14	150,001	190,000	2,362,353	1.970
6	200,001	225,000	1,276,100	1.064
5	225,001	245,000	1,170,163	0.976
5	250,001	300,000	1,398,576	1.166
4	315,001	375,000	1,383,300	1.153
2	375,001	390,000	767,700	0.640
5	405,001	460,000	2,198,621	1.833
4	520,001	580,000	2,208,325	1.841
2	655,001	700,000	1,356,019	1.131
2	735,001	775,000	1,512,400	1.261
3	805,001	855,000	2,474,951	2.064
4	920,001	1,000,000	3,924,300	3.273
1	1,000,001	1,005,000	1,003,000	0.836
2	1,115,001	1,120,000	2,235,976	1.865
1	1,240,001	1,245,000	1,242,240	1.036
1	1,370,001	1,375,000	1,370,080	1.142
1	1,395,001	1,400,000	1,400,000	1.167
1	1,435,001	1,440,000	1,438,567	1.199
1	1,440,001	1,445,000	1,441,776	1.202
2	1,445,001	1,450,000	2,891,749	2.411
1	1,565,001	1,570,000	1,568,650	1.308
1	1,770,001	1,775,000	1,772,700	1.478
1	2,925,001	2,930,000	2,928,100	2.442
1	3,685,001	3,690,000	3,687,560	3.075
1	4,090,001	4,095,000	4,094,000	3.414
1	4,980,001	4,985,000	4,983,803	4.156
1	5,375,001	5,380,000	5,379,347	4.486
1	5,540,001	5,545,000	5,542,017	4.622
1	6,925,001	6,930,000	6,928,533	5.778
1	12,910,001	12,915,000	12,911,446	10.769
1	15,855,001	15,860,000	15,858,120	13.226
3,090			119,892,619	100.000

Categories of Shareholders

As at 30 June 2018

Particulars	Number of shareholders	Number of shares held	Percentage
Directors, CEO, Sponsors and Family Members	27	60,321,950	50.313
Associated Companies	3	1,353,325	1.128
Govt. Financial Institutions & Associates	8	10,815,755	9.021
Banks, DFI & NBFI and Insurance Companies	37	11,188,001	9.331
Mutual Funds	73	7,813,088	6.516
Foreign Companies	12	1,226,268	1.022
Welfare Trusts / Provident Funds/Others	143	4,691,084	3.912
General Public	2,787	22,483,148	18.752
TOTAL	3,090	119,892,619	100.000

