



Striving Today for a
Sustainable Tomorrow



**INTERNATIONAL
INDUSTRIES LTD.**

Promising Reliability, For Now and Tomorrow

ANNUAL REPORT 2020

فرد تمام ربطِ ملت سے ہے تنہا کچھ نہیں
موج ہے دریا میں اور سیروں دریا کچھ نہیں
(اقبال)

Without the nation's coherence, an individual firm is nothing
like a wave is nothing without the ocean.
(Iqbal)



TRIBUTE TO THE PEOPLE OF
PAKISTAN

Paying tribute to the people of this resilient nation, Pakistan.
Who stay united with their steely strength and determination
to face enemies across all the battlefields, whether it be
defending the territories, navigating through economic
turbulence or fighting a pandemic.

Unity | Strength | Resilience



Annual Report 2020

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

ABOUT THIS REPORT

We are pleased to present our Annual Report for the year ended June 30th, 2020. The objective of this report is to provide all stakeholders with a transparent and 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 1st, 2019 to June 30th, 2020 and it provides an account of the Company's operational, financial, social, economic and environmental performances as well as governance.

ANNUAL FINANCIAL STATEMENTS

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

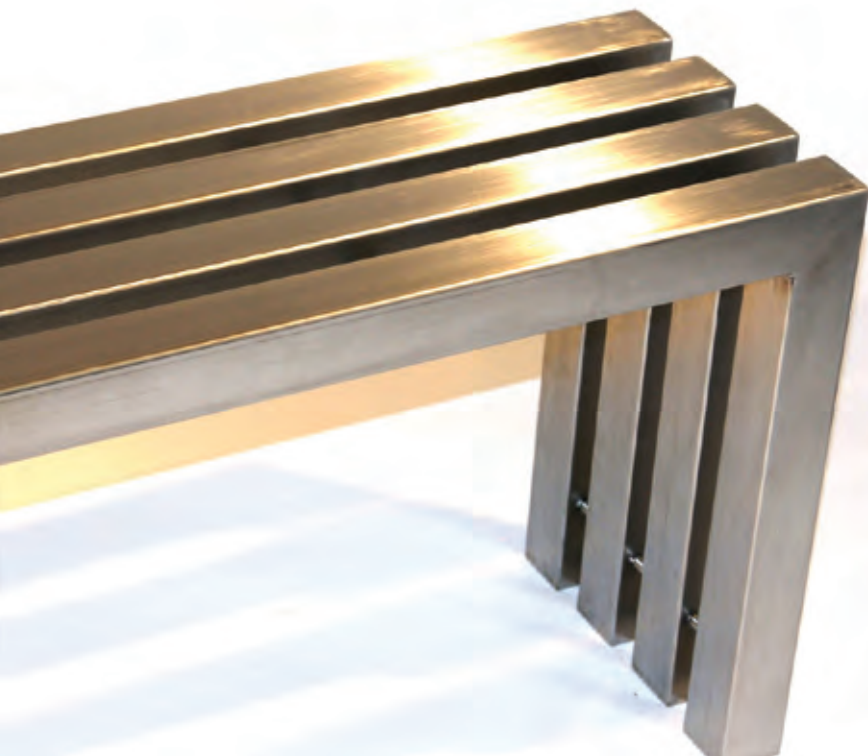
FORWARD LOOKING STATEMENTS

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

FEEDBACK

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

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



KEY PERFORMANCE INDICATORS

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

18,964

(Rs. in million)

Sales Revenue

(430)

(Rs. in million)

Loss Before Tax

7.2

(%)

Gross Profit Ratio

7.09

(%)

EBITDA Margin
to Sales

23,140

(Rs. in million)

Total Assets

8,946

(Rs. in million)

Shareholders'
Equity

267

(Rs. in million)

Capital
Expenditure

143.82

(Rs.)

Break-up Value (with
revaluation and market
value of investment)

(6.60)

(%)

Return on Average
Capital Employed

1.59

(Times)

Gearing Ratio

1.04

(Times)

Current Ratio

91.73

(Rs.)

Share Price

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Jumma Punji
Consent for Annual Report Through Emails
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Proxy Form
Proxy Form (Urdu)



72nd

ANNUAL GENERAL MEETING

INTERNATIONAL INDUSTRIES LIMITED



Karachi via video conferencing



Wednesday, September 30th, 2020



11:30 AM





RESILIENCE BEYOND BORDERS

The Pak-Afghan and Pak-Iran border fencing has been erected using IIL's Galvanized Iron (GI) Pipes which has become an epitome of safeguarding country's national heroes.





BATTLING AGAINST PANDEMIC

The country's real heroes during the pandemic are the doctors and paramedic staff who fought day & night to save their countrymen from the virus. IIL's Hollow Structural Sections safeguarded these heroes by constructing partitions at Jinnah Postgraduate Medical Centre (JPMC), Karachi while ISL provided flat steel products (Galvanized steel for Purlins and Color coated steel for Roofing) to enable Government of Pakistan's ambitious vision of establishing 250-bed hospital in Islamabad in quick span of time to fight Covid-19. The hospital is up and running in 35 days. Prime Minister Imran Khan Inaugurated Islamabad Isolation Hospital & Infectious Treatment Centre in July 2020.





PATHWAY TO GLORY

From Stainless Steel Railings at National Stadium Karachi to Stainless Steel Domes at Allama Iqbal International Airport Lahore, IIL Cosmo SS Grade 304 is Glorifying the modern architecture of the nation.





RISING WITH ELEVATION

Our daily-wage labourers are the backbone of country's development & infrastructural projects. Rising safely above the ground today using IIL Scaffolding tubes to build strong structures for tomorrow.





MADE IN PAKISTAN FOR 'PAKISTAN'

IIL HDPE Pipe recently supplied to Pakistan Public Works Department is an epitome of trust and quality that is ultimately contributing to the Federal Government's initiatives and projects.





HOUSING GREAT AMBITION

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



COMPANY PROFILE

International Industries Limited (IIL) is Pakistan's largest manufacturer of steel, stainless steel and polymer pipes with an annual manufacturing capacity of 817,000 tons and annual revenues of PKR 18.9 billion.

IIL was incorporated in Pakistan in 1948, is quoted on the Pakistan Stock Exchange and has an equity of over PKR 8.9 billion and has featured on the listing of Pakistan's Top 25 Companies consecutively for more than 12 years.

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

International Steels Limited (ISL): Pakistan's largest manufacturer of cold rolled, galvanized and color coated steel coils and sheets. ISL has an annual manufacturing capacity of over 1 million tons and annual revenues of over PKR 48.1 billion.

Pakistan Cables Limited (PCL): Pakistan's premium manufacturer of electrical cables, wires, copper rod, PVC compound and aluminum sections with annual revenues in excess of PKR 9.1 billion.

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

IIL Americas Inc.: IIL's wholly owned Canadian subsidiary which represents the Group's interest in the North America.



IIL is a proud recipient of numerous accolades including the Management Association of Pakistan's "Corporate Excellence Award" for the Industrial Metals and 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 20 years. With an unshakeable focus on health, safety & environment, IIL is a reputable corporate citizen. The Company is ISO 9001, ISO 14001, ISO 45001, API 5L, PSQCA, UL and CE certified and manufactures its products according to international standards and specifications. IIL is the first company in Pakistan to achieve ISO 45001 certified by Lloyds Register Quality Assurance.

IIL is also a proud member of International Tube Association (ITA), and Pakistan Association of Automotive Parts & Accessories Manufacturers (PAAPAM).

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



COMPANY INFORMATION

Chairman (Non-Executive)

Mr. Mustapha A. Chinoy

Independent Directors

Mr. Adnan Afridi
Mr. Ehsan A. Malik
Mr. Mansur Khan
Mr. Jehangir Shah

Non-Executive Directors

Mr. Kamal A. Chinoy
Mr. Azam Faruque
Mrs. Saadia S. Rashid

Chief Executive Officer

Mr. Riyaz T. Chinoy

Advisor

Mr. Towfiq H. Chinoy

Chief Financial Officer

Mr. Muhammad Akhtar

Company Secretary

Mr. Sunaib Barkat

Group Chief Internal Auditor

Ms. Asema Tapal

External Auditors

M/s. KPMG Taseer Hadi & Co.

Bankers

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

Legal Advisor

Mr. Haider Waheed

Registered Office

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

National Tax Number

0710735-8

Sales Tax Registration Number

02-04-7306-001-82

Lahore Office

Chinoy House, 6 Bank Square,
Lahore - 54000 , Pakistan
Telephone: +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, Pakistan
Telephone: +9251-2524650, +9251-4864601-2

Multan Office

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

Faisalabad Office

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

Peshawar Office

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

IIL Australia Pty Limited

Registered Office: 103, Abbot Road, Hallam,
Victoria 3803, Australia
Website: www.iilaustralia.com

IIL Americas Inc.

Registered Office: 36, Gerigs Street, Scarborough,
Toronto, ON M1L 0B9, Canada
Website: www.iilamericas.com

Factories**Factory 1**

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

Factory 2

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

Factory 3

22 KM, Sheikhpura Road, Lahore, Pakistan
Telephone: +9242-37190491-3

Investor Relations Contact

Shares Registrar
CDC Share Registrar Services Limited
CDC House, 99-B, Block “B”, S.M.C.H.S
Shahrah-e-Faisal, Karachi, Pakistan
Telephone: +92-0800-23275
Fax: +92-21-34326053
E-mail: info@cdcsrsl.com
Website: www.cdcsrsl.com

Corporate Website

www.iil.com.pk

**Financial Statements**

Annual Report 2020

**Group Sustainability Report**

Sustainability Report 2020



BUSINESS AT A GLANCE

Principal Business Activities:

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

Key Markets:

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

Additionally, ILL is Pakistan's main exporter of pipes and tubes with a significant export footprint spanning 60 countries across 6 continents with over 875,000 tons of pipe exported to date.

Key Brands and Products:

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

However, ILL also has various product specific brands and products as follows:

- 1- Steel Pipes & Tubes**
- 2- Stainless Steel Tubes**
- 3- Polymer Pipes & Fittings**

STEEL PIPES & TUBES



IIL Galvanized Iron Pipes

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

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

IIL GI pipes are available in nominal diameters of 15mm (1/2") to 200mm (8") and in thickness from 1.60mm 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 with the highest relevant international quality standards (BS EN 10219, ASTM A53, A500 & A252).

IIL Hollow Structural Sections are available in round, square and rectangle shapes with thickness range from 1.65mm 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, BSEN 10305-5: 2010 and EN 10296-1:2003)

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



IIL Scaffolding Pipes (SAFESCAF)

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

IIL Scaffolding Pipes are manufactured in accordance with 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 outer diameter of 48.3mm in Type 2, 3 and 4.



IIL Firefighting Pipes

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

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

IIL Firefighting pipes are available in nominal diameters of 1/2" to 12" with thickness range from 2.77mm to 10.31mm.