Key Shareholding and Shares Traded

As at 30 June 2018

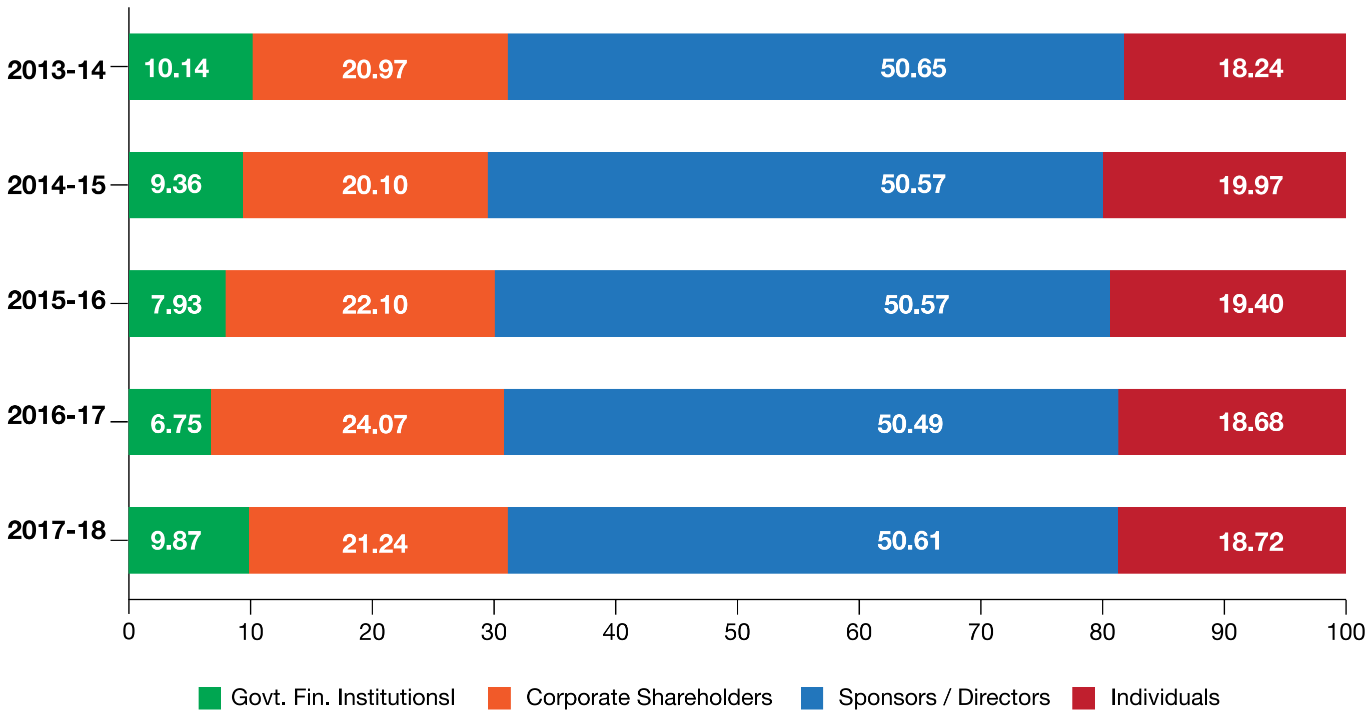
	No. of shares	Percentage
Information on shareholding required under reporting framework is as follows:		
Directors & Spouses	37,181,576	31.012
Executives	183,105	0.152
Associated Companies	1,353,325	1.128
Pakistan Cables Ltd.	576,000	0.480
Pakistan Cables Limited Employees Provident Fund	544,725	0.454
Trustees Pakistan Cables Limited Management Staff Pension Fund	232,600	0.194
Government Institutions	10,815,755	9.021
Investment Corp. Of Pakistan	420	0.000
IDBPL (ICP Unit)	805	0.000
National Bank Of Pakistan	6,855	0.005
National Bank Of Pakistan	2,928,100	2.442
National Investment Trust Limited - Administration Fund	160,023	0.133
State Life Insurance Corp. of Pakistan	656,019	0.547
CDC - Trustee National Investment (Unit) Trust	6,928,533	5.778
Pak Brunei Investment Company Limited	135,000	0.112

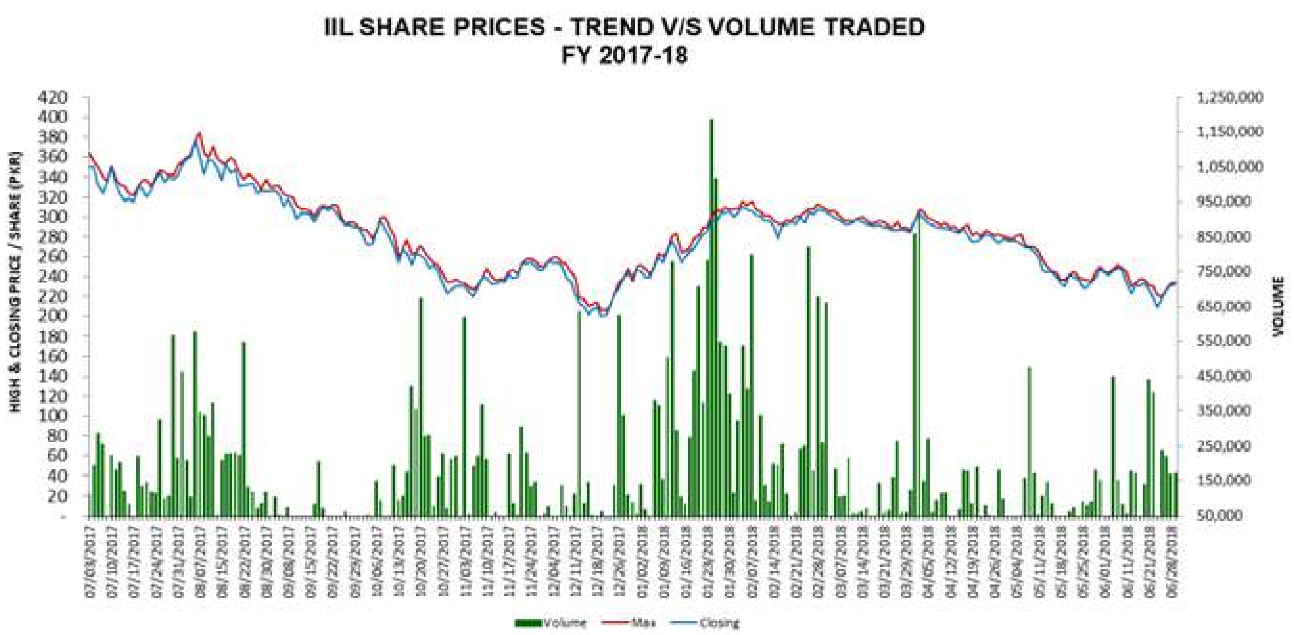
Members having 5% or more of voting rights

Name of Shareholder	Shares held	Percentage
CDC - Trustee National Investment (Unit) Trust	6,928,533	5.778

No shares of International Industries Ltd., were traded by Directors & Executives during the financial year 1st July, 2017 to 30th June, 2018.

Shareholders' Composition





Notice of Annual General Meeting

For the year ended 30 June 2018

Notice is hereby given to the members that the 70th Annual General Meeting of the Company will be held on 28th September 2018 at 11:30 a.m. at the Aquarius Hall, Beach Luxury Hotel, off M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June 2018 and the Directors' Report and Auditors' Report thereon.

2. To Consider and approve payment of Rs.6.50 (65%) per share as final cash dividend in addition to 20% interim cash dividend announced and paid, making a total dividend of Rs.8.50 (85%) per share for the financial year ended 30th June 2018 as recommended by the Board of Directors.

3. To appoint auditors for the year 2018-2019 and fix their remuneration.

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

By Order of the Board
Uzma Amjad Ali
Company Secretary

Dated: 16th August 2018
Karachi

Notes:

1. The Share Transfer Books of the Company shall remain closed from 14th September 2018 to 28th September 2018 (both days inclusive).

2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.

3. An Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarial certified copy of the power or authority must be deposited at the registered office of the Company at least forty-eight (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 26th January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

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

b) For Appointing Proxy

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

c) For CNIC/IBAN & Zakat

4. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.

5. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

UNCLAIMED DIVIDENDS & BONUS SHARES

Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact our Share Registrar M/s Central Depository Company of Pakistan Ltd. to collect/ enquire about their unclaimed dividend or pending shares, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

E-DIVIDEND

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

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

E-Voting

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Video Conference

Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. Messrs. CDC PAKISTAN LIMITED, CDC House, 99-B, Shahrah-e-Faisal, Karachi PABX No. (+9221) 111-111-500 and email info@cdcpak.com

I/We, of being a member of International Industries Limited holder of Ordinary Share(s) as per Register Folio No. _____________ hereby opt for video conference facility at (Please insert name of the City)

____

Signature of member

CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS

With reference to SRO 787(I/2014 dated 8th September 2014 issued by SECP, shareholders have an 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 CDC Pakistan Ltd. at CDC House, 99-B, Block-B, S.M.C.H.S, Shahrah-e-Faisal, Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven (7) days of receipt of such request.