STEEL PIPES & TUBES

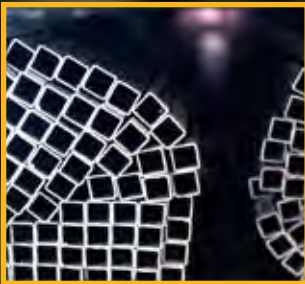


III Pre-Galvanized Tubes

III Pre-Galvanized tubes have a variety of uses in general fabrication including fence framework.

III Pre-Galvanized tubes are manufactured in accordance with BS EN10305-3.

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



III CRS Tubes

III 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.



III API Line Pipes

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

III API Line pipes are available in PSL1 and PSL2 specification made in accordance with API Monogram, and API Specification under license: 5L-0391 and 5L-1104.

III API Line pipes are available in diameter ranging from $\frac{3}{4}$ " to $12 \frac{3}{4}$ " with the length ranging from 6 meters to 12.20 meters.



III LTZD Profiles

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

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

STAINLESS STEEL TUBES



IIL Cosmo (SS Grade 300 Series)

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

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

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



IIL Forza (SS Grade 400 Series)

IIL FORZA (SS Grade 400 Series) tubes are manufactured for use in automotive exhausts, trims and frames, mufflers and home geysers.

IIL Forza (SS Grade 400 Series) tubes are manufactured in accordance with ASTM A240 and A554.

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



IIL Eco (SS Grade 200 Series)

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

IIL Eco (SS Grade 200 Series) tubes are made in accordance with high ASTM A240 and A554, JIS G-4305.

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

POLYMER PIPES & FITTINGS



IIL PPRC Pipes and Fittings

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

IIL PPRC pipes and fittings are manufactured in accordance with the highest quality international standards (DIN 16962, DIN 8077, DIN 8078).

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

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



IIL HDPE Water Pipes

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

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

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

POLYMER PIPES & FITTINGS



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 with the highest quality international standards (ASTM D638, ISO 1183, ASTM F-2160, ISO 2505, Bell Core GR-456)

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



IIL HDPE CorruDuct Pipes

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

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

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

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



OUR VALUES

Our values define how we do business and interact with our colleagues, partners, customers and consumers. Our core values are:

Ethics | Excellence | Fairness | Innovation | Reliability | Respect | Responsibility



OUR MISSION

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

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



OUR VISION

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

ETHICS, CULTURE AND VALUES

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



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



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



Fairness: IIL believes in fairness to all stakeholders.



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



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



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



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

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.



GEOGRAPHICAL PRESENCE

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

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





As a truly international Company with an ever-expanding global footprint, IIL has an on-the ground presence in Australia, Sri Lanka, Afghanistan and Canada and an export network that spans 60 countries across 6 continents with over 875,000 of sale till date.

● Offices

▲ Factories

★ Sales Regions



MILESTONES



Incorporated as International
Industries Limited (IIL)
Sponsored Pak Chemicals Ltd.

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

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

1948

1949

1953

1984

1992

2007

2013

Established
as Sir Sultan
Chinoy &
Company

Sponsored
Pakistan Cables
Limited in a joint
venture with
BICC UK

Turnover
crossed Rs. 1
Billion

Turnover
crossed
Rs. 20 Billion





VIS reaffirmed AA-/A-One entity rating

19th Consecutive FPCCI Best Export Performance Award



Inaugurated PPRC pipes & fittings factory in Sheikhpura

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

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

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

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

Living the Global Compact Business Sustainability Award 2018

Completed 50 years of pipe manufacturing

Inaugurated 15-acre warehouse facility in Sheikhpura



Incorporated IIL Australia Pty Limited

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

Celebrated 70 years since incorporation in 1948

Incorporated IIL Americas Inc.

Turnover crossed Rs. 25 billion

20th Consecutive FPCCI Best Export Performance Award

Highest ever sales volume of 270,000 Tons

PSX Top 25 Companies Award 2017

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

Supplied Pakistan's first ever HDPE 1600mm water pipe to a water project in Hyderabad.

First and only PSQCA certified company for PPRC Pipes and Fittings



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



AWARDS AND ACCOLADES

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

Year	Awards and Accolades
2000	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2001	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2002	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2003	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2004	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2005	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2006	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP
2007	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange
2008	Best Export Performance Trophy for Export of Engineering Products - Mechanical Top 25 Companies of Pakistan Award by Karachi Stock Exchange Best Presented Accounts by South Asian Federation of Accountants Businessman of the year Gold Medal awarded to Mr. Towfiq H. Chinoy (CEO) Annual Environment Excellence Award by National Forum for Environmental Health (NFEH)
2009	Best Export Performance Trophy for Export of Engineering Products - Mechanical CSR National Excellence Award by Help International Welfare Trust (HIWT) Annual Environment Excellence Award by National Forum for Environmental Health (NFEH)
2010	Best Export Performance Trophy for Export of Engineering Products - Mechanical Annual Environment Excellence Award by National Forum for Environmental Health (NFEH)
2011	Best Export Performance Trophy for Export of Engineering Products - Mechanical Annual Environment Excellence Award by National Forum for Environmental Health (NFEH) Talent Triangle Award by Sidat Hyder Morshed Associates Good HR Practices Award by Sidat Hyder Morshed Associates Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP

Year	Awards and Accolades
2013	Best Export Performance Trophy for Export of Engineering Products - Mechanical Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP MAP "Corporate Excellence Award" for the Industrial Metals and Mining Sector IAPEX Karachi 2013 Award for 2nd best stall
2014	Best Export Performance Trophy for Export of Engineering Products - Mechanical
2015	Best Export Performance Trophy for Export of Engineering Products - Mechanical Annual Environment Excellence Award by National Forum for Environmental Health (NFEH) Best Corporate and Sustainability Report by jointly by ICAP and ICMAP Employers' Federation of Pakistan OHSE Award Top 25 Companies of Pakistan Award by Karachi Stock Exchange The Prime Minister's Export and Innovation Award
2016	Best Export Performance Trophy for Export of Engineering Products - Mechanical Employers' Federation of Pakistan OHSE Award
2017	Best Export Performance Trophy for Export of Engineering Products - Mechanical Employers' Federation of Pakistan OHSE Award Best Corporate and Sustainability Report Award by jointly by ICAP and ICMAP IAPEX Karachi 2017 Award for 2nd best stall
2018	Best Export Performance Trophy for Export of Engineering Products - Mechanical
2019	Top 25 Companies of Pakistan Award 2017 by Pakistan Stock Exchange Best Export Performance Trophy for Export of Engineering Products - Mechanical 2 nd Award for the Best Corporate Report 2018 by ICAP and ICMAP Certificate of Merit for the Best Sustainability Report 2018 by ICAP and ICMAP Living the Global Compact Business Sustainability Award 2018
2020	Best Export Performance Trophy for Export of Engineering Products - Mechanical IAPEX Karachi 2019 Award for 2 nd best stall



CERTIFICATIONS

Standard	Description	Location	Certified by	Since	License #
ISO 9001	Quality Management System	Head Office, Branch Office, Factory 1, 2 & 3	Lloyds Register Quality Assurance (UK)	1997	ISO 9001 – 0049981
ISO 14001	Environment Management System	Head Office		2000	ISO 14001 – 0049980
		Branch Office (Lahore)			
		Factory 1			
		Factory 2			
ISO 45001 (Formerly OHSAS 18001)	Occupational Health & Safety Management Systems	Factory 3		2007	ISO 45001 – 0049979
		Head Office			
		Branch Office (Lahore)			
		Factory 1			
API Specification Q1 ® & 5L	Manufacturer of Line Pipe Plain End, HFW, PSL 1	Factory 1	American Petroleum Institute (USA)	2000	5L-0391
	Manufacturer of Line Pipe Plain End, HFW, PSL-1 & PSL-2	Factory 2		2016	5L-1104
BS EN 10255, 10266	CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes	Factory 1 & 2	CNC Services (Germany)	2011	CNC/EEC/4112/11
BS EN 10296-1, BS EN 10305-5 & BS 1717	CE Mark for ERW Tubes from Cold Rolled Carbon Steel			2011	CNC/EEC/4113/11
BS EN 39, 10219, 10240 ASTM A-500, A252, A53 AS/NZS 1163, 4792	CE Mark for Cold Formed Welded Structural Hollow Sections (HSS)			2018	CNC/EEC/4525/18

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



CALENDAR OF MAJOR EVENTS

QUARTER 01

- Sponsorship of NED University "Karnyo Jawaari" Entrepreneur & Financing Program
- OHSE Trainings / Fire Fighting Trainings
- 1122 Rescue – Road Safety Training
- Basic Rescue Awareness Session – Civil Defence Training School
- IL PPRC Plumbers Scheme Event – Lahore
- IL GI & PPRC Plumbers Event – Sangochra
- IL Sponsors Pursukoon Festival
- Tube Southeast Asia 2019 – Bangkok, Thailand
- Defence Society Residents Association – Beach Clean Sponsorship – Karachi
- IL & IAP Affordable Housing Design Ideas Competition Awards Night – Karachi
- 336th Board of Directors Meeting, July 23, 2019
- 336th Board of Directors Meeting, August 21, 2019
- 337th Board of Directors Meeting, September 30, 2019
- 71st Annual General Meeting, September 30, 2019
- Corporate Briefing Session, September 30, 2019

QUARTER 02

- IL GI & PPRC – Dealers & Plumbers Event – Hyderabad
- IL GI Gas Pipe Launch
- 43rd PPOCI "Best Export Performance Award" 2019
- Speaker Sessions "HSE Challenges, Legal Requirement"
- Factory Visits – Bullet Shah, Sunikomo Corp, BoD
- CRR Basic Life and Fire Fighting – Civil Defence Training School
- IL PPRC Plumbers Event – Faisalabad
- IL PPRC Plumbers Event – Timargira
- IL PPRC Plumbers Event – Mingora
- IL Americas Incorporation
- PSX Top 20 Companies Award
- ASO Cricket Tournament 2019
- OHSE & Fire Fighting Trainings
- 338th Board of Directors Meeting, October 18, 2019
- Cash payment of Final Dividend and allotment of bonus shares for the year ended June 30, 2020

QUARTER 03

- IL Cosmo / Eco – Dealers and Fabricators Event – Karachi
- IL CR & CRS – Fabricators Design Competition – Karachi
- WPEX 2020
- Lyock – Surveillance Audit
- Occupational Health, Behavior Safety & Corona Virus – Awareness Session
- Pakistan Auto Show 2020
- IL PPRC Plumbers Event – Attock
- IL Display Center Inauguration – Channa Island
- IL CR/CRS – Fabricators Event – Multan
- 339th Board of Directors Meeting, January 30, 2020

QUARTER 04

- IL Covid-19 – Awareness Campaign – Nationwide
- IL HDPE Pipes – PWD Water Project
- IL COVID – Weekly Awareness & Safety Communication Bulletin
- COVID 19 – Protocols & Work Instructions Implementations – Nationwide
- 340th Board of Directors Meeting, April 16, 2020
- 341st Board of Directors Meeting, June 11, 2020
- 342nd Board of Directors Meeting, June 26, 2020