FILER AND NON FILER STATUS

i) The Government of Pakistan through Finance Act, 2018 have made certain amendments in Section 150 of the Income Tax Ordinance, 2001, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a) For filers of income tax returns 15%.

b) For non-filers of income tax returns 20%.

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of approval of cash dividend at the annual general meeting on 28th September 2017, otherwise tax on their cash dividend will be deducted @ 20% instead of @ 15%.

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

IIL Shares Department
Mr. Mohammad Irfan Bhatti
021-35680045 – 54, irfan.bhatti@iil.com.pk

IIL Shares Registrar
Central Depository Company of Pak. Ltd.
021-111-111-500, info@cdcpak.com

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

برائے مہربانی نوٹ فرمالیں کہ کمپنیز ایکٹ 2017 کے سیکشن 244 کے تحت مقررہ طریقہ کار کی تکمیل کے بعد تمام قابل ادائیگی ڈیویڈنڈز جو اپنے اجراء کی مدت سے تین سال تک غیر کلیم شدہ ہوں، وفاقی حکومت کے پاس جمع کرادیئے جائیں گے اور شیئرز کی صورت میں، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو پہنچادیئے جائیں۔

ای-ڈیویڈنڈ

کمپنیز ایکٹ 2017 کے سیکشن 242 کی رو سے پبلک لسٹڈ کمپنی ہونے کی صورت میں، کوئی بھی نقد قابل ادائیگی ڈیویڈنڈ صرف الیکٹرونک ذریعہ سے اہل شیئر ہولڈر کے مقررہ بینک اکاؤنٹ میں جمع ہوجائے گا لہٰذا اس نوٹس کے ذریعہ تمام شیئر ہولڈرز سے درخواست ہے کہ وہ اپنے بینک اکاؤنٹ (IBAN) کی تازہ ترین تفصیلات اپنے متعلقہ شرکاء کے ذریعہ سینٹرل ڈپازٹری سسٹم کو فراہم کردیں۔ فزیکل شیئرز کی صورت میں وہ اپنے بینک اکاؤنٹ کی تفصیلات ہمارے شیئر رجسٹرار میسرز ڈی سی پاکستان لمیٹڈ کو فراہم کریں۔ ای ڈیویڈنڈ کا فارم منسلک ہے۔

ای ووٹنگ

اراکین سیکشن 143-145 کمپنی ایکٹ 2017 اور پوسٹ بالٹ ریگولیشنز 2018 کے تحت اجلاس کی کاروائی میں حصہ لینے کا حق حاصل کرسکتے ہیں۔

ویڈیو کانفرنس

SECP کے سرکلر نمبر 21,10 مئی 2014 کے مطابق کمپنی میں مجموعی طور پر 10% یا اس سے زیادہ کی حصہ داری رکھنے والے شیئر ہولڈرز کو سالانہ جنرل اجلاس میں شرکت کو یقینی بنانے کے لئے کمپنی اُس شہر میں ویڈیو کانفرنس کی سہولت کا انتظام کرے گی۔ اگر اس شہر میں یہ سہولت دستیاب ہو۔ اس سہولت کا فائدہ اٹھانے کے لئے برائے مہربانی درج ذیل معلومات ہمارے شیئر رجسٹرار سی ڈی سی پاکستان لمیٹڈ، 99-B، بلاک-B، سی ڈی سی ہاؤس S.M.C.H.S، مین شاہراہ فیصل، کراچی info@cdcpak.com کو ارسال کرے۔