SWOT ANALYSIS

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

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STRENGTHS

- Economies of scale
- 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 customers' requirements from stock
- Captive power generation
- Distribution channel and channel relationships
- Financial strength



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WEAKNESSES

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



OPPORTUNITIES

- Growth in key market segments
- Mega-projects and infrastructural growth in Pakistan
- CPEC and ancillary projects
- Accountability drive against unethical practices by competition
- Demand for new product variations within existing product range
- Export opportunities in various near-home markets
- Govt.'s construction centre incentive package



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THREATS

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



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STRENGTHS WEAKNESSES OPPORTUNITIES THREATS

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

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
- Global consensus on climate change management mechanisms (Paris agreement)
- Scarcity of water

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TECHNOLOGICAL

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

ECONOMIC

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

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LEGAL

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

SEASONALITY

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

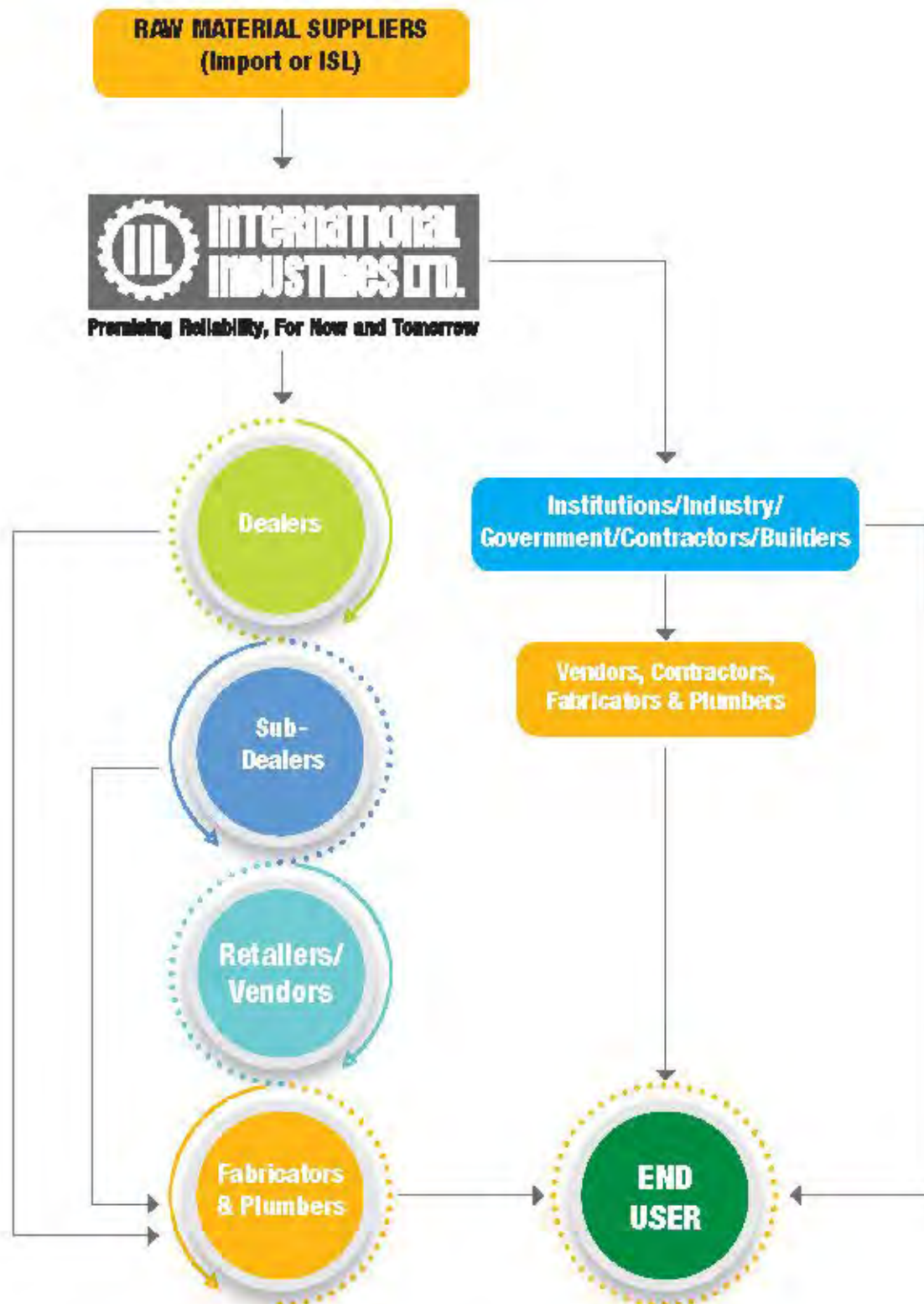
POLITICAL

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

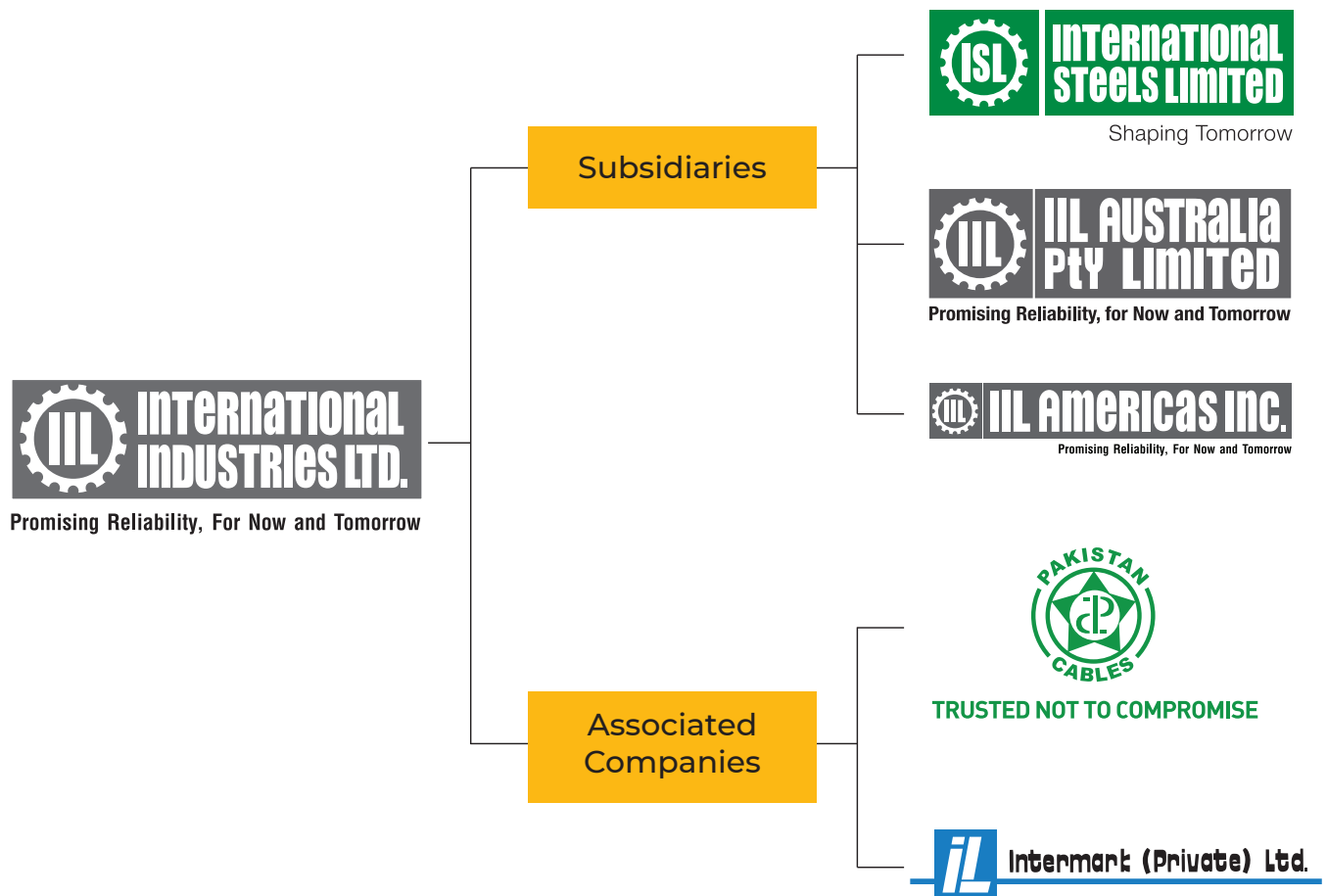
ETHICAL

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

IIL'S POSITION IN THE VALUE CHAIN



GROUP STRUCTURE



GROUP FACTS

76.1

Billion Turnover
(2019-20)

2,419

Employees
(2019-20)

60

Export
Destinations

70

Year
of Experience

STRATEGIC OBJECTIVES, STRATEGIES AND KEY PERFORMANCE INDICATORS

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

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

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

Strategic Objectives	Strategies & Key Performance Indicators
Maintaining a focus on existing core businesses in order to retain market leadership where we have it and attain market leadership wherever we don't	- Retention/growth of market share - Product availability - Price competitiveness - Brand equity & strength - Increased market penetration - High quality, low cost raw material by leveraging volumes and utilising 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 SOPs, work instructions & job descriptions are aligned with appropriate policies - Zero tolerance towards crime and unlawful behavior - Adoption of effluent management, waste management and environmental best practices
Delivering value and return to and remaining a source of pride for our shareholders	- Earnings per share - Ensuring a strong dividend payout ratio - Share price - Return on equity - Ensuring a positive market perception of IIL

Significant changes in objectives and strategies from previous periods

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

Resource Allocation Plans

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

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

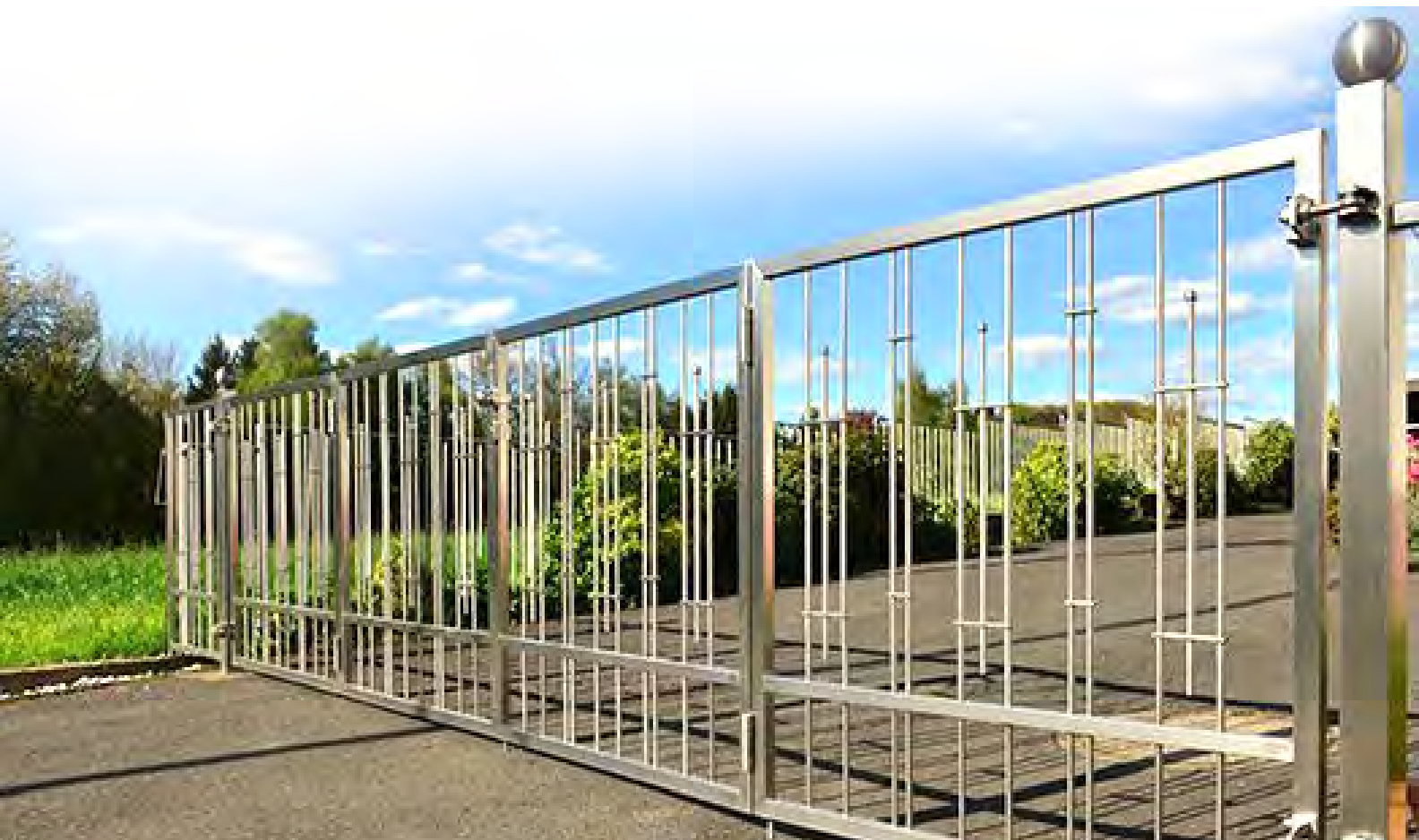
Significant Plans and Decisions

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

Relationship between Company's result and managements objectives

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

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



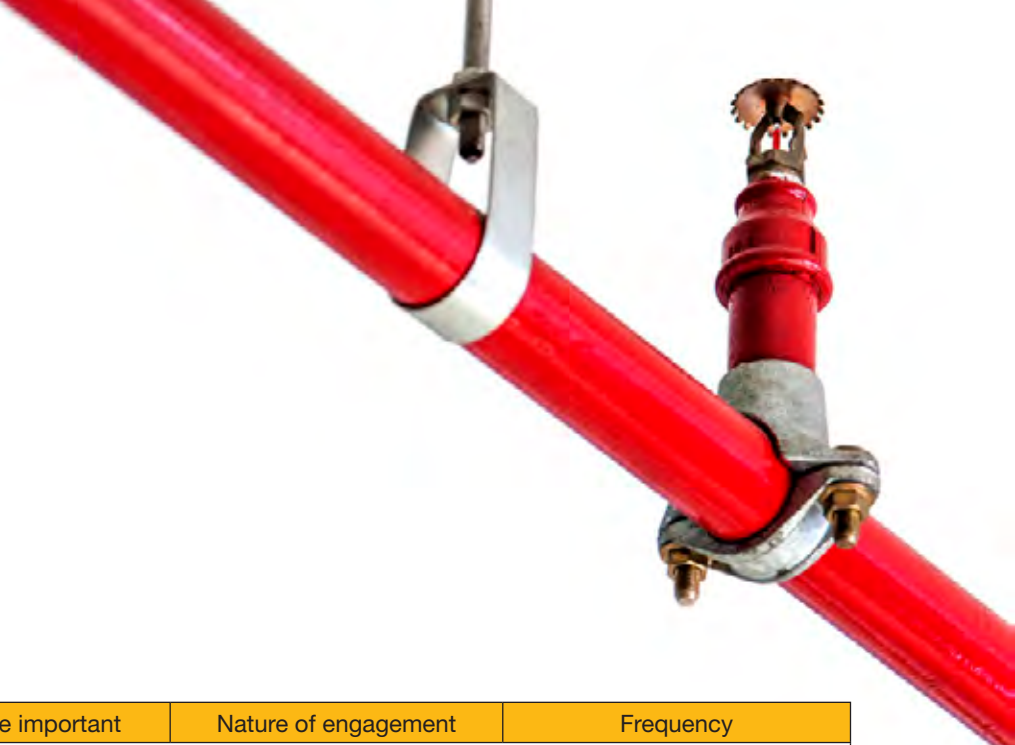
STAKEHOLDER ENGAGEMENT

Relationship with Stakeholders

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

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

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



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

Investor Relations Section on the corporate website:

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

RISK OPPORTUNITY

Risk/Opportunity Category	Major Business Risk/Opportunity	Sensitivity	Source of Risk/Opportunity	Mitigating Factors / Steps to create value
Financial Risk	Devaluation of PKR against foreign currencies may negatively impact Company's financial Performance	High	External	- Ensuring a balanced ratio between export & domestic sales as needed - Appropriate hedging instruments such as forward cover & currency options if/when needed
	Payment defaults by customers	Low	External	- Credit worthiness is assessed for each customer and credit limits are assigned according to our credit policy
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.
	Supplier Default	Medium-High	External	- Long term relationships with reputable international suppliers with ethical and professional standard operating procedures that reflect our own values. - We maintain sufficient raw material and finished goods inventory to cover our requirements in case such a situation arises - All raw material is insured for loss during transit
Operational Opportunity	Sell excess electricity to the national grid	Medium	Internal	- Agreed contracts in place with relevant utility companies to sell excess electricity at pre-agreed rates as per availability
	Generate incremental revenue from increased scrap due to enhanced production	Medium	Internal	- Establish scrap prices in-line with commercial product prices, diversify customer base
	Improve delivery times due to improved warehousing near major markets	High	Internal	- Increase in finished goods stock to ensure timely delivery to customer base.

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 dependence on one single destination
	Unethical practices by market players leading to lower prices of similar products	Medium-High	External	- IIL has differentiated itself from any competition by providing consistent quality for over 50 years. This has allowed the Company to develop a strong brand name which customers seek out and are willing to pay a premium for (if applicable). Additionally, IIL is able to leverage economies of scale and procurement expertise to maintain price competitiveness regardless of competitor activities.
Strategic Risk	Shift in market dynamics away from steel pipe	Low	External	- Mostly only applicable to water & gas applications. IIL has already established itself in the plastic pipe segment for these applications. IIL also maintains a constant focus of developing diversified markets for its products.
	Shift in production technologies may make IIL's processes obsolete and its product and prices non-competitive in local and/or international markets	Low	External	- IIL strongly believes in the philosophy of 'Continuous Improvement' and firmly applies this to its processes and plants. Accordingly, modernization and upgradation of production facilities and investment in new technologies allows IIL to position to respond adequately to any changes in production technologies.



CODE OF CONDUCT

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

A. BUSINESS ETHICS

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

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.

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



Dear Shareholders,

On behalf of The Board of Directors, I am pleased to present the annual financial results of our organization for the year ending June 30, 2020.

I wish to begin firstly by extending my deepest courtesies to those state and private sector institutions which have led the fight in combating the threat that the Coronavirus outbreak continues to pose towards the nation at large. The Coronavirus pandemic has spared almost no industry and its effects will be noticeable for months and perhaps years to come. Economic activity, and in particular Large-Scale Manufacturing (LSM), had been in decline following the painful post-election adjustment period, and the outbreak of the pandemic has unfortunately only added to the set of challenges. However, I am confident that our resolve and ability to adapt to change will ultimately restore normalcy to a great extent in the coming year. I also commend the perseverance and dedication of our management team and employees who continue to perform despite two consecutive years of economic hardship.

Your company posted a Loss after Tax (LAT) of Rs. 694.21 million (EPS -5.26). Sales volumes remained lower compared to last year as demand from the automotive, building & construction and export segments continued to disappoint. This was further impacted by COVID-19 in the last quarter.

Our subsidiary, International Steels Limited (ISL), reported PAT of Rs. 494.85 million (EPS 1.14). Its gross turnover was Rs. 48.08 billion, compared to Rs. 57.48 billion in the preceding year.

IIL and ISL sold over 530,772 Metric Tons (MT) of steel products, including exports of over 109,574 MT, and posted sales turnover in excess of Rs. 65.65 billion for the year under review. Group contributions

to the National Exchequer during the year amounted to Rs. 14.8 billion.

Large Scale Manufacturing (LSM) declined 10.17% year on year during the outgoing year, with the Iron & Steel industry contracting by 17.36%. High interest rates, inability to fully pass on the cumulative increase in energy and imported raw material costs due to PKR depreciating in the preceding year and lack of government funding towards new infrastructure projects were the primary limiting factors for the large-scale manufacturing industry during the first half of the year. The second half the year was dominated by lockdowns, first in China and South-East Asia, and later in the rest of the world, which resulted in a historic decline in sales across the board.

Here, I would like to credit the Government and SBP for their quick and proactive fiscal and monetary policy response to the Coronavirus outbreak, which provided much needed relief to the private sector during the lockdown. I am also proud to inform you that IIL was designated as an essential industry and continued servicing key institutional, government and export orders in line with government directives, while following all standard operating procedures to combat local transmission of the Coronavirus.

However, despite a tough year we continued to engage our customers and partners to further promote our brand name and seek new opportunities for future growth. A testament to this philosophy was the incorporation of IIL Americas Inc. in October 2019, which is registered as a private limited company in Canada. North America is the largest steel tube & pipe importing market in the

world, and we are confident that a strong footprint in the region shall enable us to regain export market share. A second such example is IIL Construction Solutions (Private) Limited, which is currently under the final stages of signing an agreement with an internationally renowned construction solutions provider for investment and technical support. This comes as a natural extension to our investments in Hollow Structural Sections and High Strength Scaffolding projects in the preceding years.

Alongside the business, we continue to serve and invest in communities where we operate. Furthermore, we continue to strive to support our workers and their families during difficult economic times, and the company and its management staff have generously donated to supplement factory staff income during the lockdown.

Board Performance

Mr. Fuad Azim Hashimi retired from the Board of Directors on September 29th, 2019, at the conclusion of his term. Mr. Hashimi joined the BOD in 2005 and served on the Board audit committee for 15 years with 8 years as its Chairman. Mr. Tariq Ikram also retired at the conclusion of his term as an Independent Director after having served on the IIL Board since 2011 including having served as the Chairman of the Human Resource Committee. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Hashimi and Mr. Ikram.