اجلاس کی اطلاع اور سالانہ اکاؤنٹس کی ترسیل

سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان ("SECP") نے ایس آر او 2014/(I)787 مجریہ 8 ستمبر 2014 کے تحت کمپنیوں کو اجازت دی ہے کہ وہ اپنے ممبران کو اپنی سالانہ بیلنس شیٹ، نفع نقصان اکاؤنٹس، آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ مع سالانہ اجلاس عام کی اطلاع بذریعہ ای میل بھجواسکتی ہیں۔ وہ ممبران جو یہ سہولت حاصل کرنے کے خواہشمند ہوں، وہ ہمارے ریکارڈ کو اپ ڈیٹ کرنے اور سالانہ آڈٹ شدہ مالیاتی گوشوارے اور اجلاس عام میں شرکت کی اطلاع بذریعہ ای میل حاصل کرنا چاہتے ہیں تو ہمارے شیئر رجسٹرار میسرز سی ڈی سی پاکستان لمیٹڈ، 99-B، بلاک-B، سی ڈی سی ہاؤس، S.M.C.H.S، مین شاہراہ فیصل، کراچی کو اپنی رضامندی اور اپنے ای میل ایڈریس سے آگاہ کریں۔ اس کے علاوہ اگر وہ آڈٹ شدہ مالیاتی گوشوارے کی ہارڈ کاپی حاصل کرنا چاہیں تو درخواست ارسال فرمائیں، ان کو یہ کاپی ان کی درخواست کی وصولی کے سات دن کے اندر بلا معاوضہ فراہم کردی جائے گی۔

فائلر اور نان فائلر کی حیثیت

i) حکومت پاکستان نے فنانس ایکٹ 2018 کے ذریعہ انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 میں بعض ترامیم کی ہیں جس کے مطابق کمپنیوں کے ڈیویڈنڈ کی ادائیگی کی رقم پر وِدہولڈنگ ٹیکس کی کٹوتی کرنے کی مختلف شرح مقرر کی گئی ہے جو درج ذیل کے مطابق ہے:

ا) انکم ٹیکس ریٹرن فائل کرنے والوں کیلئے 15%

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

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

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

آئی آئی ایل شیئر ڈپارٹمنٹ	آئی آئی ایل شیئر رجسٹرار
جناب محمد عرفان بھٹی	سی ڈی سی پاکستان لمیٹڈ
021-35680045-54	021-111-111-500
irfan.bhatti@iil.com.pk	info@cdcpak.com

iii) کارپوریٹ شیئر ہولڈرز جو CDC میں اکاؤنٹ رکھتے ہیں اپنے متعلقہ شرکاء کے ساتھ اپنے قومی ٹیکس نمبر (NTN) کے ساتھ اپ ڈیٹ رکھیں جب کہ کارپوریٹ فزیکل شیئر ہولڈرز کو اپنے NTN سرٹیفکیٹ کی کاپی کمپنی یا ان کے شیئر رجسٹرار میسرز سی ڈی سی پاکستان لمیٹڈ کو فوری ارسال کریں۔ یاد رکھیں کہ اپنا NTN یا NTN سرٹیفکیٹ ارسال کرتے وقت کمپنی کا نام اور اپنا متعلقہ پورٹ فولیو نمبر ضرور تحریر کریں۔

اطلاع برائے سالانہ اجلاس عام

برائے سال مختتمہ 30 جون 2018

بذریعہ ہذٰا ممبران کو مطلع کیا جاتا ہے کہ کمپنی کا 70 واں سالانہ اجلاس عام مورخہ 28 ستمبر 2018 کو صبح 11:30 بجے اکاریئس ہال بیچ لگژری ہوٹل، آف ایم ٹی خان روڈ کراچی میں درج ذیل کاروباری امور کی انجام دہی کیلئے منعقد ہوگا:

عمومی امور

۱۔ کمپنی کے آڈٹ شدہ مالیاتی گوشوارہ مع ڈائریکٹرز اور آڈیٹرز کی رپورٹس برائے سال مختتمہ 30 جون 2018 کی وصولی، ان پر غور کرنا اور ان کو اختیار کرنا۔