On September 30th, 2019, a new Board consisting of nine (9) Directors was elected for a term of three (3) years and its terms is expiring on September 30th, 2022. The remaining other seven retiring Directors along with Mr. Mansur Nur Khan and Mrs. Saadia Shireen Rashid were elected to a new three-year term on the Board of IIL. I welcome Mr. Khan and Mrs. Rashid and look forward to their contribution.

Immediately on the election of the new Board, an orientation session was held where the Board was introduced to the management and taken through the workings 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 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 recognises that well-defined Corporate Governance processes are vital to enhancing

corporate accountability and are committed to ensuring high standards of Corporate Governance to preserve and maintain stakeholder value. All Directors, including Independent Directors, fully participated and contributed to 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 make decisions that 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 eighth year that the Board as a whole carried out its self-evaluation, and third 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 Board Human Resources & Remuneration Committee also carried out their independent evaluation.

The Board Audit Committee is chaired by Mr. Ehsan A. Malik, an Independent Director, and the Board Human Resources and Remuneration Committee (BHR&RC) is chaired by Mr. Mansur Khan, an Independent Director. Apart from the BAC and the BHR&RC, the Board met eight (8) 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.

I am proud to announce that we were once again featured in the list of PSX Top 25 Companies Awards for 2018 and beat our previous years ranking by securing 7th place. The Company also in keeping with the tradition was the proud recipient of the FPCCI Best Export Performance Award 2019 in the engineering products (mechanical) segment for the 20th consecutive year.

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

1. Tube South East Asia, 2019
2. Pakistan Auto Show 2020
3. IAPEx 2020

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our stakeholders, including, shareholders, employees, customers, suppliers, bankers and others during the year. I would like to emphasize that the challenges for our

Company as a whole shall persist in the year ahead, however the Board and Management are confident and fully prepared to face all eventualities as we have in the past.



Mustapha A. Chinoy
Chairman
August 27th, 2020



کاروبار کے ساتھ ساتھ ہم مستقل طور پر ان معاشرے کیلئے بھی خدمات اور سرمایہ فراہم کرتے ہیں جہاں ہم کام کر رہے ہیں۔

اس کے علاوہ ہم اپنے ورکرز اور ان کی فیملیز کو ان کی معاشی مشکلات کے وقت میں کمپنی اور اس کے منجھٹ اسٹاف نے لاک ڈاؤن کے دوران میں معاون ٹیکسٹائل اسٹاف کو فراہم کردہ کیلئے بھی خدمات دیئے ہیں۔

بورڈ کی کارکردگی

جناب فواد عظیم ہاشمی اپنی مدت کی تکمیل کے بعد 29 ستمبر 2019 کو بورڈ آف ڈائریکٹرز سے ریٹائر ہو گئے۔ جناب ہاشمی نے 2005 میں بورڈ میں شمولیت اختیار کی اور 15 سال تک بورڈ آف ڈائریکٹرز میں خدمات انجام دیں جن میں سے 8 سال وہ اس کے چیئرمین رہے۔ جناب طارق اکرام بھی بطور خود مختار ڈائریکٹر اپنی مدت مکمل کرنے کے بعد ریٹائر ہو گئے۔ آپ نے 2011 سے III کے بورڈ میں شامل رہے اور بیوٹن ریسورس کمپنی کے چیئرمین کی حیثیت سے خدمات انجام دیں۔ بورڈ جناب ہاشمی اور جناب اکرام کی قابل قدر خدمات اور دانشمندانہ مشوروں پر ان کیلئے نیک تمناؤں کا اظہار کرتا ہے۔

30 ستمبر 2019 کو (9) ڈائریکٹرز پر مشتمل نئے بورڈ کا انتخاب تین (3) سال کی مدت کیلئے ہوا جو 30 ستمبر 2022 کو ختم ہوگی۔ دیگر سات ریٹائرڈ ڈائریکٹرز جناب منصور نور خان اور مسز سعدیہ شیریں راشد تین سال کی مدت کیلئے III کے بورڈ کیلئے منتخب ہوئے۔ میں جناب خان اور مسز راشد کو خوش آمدید کہتا ہوں اور ان کی خدمات کا شکریہ ادا کرتا ہوں۔

نئے بورڈ کے انتخاب کے فوراً بعد ایک تجارتی اجلاس ہوا جس میں بورڈ کو انتظامیہ سے متعارف کرایا گیا اور کمپنی کے طریقہ کار سے واقف کرایا گیا۔

بورڈ نے اپنی ڈیوٹی اور ذمہ داریاں پوری محنت کے ساتھ نبھائیں اور کمپنی کے حکمت عملی کے امور میں موثر رہنمائی کی۔ بورڈ نے منجھٹ کی کارکردگی کی مانیٹرنگ اور رسک کے بڑے ایسے پروجیکٹس میں اہم کردار ادا کیا۔ بورڈ حکمت عملی کی پلاننگ کے طریقہ کار اور کمپنی کے ڈیٹن کو بڑھانے میں پوری طرح مصروف عمل رہا۔

بورڈ کا مانتا ہے کہ کارپوریٹ گورننس کے واضح طریقہ کار مجموعی اقتساب کو بڑھانے کیلئے لازمی ہیں اور وہ اپنے اسٹیک ہولڈرز کی اقدار محفوظ اور برقرار رکھنے کی خاطر کارپوریٹ گورننس کے اعلیٰ معیارات کی پیروی کرنے کیلئے پرعزم ہے۔ تمام ڈائریکٹرز بشمول خود مختار ڈائریکٹرز نے بورڈ کی فیصلہ سازی میں بھرپور شرکت کی اور حصہ لیا۔

آپ کی کمپنی کے چیئرمین کی حیثیت سے میں بورڈ کی قیادت، کیلئے ذہن کے کلچر کی ترویج اور تیسری بحث کیلئے اپنی ذمہ داریاں ادا کرتا رہوں گا جس میں تمام آرام کو سنا جائے اور یقین دلاتا ہوں کہ بورڈ ایک مناسب دائرے میں سینئر انتظامیہ کے ساتھ گفت و شنید کرے گا۔

میرا پختہ عزم ہے کہ آپ کی کمپنی یقینی طور پر تمام متعلقہ کوڈز اور ضوابط کی پیروی کرے گی اور یہ کہ انتظامیہ ایسے فیصلے کرے گی جو مختصر، درمیانی اور طویل مدت کیلئے آپ کے مفاد میں ہوں۔

کمپنی کا ایک خود مختار اندرونی آڈٹ ڈیپارٹمنٹ ہے جو رسک کی بنیاد پر آڈٹ کے طریقہ کار پر یقین رکھتا ہے اور اندرونی آڈٹ کے امور کو بیرونی فرم کے ساتھ مل کر انجام دیتا ہے۔ اندرونی آڈٹ کی رپورٹس بورڈ آف ڈائریکٹرز (BAC) کے سامنے سہ ماہی بنیادوں پر پیش کی جاتی ہیں اور ان ایسڈز کو نمایاں کیا جاتا ہے جہاں بہتری لانے کی ضرورت ہے۔

یہ آٹھواں سال تھا جب بورڈ نے مکمل طور پر اپنی خود جانچ کی اور تیسری مرتبہ انفرادی ڈائریکٹرز نے بھی خود اپنی جانچ کی۔ جانچ کے ذریعہ عالمی سطح کے بہترین طریقہ کار کے مطابق بہتری کی ضرورت کے ایسڈز کی نشاندہی کی گئی۔ مرکزی توجہ حکمت عملی کی نمو، کاروباری مواقع، رسک منجھٹ، بورڈ کی ہیئت اور انتظامیہ کو عمومی جائزہ پیش کرنے پر رہی۔ بورڈ کی اپنی خود جانچ کے ساتھ بورڈ آف ڈائریکٹرز اور بورڈ بیوٹن ریسورس ایئر ریسورس کمپنی نے بھی اپنی اپنی خود جانچ کا مکمل انجام دیا۔

بورڈ آف ڈائریکٹرز کمپنی کے چیئرمین تھے جناب احسان اے ملک، جو خود مختار ڈائریکٹر ہیں اور بورڈ بیوٹن ریسورس ایئر ریسورس کمپنی (BHR&RC) کے چیئرمین کے فرائض جناب منصور خان، خود مختار ڈائریکٹر نے انجام دیئے۔ BAC اور BHR&RC کے علاوہ اس سال بورڈ کی آٹھ میٹنگز ہوئیں۔ بورڈ کی عام طور پر ہر سہ ماہی میں کم از کم ایک میٹنگ ہوتی ہے جو آپریشنل نتائج پر غور و خوض کرنے کیلئے، سال میں ایک بار اگلے سال کے بجٹ پر غور و خوض کیلئے جب کہ ایک میٹنگ حکمت عملی پر مرکوز ہوتی ہے۔

میں فخر کے ساتھ یہ اعلان کرتا ہوں کہ ہم ایک مرتبہ پھر PSX ٹاپ 25 کمپنیز ایوارڈز برائے 2018 کی فہرست میں شامل ہیں اور اپنی گزشتہ رینٹنگ سے بڑھ کر 7 ویں نمبر پر آگئے ہیں۔ کمپنی نے اپنی روایات کو برقرار رکھتے ہوئے انجینئرنگ پروڈکٹس (مکینیکل) میں فخریہ طور پر FPCI Best Export Performance Award 2019 حاصل کیا ہے جو اس کو مسلسل 20 ویں سال میں یہ اعزاز حاصل ہوا ہے۔

قومی سطح پر لاک ڈاؤن کے باوجود ہم نے اپنے براڈ کو میڈیٹو دینے کیلئے مقامی اور بین الاقوامی فورم پر اپنی پروڈکٹس کی نمائش کی کوششیں جاری رکھیں۔ سال کے دوران میں ہم نے جن قابل ذکر نمائشوں میں شرکت کی، ان میں درج ذیل شامل ہیں۔

1. ٹیوب ساؤتھ ایسٹ ایشیا 2019
2. پاکستان آؤٹ شو 2020
3. IAPEX 2020

آخر میں میں بورڈ کی جانب سے اپنے تمام اسٹیک ہولڈرز بشمول شیئر ہولڈرز، ایمپلائز، کسٹمرز، سپلائرز، ڈیلرز اور دیگر کی خدمات کا تہہ دل سے ممنون ہوں۔ میں یہ بات بڑھ کر کہنا چاہتا ہوں کہ ہماری کمپنی کو گذشتہ چھ سال اگلے سال بھی موجود ہیں گے تاہم بورڈ اور انتظامیہ پر اعتماد ہیں اور ماضی کی طرح تمام حالات کا مقابلہ کرنے کیلئے پوری طرح تیار ہیں۔



مصطفیٰ اے چنائے
چیئرمین
27 اگست 2020

چیرمین کا جائزہ



عزیز جھص داران،

بورڈ آف ڈائریکٹرز کی

جانب سے میں بسمرت

اپنے ادارے کے سالانہ

مالیاتی نتائج برائے سال مختتمہ

30 جون 2020 پیش کر رہا ہوں

پانے کی پینے پکچرنگ کی صنعت محدود ہے جس کے باوجود مالیاتی عمل میں زیادہ شرح سود، اس سے پہلے سال میں پاکستانی روپے کی قدر میں کمی کے سبب توانائی اور درآمد شدہ خام مال کی قیمتوں میں مجموعی اضافے کو مکمل طور پر اگلے منتقل کرنے میں ناکامی اور سے انفراسٹرکچر پراجیکٹس کیلئے حکومت کی جانب سے ناکافی فنڈز کی فراہمی ہیں۔ رسالہ کے دورے نصف حصے میں ڈاک ڈاؤن سبب برآمدی درآمد، پہلے چین اور جنوب مشرقی ایشیاء میں اور پھر میں بقیہ دنیا میں یہ سلسلہ جاری ہو گیا جس کے نتیجے میں ہر ملک کیلئے تاریخی کی دیکھنے میں آئی۔

یہاں میں حکومت اور SBP کو کرپٹ ڈولنگ کارکنوں نے کو روٹا ڈائریکٹ کے کھلاؤ کے خلاف فوری اور زور اثر مالیاتی اور بائینری پالیسی پیش کی جس کے تحت ڈاک ڈاؤن کے دوران میں ملحقہ کو کھلاؤ حاصل ہوئی جس کی اثر ضرورت تھی۔ مجھے یہ بتاتے ہوئے بھی غور محسوس ہو رہا ہے کہ IIL کو لازمی صنعت قرار دیا گیا اور حکومت کے احکامات کے مطابق کو روٹا ڈائریکٹ کے مقامی طور پر منتقلی سے حفاظت کیلئے معیاری آپریٹنگ طریقہ کار (SOP) پر عمل درآمد کرتے ہوئے اہم اداروں کی حکومت اور انکمپلائنس آڈیٹ کے لئے خدمات جاری رکھنے کی اجازت دی گئی۔

تاہم ایک مشکل سال کے باوجود ہم نے اپنے صارفین اور پائندہ کو اپنے روابط کے نام کے فروغ اور معائنہ کی ترقی کیلئے سہ مواقع تلاش کرنے کی سرگرمیوں میں شامل رہنا اس حلقہ کی بڑی مدد میں اسکویر 2019 میں IIL Americas Inc. کا قیام عمل میں لایا گیا جو کینیڈا میں ایک پرائیویٹ ملٹر کیمپ کے طور پر مشغول ہے اور اس کا 33 فی صدی ادارہ ہے۔ شمالی امریکہ دنیا میں آئٹس ٹیچر اور پائپ کی درآمد کی سب سے بڑی مارکیٹ ہے اور ہمیں کو احاطہ ہے کہ اس خطے میں اس معیوضہ قدم سے ہم دوبارہ انکمپلائنس مارکیٹ شریز حاصل کر سکتے ہیں۔ ایک ایسی ہی دوسری مثال IIL Construction Solutions Pvt. Ltd ہے جس وقت ایک معروف بین الاقوامی کنسٹرکشن ملٹر فراہم کرنے والے ادارے کے ساتھ سرمایہ کاری اور تکنیکی تعاون کے معاہدے پر دستخط کرنے کے آخری مراحل میں ہے جسے ہمارے گزشتہ سالوں کے Hollow Structural Sections اور High Strength Scaffolding کے منصوبوں کیلئے سرمایہ کاری میں منتقلی کو تسخیر کرنے میں مددگار رہا۔

میں ان سرکاری اور نجی شعبہ کے اداروں کا اپنے دل کی گواہیوں سے شکریہ کے ساتھ آغا ذکر کروں گا جنہوں نے ہمیں ایک بڑے خطرے سے مقابلے میں قیادت کی جو کو روٹا ڈائریکٹ کے کھلاؤ سے پیدا ہوئی اور کم کو روٹا ڈائریکٹ کی دیا سے تقریباً تمام منتقلی میں متاثر ہوئی اور اس کے اثرات آنے والے نئی منتقلی کے ساتھ سالوں تک موجود ہیں۔ گے ساتھی سرگرمیوں اور خاص طور پر بڑے پیمانے کی میچنگ پکچرنگ (LSM) میں نمایاں کی آئی اور اس کے پورا پختہ کے بعد کی تکلیف دہ دلیہ سسٹم کی مدد میں اور ہمارے پھرت چڑنے کے باعث بد قسمتی سے ان پکچرنگ میں اضافہ ہوا ہے تاہم مجھے محسوس ہے کہ ہم اپنے حزم اور جدوجہد کی اکتاہٹ کر کے کیلئے کے باعث آنے والے سال میں بڑی حد تک معمولات کی بحالی میں کامیاب ہوں گے۔ میں اپنی مجموعہ ٹیم اور انکمپلائنس کی محنت اور غلوں کا بھی متعرف ہوں جنہوں نے مسلسل دو سال تک ساتھی مشکلات کے باوجود اپنا کام جاری رکھا۔

آپ کی کیمپی کو بعد انکس تصانیف (LAT) 684.21 ملین روپے (EPS-5.28) ہوا ملنے کی رقم میں گزشتہ سال کے مقابلے میں کمی رہی کیونکہ آنسو ملنے ملنگ اینڈ کنسٹرکشن اور برآمدات کے شعبہ کی طلب میں کمیوں کو محدود حال رہی۔ جو کہ آخری سہ ماہی میں COVID-19 کی وجہ سے مزید متاثر ہوئی۔

ہمارے دلی ادارے اور ملٹر اسٹیل ملٹر (ISL) کو 494.85 ملین روپے کا بعد انکس منافع (EPS 1.14) حاصل ہوا اس کی مجموعی آمدنی 48.08 ملین روپے رہی جو کہ اس سے پہلے سال 57.48 ملین روپے تھی۔

زیرو جائزہ سال کے دوران میں IIL اور ISL نے 530,772 میٹرک ٹن (MT) سے زیادہ کی اسٹیل پروڈکٹس فروخت کیں جن میں 109,574 میٹرک ٹن سے زیادہ کی برآمدات شامل ہیں اور ملٹر سے 85.85 ملین روپے کی آمدنی حاصل ہوئی۔ سال کے دوران میں گروپ نے قومی فروزٹے میں 14.8 ملین روپے خرچ کئے۔

چالنے والے سال کے دوران میں بڑے پیمانے کی میچنگ پکچرنگ (LSM) میں 10.17% سال بہ سال کمی آئی کیونکہ اس اسٹیل کی صنعت میں 17.36% کمی ہوئی۔ سال کے پہلے نصف حصے میں بڑے

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 30th, 2020.

BOARD COMPOSITION AND REMUNERATION

Composition of the Board and the names of Members of Board sub-committees are disclosed on Page No. 20 and 92 (Corporate Governance section). The Company has a formal policy and transparent procedures for the remuneration of its Directors in accordance with the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019.

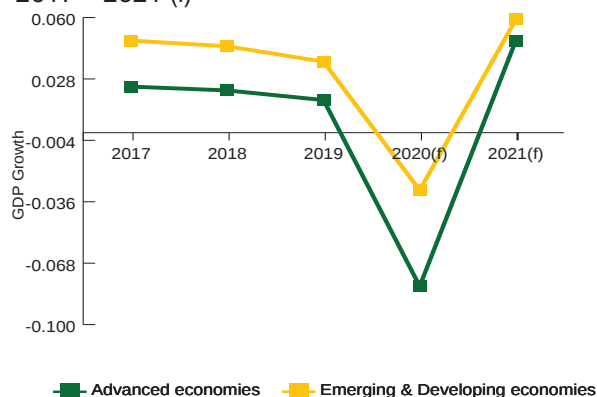
The remuneration, including the director fee for attending the Board Meeting paid to the Directors and Chief Executive Officer is disclosed on Page No. 173 (Note 33 to the unconsolidated financial statements.)

GLOBAL MACROECONOMIC OUTLOOK

As per IMF World Economic Outlook (WEO) estimates, the world economy grew 2.9% in 2019, compared to 3.6% in 2018. However, this growth turned negative in Q1 and Q2 of CY 2020 due to the onset of the Coronavirus pandemic. The synchronized nature of the downturn has hit consumption, tourism, services and international trade the hardest and resulted in historic unemployment and GDP contraction across the globe. Projections for world GDP contraction in CY 2020 are 4.9%, with Advanced Economies and Emerging and Developing Economies contracting by 8% and 3% respectively.

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

2017 – 2021 (f)



Source: IMF World Economic Outlook, June 2020

Already reeling from escalating trade tensions between the US and China, anemic growth in Europe and rising geopolitical tensions, the Coronavirus pandemic has dealt a lasting blow to global economic trade and growth. Growth in the global trade of goods and services was down significantly from 3.8% in 2018 to 0.9% in 2019, and projections for 2020 predict a contraction of 11.9%. To counteract the negative demand shock due to the Coronavirus pandemic, central banks and governments around the world have aggressively cut interest rates and expanded fiscal policy space in order to stimulate aggregate demand. Although partial recoveries are expected in 2021, we expect the year ahead to remain challenging for both Advanced and Emerging and Developing economies.

DOMESTIC ECONOMY

The provisional GDP growth rate for FY 2019-20 is estimated at -0.38% against 1.9% during the preceding year. The manufacturing sector was particularly affected, with growth in Large Scale Manufacturing (LSM) contracting by 10.17%. Iron and steel and associated industries such as engineering products and automotive which form a large portion of the LSM sector all experienced a contraction in offtake. Before the onset of the Coronavirus pandemic, a large-scale industry had been struggling to pass on the cumulative gas price increase and PKR depreciation that it had been subject to during the preceding years. Furthermore, the high cost of capital, reduction in PSDP and condition of CNIC disclosure on purchases of Rs. 50,000 and above resulted in a severe contraction in demand from end users at the same time.

The stringent post-IMF policy measures implemented by the government had started to reflect in better macroeconomic indicators at the beginning of Q3, including falling current account and fiscal deficits, however, the added burden of the lockdown in late Q3 will bring a new set of economic challenges in the months ahead. Nonetheless the government and SBP's initiatives to protect the livelihoods of people are welcomed. The Rs. 1.24 trillion fiscal stimulus package, construction package and refinance scheme for payment of wages and salaries at subsidized rates, were timely decisions and the need of the hour.