۲۔ کمپنی کے بورڈ آف ڈائریکٹرز کی سفارشات کے مطابق حتمی نقد منافع برائے مالی سال 30 جون 2018 بحساب 6.50 روپے (65%) فی شیئر کی ادائیگی پر غور کرنا اور منظوری دینا جو عبوری نقد منافع بحساب 20% کے اعلان اور ادائیگی کے علاوہ ہے جس سے مالی سال مختتمہ 30 جون 2018 کا منافع 8.50 روپے (85%) فی شیئر ہو گیا۔

۳۔ سال 2019-2018 کے لئے آڈیٹرز کا تقرر اور ان کے مشاہرے کا تعین کرنا۔

۴۔ چیئرمین کی اجازت سے کسی اور امور کی انجام دہی جو سالانہ اجلاس عام میں شامل کی جا سکے۔

بحکم بورڈ

انٹرنیشنل انڈسٹریز لمیٹڈ

عظمیٰ امجد علی

کمپنی سیکرٹری

کراچی

مورخہ 16 اگست 2018

نوٹس:

۱۔ کمپنی کی شیئر ٹرانسفر بکس مورخہ 14 ستمبر 2018 تا 28 ستمبر 2018 (بشمول دونوں ایام) بند رہیں گی۔

۲۔ کوئی ممبر جو اجلاس عام میں شرکت کرنے، بولنے اور ووٹ ڈالنے کا حقدار ہے، وہ اپنی جگہ دوسرے ممبر کو شرکت کرنے، بولنے اور ووٹ ڈالنے کیلئے پراکسی مقرر کرنے کا اختیار رکھتا ہے۔

۳۔ پراکسی مقرر کرنے کی دستاویز اور پاور آف اٹارنی یا کوئی اور اتھارٹی جس پر اس کے تقرر کیلئے دستخط ہوں یا پاور آف اٹارنی کی نوٹری کے ذریعہ تصدیق شدہ کاپی کمپنی کے رجسٹرڈ دفتر میں اجلاس شروع ہونے کے مقررہ وقت سے کم از کم 48 گھنٹے پہلے جمع کرانا لازمی ہے۔ پراکسی فارم منسلک ہے۔

سی ڈی سی اکاؤنٹ ہولڈرز کو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر 1 مجریہ 26 جنوری 2000 میں درج رہنما ہدایات کی پیروی بھی کرنا ہوگی۔

ا) سالانہ اجلاس عام میں شرکت کیلئے:

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

ب) پراکسی کے تقرر کیلئے:

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

ج) CNIC اور زکوٰۃ کیلئے:

۴۔ ممبران سے درخواست ہے کہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) کی نقل جمع کرائیں تاکہ ہم اپنے ریکارڈ کو اپ ڈیٹ کرسکیں۔ ایسا نہ کرنے کی صورت میں آئندہ ڈیویڈنڈ کی ادائیگی روک لی جائے گی۔

۵۔ ممبران سے درخواست ہے کہ زکوٰۃ اینڈ عشر آرڈیننس 1980 کی رو سے زکوٰۃ سے استثنیٰ کیلئے ڈکلریشن (CZ-50) جمع کرائیں نیز اپنے پتہ میں کسی تبدیلی کی صورت میں فوری طور پر مطلع کریں۔

غیر کلیم شدہ ڈیویڈنڈ اور بونس شیئرز

ان شیئر ہولڈرز کو جو کسی وجہ سے اپنا ڈیویڈنڈ یا بونس شیئر کلیم نہیں کرسکے یا اپنے فزیکل شیئر حاصل نہیں کرسکے، ہدایت کی جاتی ہے کہ اپنے غیر کلیم شدہ ڈیویڈنڈ یا زیر التوا شیئرز (اگر کوئی ہے) حاصل کرلیں / کے بارے میں معلومات کیلئے ہمارے شیئر رجسٹرار میسرز سی ڈی سی پاکستان لمیٹڈ سے رابطہ کریں۔