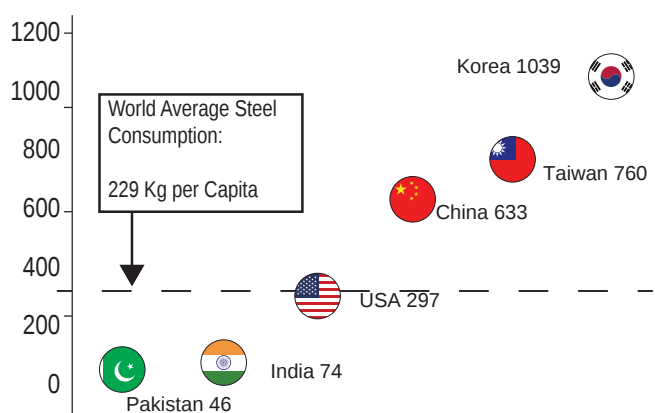
With Coronavirus infection rates in decline at the time of writing this report, we are hopeful that despite the tough conditions the government will continue to pursue sustainable policies. Documentation of the economy and enhancing the tax base continue to be painful undertakings, however, the country as a whole and the organized sector in particular stand to benefit from such measures in the long run. Furthermore, the reduction in duties on imported raw materials announced in Budget 2020-21 is positive for the industry and will allow for the conservation of cash flow and capital formation in the year ahead.

The Government's revised GDP growth target of 2.1% for FY 2020-21 will be a formidable challenge for all stakeholders, however, we remain hopeful that falling Coronavirus case rates and vigilance with regards to SOP's will set us on the right trajectory. Initiatives such as the construction package and other water and energy distribution projects announced by the government shall also provide avenues for growth ahead.

The World Steel Association's assessment of steel consumption for 2019 indicates a world average of approximately 229 kg/capita. Although Pakistan remains well below the world average at 46 kg/capita, this indicates the immense potential for growth in the domestic steel manufacturing and processing industry.

Per Capita Steel Consumption

Kg per Capita, 2019

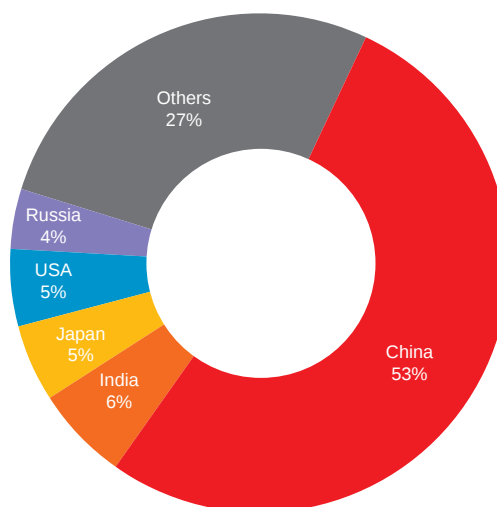


Source: World Steel Association, 2019

GLOBAL STEEL SCENARIO

World crude steel production was estimated at 1.87 billion metric tons (MT) in 2019, was up 3% compared to the previous year. China accounted for 996 million MT (18.3% YoY), which is a significant increase from the preceding years and represents roughly 53% of global crude steel. Other major players include India (111 million MT), Japan (99 million MT), United States (88 million MT) and Russia (72 million MT).

Share of Global Crude Steel Production (%) 2019



Source: World Steel Association, 2019

FY 2019-20 began with global steel prices firm on the back of high iron ore prices, which had been trending up since January 2019 due to the Brumadinho dam disaster in Brazil; the event severely affected production at a nearby iron ore mine operated by Vale S. A. Although iron ore prices plateaued in August 2019, the spillover impact on downstream steel processing industries, including cold-rolling and pipe manufacturing, which typically have a three-month lead time for raw material delivery, lasted well into Q2 of FY 2019-20.

Thereafter, iron ore and steel prices fell significantly due to negative sentiment emanating from the US-China trade frictions, and weakening currencies in China, CIS and India, which allowed mills to drop prices up to 15-20%. Prices eventually bottomed out in November 2019, subsequently rising, and fully recovered on the successful conclusion of US-China Phase 1 trade negotiations in January 2020. The outbreak of the Coronavirus, first in China and

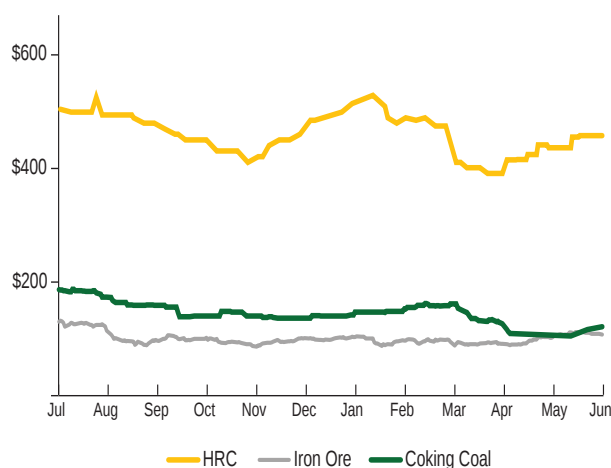
South East Asia, and later on in the rest of the world however, resulted in a steep decline in steel prices from January to April 2020, with prices touching a 5-year record low of \$390/MT.

Fortunately, the pandemic did not result in any significant closures in mining or steelmaking plants, and production continued with crude steel production down only 5.5% during January – June 2020, compared to the corresponding period last year. This, however, along with the synchronized global monetary stimulus injection by global central banks are the primary reason for recovery in global steel and metals prices at the time of writing this report. Prices have now reached pre-pandemic levels and are expected to further strengthen barring any unexpected rise in global infection rates and/or increased US-China trade related frictions.

With new capacities having come online, steel production in Pakistan was rising steadily up until January 2019. However, the Coronavirus pandemic and political and financial frictions have resulted in a major slowdown in growth during the last one and a half years. Nonetheless, Pakistan's demographic profile, an announcement of construction package and progress on dams, motorways and CPEC projects indicate that energy, infrastructure, automotive, white good and raw material demand will support growth in steel consumption in the medium to long term.

Iron Ore, Coking Coal and Hot Rolled Steel Coil Price

July 2019 – June 2020, USD per Ton



Source: Kallanish Commodities

Steel Tube and Pipe Industry

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

World production of steel tubes and pipes on average is roughly 160 million MT, which represents roughly 9% of total world crude steel output. Out of the total production of steel tubes and pipes, the welded tube and pipe segment represent 70% of the total tube and pipe produced, whereas a seamless pipe represents 30% of the production share. Global trade in steel tubes and pipes represents approximately 25% of annual production. Pakistan's steel tube and pipe market size are estimated at approximately 780,000 MT out of a total domestic steel market size of 9 million MT. The domestic steel tube and pipe market are highly fragmented and consists of a large number of small-to-medium-sized manufacturers spread all over the country.

Stainless Steel

Global production of stainless steel was approximately 52.2 million MT in 2019 compared to 51 million MT in 2018. Output continues to grow aggressively at a CAGR of close to 6% over the last 5 years. As with carbon steel, China dominates the stainless-steel market, producing approximately 56% of world output.

Stainless steel pipes and tubes 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 almost 50% of global stainless-steel production and are widely used in a range of applications due to high Nickel content, which reduces the corrosion rate. 300 Series pipes and tubes are the flagship products in your Company's stainless-steel product line. In addition, this year we launched 200 Series stainless-steel pipes and tubes in which are more economical and have a larger market.

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 AND CRITICAL PERFORMANCE INDICATORS

ILL'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 ILL's objectives, strategies and critical performance indicators can be found on Page No. 46.

COMPANY OPERATIONS

Market Share

Your Company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes, Stainless-Steel Tubes and Pipes, and Black and 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 and gas transmission and distribution, and telecommunication applications, and the Company is continuously evolving to meet the demands of its customers.

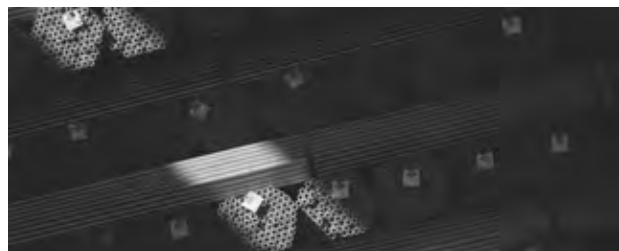
Gross Sales

Your Company achieved a gross sales volume of approximately 143,000 MT during the outgoing financial year, with a gross turnover of Rs. 22.9 billion.

Domestic Steel Sales

Your Company's gross domestic sales for the year were Rs. 20 billion (2019: Rs. 26.5 billion). Domestic sales volume was down 25% over the previous year on account of the economic slowdown, and this was further compounded by Coronavirus induced lockdowns. Water and gas distribution, real estate and construction, automotive and general fabrication segments all steel segments

underperformed compared to the previous year in both commercial and institutional segments of the market. In addition to deteriorating demand over the last two years, government policy dis-allowing procurement of Cold Rolled Coils (CRC) raw material from local sources have contributed towards material availability issues for pipe manufacturers and resulted in the loss of sales; we have raised our concerns at multiple forums to alleviate this issue.



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

Export Steel Sales

Your Company's gross export sales turnover for year was Rs. 2.9 billion (2019: Rs. 4.4 billion). Export sales volumes were down 34% year-on-year as slowing global trade and growth, volatility in international steel prices throughout the year, protectionist measures were taken against IIL in late 2018, and the Coronavirus pandemic kept international buyers on the sidelines. Furthermore, opportunities to capitalize on the PKR depreciation that has materialized over the last two years were limited due to the aforementioned factors. We were however successful in making inroads into the Middle East, which was the only market where volumes were up over the previous year. The impact of anti-dumping duty (ADD) imposed on IIL by Canada deterred buyers, however, the incorporation of IIL Americas Inc. is expected to lead to better access to buyers and more opportunities to develop alternative products.



Despite tough international business conditions, we remain one of the largest exporters of engineering products in Pakistan, and in keeping with tradition IIL received the FPCCI Best Export Performance Award 2019 for the 20th consecutive year in the engineering products (mechanical) segment during the year.

IIL Australia Pty Limited

Net turnover of IIL Australia Pty Ltd. was AUD 11.9 million, (FY 2018-19: AUD 15.5 million). The decline in turnover was primarily due to volatile steel prices, bushfires and the Coronavirus pandemic induced lockdowns. The Company continues to expand its network and build a sustainable customer base.

IIL Americas Inc.

During the year, IIL Americas Inc. was incorporated in Ontario, Canada as a wholly-owned subsidiary of the Company.

The market remained depressed due to COVID-19 due to which net turnover of IIL Americas Inc. was CAD 0.35 million in the 8 months in which they operated.

The next year has started with the order book of over CAD 1 million and we hope as and when COVID-19 recedes and US elections are over, business should restart with rigor.

Stainless Steel Sales

Stainless Steel Tube sales of the Company were up 16% year-on-year. The introduction this year of our SS 201 'Eco' brand of stainless-steel pipes and a broader range of diameters and shapes have improved our product portfolio. This is an encouraging sign and our stainless-steel product line will be a major engine for growth in the coming year.