Glossary

AGM Annual General Meeting

API American Petroleum Institute

ATIR Appellate Tribunal Inland Revenue

ATL Active Tax Payer List

AUD Australian Dollars

BAC Board Audit Committee

BCP Business Continuity Planning

Board/BOD Board of Directors

CBA Collective Bargaining Agreement

CCG Code of Corporate Governance

CDC Central Depository Company

CE Conformité Européene or European Conformity

CEO Chief Executive Officer

CDC Central Depository Company

CFO Chief Financial Officer

CIR Commissioner Inland Revenue

CIT Commissioner Income Tax

COLA Cost of Living Allowance

CR Cold Rolled

CRC Cold Rolled Coil

CSR Corporate Social Responsibility

CTAC Citizens Trust Against Crime

CWIP Capital Work in Progress

DBN Debottlenecking

EBIT Earnings before Interest and Taxation

EBITDA Earnings before Interest, Taxation Depreciation and Amortization

EC Executive Committee

EFP Employees Federation of Pakistan

EPS Earning Per Share

ERW Electric Resistance Weld

ETP Effluent Treatment Plant

EY Ernst Young

FBR Federal Board of Revenue

FPAP Fire Protection Association of Pakistan

FPCCI Federation of Pakistan Chambers of Commerce and Industry

FTA Free-Trade Agreement

FTO Federal Tax Ombudsman

FTR Final Tax Regime

GDP Gross Domestic Product

GI Galvanized Iron

GIDC Gas Infrastructure Development Cess

GoP Government of Pakistan

HDPE High Density Polyethylene

HoD Head of Department

HR Human Resource

HRRC Human Resource Remuneration Committee

HRC Hot Rolled Coil

HSE Health, Safety and Environment

HSS Hollow Structural Sections

IAS International Accounting Standards

IBA Institute of Business Administration

ICAP Institute of Chartered Accountants of Pakistan

ICMAP Institute of Cost and Management Accountants of Pakistan

IFC International Finance Corporation

IFRIC International Financial Reporting Interpretation Committee

IFRS International Financial Reporting Standards

IIL International Industries Limited

IPO Initial Public Offering

ISL International Steels Limited

ISO International Organization for Standardization

ISO International Standards Organization

IT Information Technology

ITAT Income Tax Appellate Tribunal

JV Joint Ventures

KE Karachi Electric

KIBOR Karachi Interbank Offer Rate

KPMG Klynveld Peat Marwick Goerdeler

LIBOR London Interbank Offered Rate

LPG Liquefied Petroleum Gas

LSM Large Scale Manufacturing

LTC Lost Time Case

LTIFR Lost Time Injury Frequency Rate

LTU Large Taxpayers Unit

LUMS Lahore University of Management Sciences

M&A Memorandum and Articles

MAP Management Association of Pakistan

MC Management Committee

MDPE Medium Density Polyethylene

MoC Ministry of Commerce

MT Metric Ton(s)

NBV Net Book Value

NFEH National Forum for Environment and Health

NOC No Objection Certificate

NRV Net Realizable Value

NTC National Tariff Commission

OHSAS Occupational Health and Safety Assessment Specification

OPEC Organization of the Petroleum Exporting Countries

PACRA Pakistan Credit Rating Agency

PAT Profit after tax

PCL Pakistan Cables Limited

PEX Cross-linked Polyethylene

PICG Pakistan Institute of Corporate Governance

PKR Pakistan Rupees

PPRC Polypropylene Random Copolymer

PSQCA Pakistan Standards and Quality Control Authority

PSX Pakistan Stock Exchange

Rs. Pakistani Rupees

SECP Securities and Exchange Commission of Pakistan

SHC Sindh High Court

SNGPL Sui Northern Gas Pipelines Limited

SS Stainless Steel

SSGC Sui Southern Gas Company Limited

TCF The Citizens Foundation

UL Underwriters Laboratories

US$/USD United States Dollar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Proxy Form

INTERNATIONAL INDUSTRIES LTD.
Promising Reliability, For Now and Tomorrow

I / We____

of ____

being a member of **INTERNATIONAL INDUSTRIES 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 28th September, 2018 at 11:30 am at Beach Luxury Hotel, M.T. Khan Road, Karachi and at any adjournment thereof.

Signed this ______________ day of ______________ 2018

WITNESS:

1 Signature ____________________

Name ____________________

Address ____________________

CNIC / Passport No. ____________________

Signature

Revenue Stamp

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

2 Signature ____________________

Name ____________________

Address ____________________

CNIC / Passport No. ____________________

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

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

INTERNATIONAL INDUSTRIES LTD.
Promising Reliability, For Now and Tomorrow

تشکیلِ نیابت داری

میں / ہم ______________________________

ساکن ______________ بحیثیت انٹرنیشنل انڈسٹریز لمیٹڈ ______________ کے

رکن و حامل ______________ عام حصص بمطابق شیئر 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 28 ستمبر، 2018 بوقت 11:30 بجے صبح بمقام بیچ لگژری ہوٹل مولوی تمیز الدین خان روڈ کراچی میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

گواہ:

1 دستخط ______________

نام ______________

پتہ ______________

____

سی این آئی سی یا پاسپورٹ نمبر ______________

ریونیو ٹکٹ چسپاں کریں۔

(دستخط کمپنی میں پہلے سے موجود نمونہ کے مطابق ہونے چاہیئے)

____
دستخط

2 دستخط ______________

نام ______________

پتہ ______________

____

سی این آئی سی یا پاسپورٹ نمبر ______________

نوٹ: پراکسیز کے موثر ہونے کے لیے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس پراکسی کے ساتھ منسلک کریں۔

E-Dividend Mandate Form

INTERNATIONAL INDUSTRIES LTD.
Promising Reliability, For Now and Tomorrow

To: Date: ____________

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

Dear Sir,

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

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

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

Yours sincerely

____

Signature of Shareholder
(Please affix company stamp in case of corporate entity)

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

INTERNATIONAL INDUSTRIES LTD.
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CONSENT FOR ANNUAL REPORT THROUGH EMAILS

Dear Shareholder(s)

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

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

E – Mail Address: ______________________________

CNIC Number: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

FOLIO / CDS ACCOUNT # ______________________________

____
SIGNATURE OF SHAREHOLDER

Share Registrar:
Central Depository Company of Pakistan Limited
CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahra-e-Faisal
Karachi.
Customer Support Service: 0800-CDCPL (23275) & 021- 111-111-500
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Yours Sincerly,
For INTERNATIONAL INDUSTRIES LTD.,
Uzma Amjad Ali
Company Secretary

Promising Reliability, For Now and Tomorrow

Head Office
101 Beaumont Plaza,
10 Beaumont Road,
Karachi - 75530
UAN: (92 21) 111-019-019

Lahore Office
Chinoy House,
6-Bank Square,
Lahore - 54000
UAN: (92 42) 111-019-019

Islamabad Office
3rd Floor, Evacuee Trust,
Plot No. 4, Agha Khan
Road, F-5, Islamabad

Faisalabad Office
Office No. 1/1, Wahab
Centre, Electrocity Plaza
Susan Road, Faisalabad
Tel: (92 41) 872 0037

Multan Office
1592, 2nd Floor
Quaid-e-Azam Shopping Centre
No. 1 Multan Cantt, Multan
Tel: (92 61) 458 3332

Peshawar Office
Office No.1 & 2, First Floor,
Hurmaz Plaza
Opposite Airport Runway
Main University Road, Peshawar
Tel: (92 91) 584 5068

Factory 1
LX 15-16,
Landhi Industrial Area,
Karachi - 75120
Tel: (92 21) 3508 0451-55

Factory 2
Survey # 405-406
Rehri Road, Landhi,
Karachi - 75160
Tel: (92 21) 3501 7027-28

Factory 3
22 KM, Sheikhupura Road,
Lahore
Tel: (92 42) 3719 0492-3

Sales Inquiries
Domestic Clients: sales@iil.com.pk
International Clients: inquiries@iil.com.pk

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