Polymer Sales

The Company's polymer sales volume was marginally down by approximately 4% over the previous year. The net turnover for the year was Rs. 2.5 billion (2019: 2.4 billion) with a gross profit of Rs. 346 million (2019: 220 million). Gas company tender based business was down significantly compared to last year due to lack of government funding,

however, the shortfall was adequately fulfilled by duct and large diameter water pipe orders from other institutional clients. 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.



Our line of PPRC Pipes and fittings performed well and volumes were up 13% year-on-year but well below are internal targets due to the lockdown and ensuing two months of lost sales. We continue working towards developing the same customer centric approach in this segment that is associated with our brand name in the steel segment.



The proliferation of inferior quality polymer products in Pakistan makes sales and marketing of premium quality products to customers with little or no product knowledge a formidable challenge. The management continues to create awareness about quality standards and the long-term health implications of using sub-standard polymer pipe systems. This is made possible through regular nationwide dealer events, seminars with institutional clients and site visits. We also continue to educate institutional clients about quality standards for water and duct pipes; however, the commercial market remains a challenge where cheap, substandard product is available in abundance.



PRODUCTION

Apart from the deliberate shutdown at the initial stages of the lockdown from March 24th to May 11th, 2020, when only export related production of the galvanized pipes were allowed, no other significant production related issues were experienced for galvanized pipe, polymers and stainless steel during the year. However, due to the unavailability of local CR raw material, CR Tube operations were affected.



FINANCIAL REVIEW

Company Results

The Company posted net sales of Rs. 18,964 million, which was 27% lower than last year, earning a Gross Profit of Rs. 1,371 million. Your Company had posted a Loss before Tax of Rs. 430 million for the first time in the last 30 years due to a substantial decline in sales volumes as discussed above. Further, due to unfair tax laws, the Company is liable to pay a minimum tax on turnover and consequently, the Company had posted a Loss after Tax of Rs. 694 million. Loss per Share for the year was Rs. 5.26. The operating profit was visibly lower than last year on account of a substantial decline in sales volumes.

Cost of Goods Sold for the year at Rs. 17,593 million was 24% lower than last year.

Selling and Distribution Expenses of Rs. 813 million were 29% lower than last year primarily on account of lower volumetric sales.

Administrative Expenses of Rs. 298 million were almost at the same level as last year despite legal charges paid for our antidumping case in Canada.

Other Operating Charges of Rs. 31 million were 69% lower than last year. Other Income of Rs. 580 million showed a decrease of Rs. 66% mainly due to lower dividend income and exchange gain during the year.

Financial Charges for the year increased by Rs. 314 million which is 34% higher than last year, primarily due to consecutive hikes in the policy rate.

Segment Review

Revenue from the Steel segment stood at Rs. 16,478 million, yielding a loss before tax of Rs. 939 million due to 37% decline in the sales volume. Revenue from Polymer Segment was Rs. 2,485 million, yielding a profit before tax of Rs. 133 million despite of the same sales volume as compared to the last period.

Cash Flow Management and Borrowing Strategy

The Company's cash flow management system projects cash inflows and outflows on a regular basis and monitors the cash position on a daily basis. During the year 2019-20, we generated Rs. 268 million cash from operations. Our average borrowing reduced by Rs. 1.1 billion from last year but our weighted average cost of borrowing, including exchange losses, was 48% higher than last year.

Capital Structure

Debt to equity ratio 61:39 on 30 June 2020 was at the same level as 30 June 2019.

DIVIDEND AND/OR BONUS

The Board of Directors has not recommended dividend and/or bonus for the year ended June 30, 2020 in compliance to Section 240 of the Companies Act, 2017.

AUDITORS

The present external auditors, M/S. KPMG Taseer Hadi and Co., Chartered Accountants were appointed in 2003-04, The Management and The Board of Directors are grateful for their services which will end on the conclusion of the 72nd Annual General Meeting which will be held on September 30th, 2020. The Board on the recommendation of the Board Audit Committee has recommended the appointment of M/s A. F. Ferguson and Co.,

Chartered Accountants as statutory auditors for the year 2020-21 at the same fees as paid to the retiring auditors.

The recommendations of the audit committee for appointment of an auditor may be referred to on Page No. 97 (Report of the Board Audit Committee on adherence to the Code of Corporate Governance).

SOCIAL IMPACT

IIL prides itself in being a responsible corporate citizen and positive contributor to the communities in which it operates and the society at large. A detailed insight into IIL's social, philanthropic and environmental protection initiatives can be found in the 'Group Sustainability Report' which has been circulated with Annual Report 2020 and is also available on the Company's website.



HUMAN RESOURCE MANAGEMENT

IIL believes that employees are its biggest asset. 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 2019-21 was reached in July 2020 in a peaceful manner. WPPF dues for 2018-19 were distributed in March 2020.

The Company is pleased to report that in compliance with provincial and federal regulations, no daily wage employees were laid off during the lock down period.

The Apprenticeship Training Program

The Apprenticeship Training Program is running at all factories in the areas of Production, Maintenance and Quality Control areas.

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 recognised by tax authorities. The unaudited net asset values of the Provident and the Gratuity Funds at the year ended June 30, 2020 were Rs. 448 million and Rs. 470 million respectively.

Employment of Differently Abled People

Complying with the legal requirement to hire differently abled people, IIL's workforce has 18 (i.e. 1.9%) such people.

Diversity and Inclusion Reporting

1. IIL has one female (11%) director on the Board.
2. IIL has one female (11%) employee as Head of Internal Audit who directly reports to the CEO.
3. IIL has three female (0.32%) employees directly reporting to Head of Department who directly reports to the CEO.

Trainings

During FY 2019-20, 41 in-house trainings were conducted on various Technical and OHSE topics including API 5L 45th Edition, Special Process Training on Galvanizing, HF Welding and Seam Annealing, Extrusion Process, API Standards Poly Ethylene Pipes, Hands safety, Safe Crane Operations, PTW, Bearings and Gears Proper Usage and Maintenance, etc. In all more than 790 staff members attended these trainings.

In addition, 47 employees attended external training programs, workshops and conferences on diverse topics from reputable institutes.

Succession Planning

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

Occupational Health, Safety and Environment Systems (OHSE)

The health and safety of our employees is crucial to IIL. We are responsible for providing a healthy and injury free environment to our employees and contractors, and we strive to achieve this through our OHSE Management System (Occupational Health Safety and Environment System) that is implemented by the HSE Department. In order to improve the safety standards and to prevent any unforeseen incident at work the 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. A well-equipped gym is situated at the IIL factory premises in order to encourage employees to focus on health and wellbeing. Further information on OHSE is available on the 'Group Sustainability Report' provided in Compact Disk (CD) format or available on the Company's website. A brief outline of OHSE practices is as follows:

1. We have achieved a significant improvement in lost time injury frequency rate (LTIFR) of 0.62, compared to previous years 1.65; This compares favorably to World Steel Association (WSA) Lost Time Injury Frequency Rate of 0.86
2. During the year, 496 OHSE trainings were organized by OHSE Department for 7,482 employees at all locations. Trainings hours per employee increased from 2.60 to 3.3
3. The Company has started calculating carbon emission
4. A new initiative of guest speaker session was started and four guest speaker sessions conducted on various OHSE related matters
5. Revamped employees' suggestion scheme under Meri Awaz and significantly improved reaction time and written acknowledgement of suggestion.
6. The Company took various preventives to tackle COVID-19 related challenges, including:
 - Installation of sanitization tunnels
 - Installation of vehicle sanitization systems at main gates
 - Development and installation of COVID-19 awareness boards and posters for employees and dealers
 - Thermal temperature checking and monitoring at entrance
 - Hand washing and sanitization facilities at entrance and work stations
 - Provision of face masks and hand gloves to all employees and visitors
 - Floor marking at entrance, canteen, plants and prayer areas to ensure social distancing
 - Encouragement of online meetings and work from home
 - Shift wise sanitation of work places
 - COVID-19 tests for suspected cases



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 on Page No. 88 (Internal Control Framework).

RISK, OPPORTUNITY AND MITIGATION REPORT

The Management, in consultation with the Board of Directors and Strategic Planning Committee continues to develop capacities to anticipate risks and create new strategies to mitigate these risks while developing our strategic roadmap. A detailed Risk and Opportunity Report is presented on Page No. 50 for further reference.

The government's policy restricting the sale of locally produced Cold Rolled Coils (CRC) to domestic pipe manufacturers created material availability issues during the 3-month lead time that it takes for imported raw material to arrive. Furthermore, to account for the import lead time companies also need to maintain 2-3 months of raw material, which escalates inventory holding costs. A related issue with imported CRC raw material is the existing anti-dumping duty (ADD) on Chinese, Russian and Ukrainian origin CRC. This limits local buyers' access to the largest steel producers in the world, given sourcing from other countries is not always viable in terms of availability, price or quality. Together these two factors create significant risk for local CR Tube manufacturers, which the government must recognise and address.

IIL Construction Solutions (Pvt) Limited

The Company has recently incorporated a wholly-owned subsidiary i.e. M/s. IIL Construction Solutions (Private) Limited, Karachi, Pakistan for the purpose of manufacturing Scaffolding, Shoring

and Formwork products and systems used in the construction industry.

The Company is looking to have a partnership with one of the largest construction solutions providers in the world. This is a timely move given the announcement of the construction package and Naya Pakistan Housing scheme.

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. 48 for a detailed Stakeholder Engagement analysis.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

The quarterly unaudited financial statements of the Company along with the Director's Report, 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. These annual financial statement are 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 HEAD OF INTERNAL AUDIT

The Chief Financial Officer (CFO) and the Head of Internal Audit possesses 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 the Board of Directors.

COMPLIANCE

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

with the Code of Corporate Governance. All related party transactions are placed before the Board Audit Committee and upon recommendation of the Board Audit Committee, the same is placed before the Board for review and approval. The Board is strongly committed to maintaining a high standard of good corporate governance. For further details, 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.

JCR RATING

Our rating exercise conducted in June 2019 achieved a long-term rating of AA- and short-term rating of A-1. We are also amongst a select few companies evaluated by JCR for grading on the basis of investment strength, governance and environmental and social responsibility (IS-ESG).



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 417,000 MT, Gross Sales of roughly Rs. 48 billion and PAT of Rs. 495 million.



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



ACKNOWLEDGEMENT

We would like to extend our sincere gratitude to healthcare workers, essential service providers, security apparatus and the entire IIL team for managing and controlling the spread of COVID-19 during the year.

With one of the toughest years on record coming to a close, it is important here to look back and reflect. During FY 2019-20, we have witnessed, raw material shortages, lagged impact of rupee devaluation and gas price hike, shrinking domestic GDP and lastly the COVID-19 pandemic. This is the first time in 30 years that IIL has posted a significant loss, with the last such instance being when IIL commissioned its first rolling mill in 1989. Our overall sales volumes were also lower than what was achieved in the

2008-09 recession. In spite of all this, we ensured that our values were not violated, and we dealt with the challenges in a compassionate manner. During the lockdown period, we refrained from laying off a single employee and IIL and its management staff donated generously to the IIL Daily Wage Fund, in order to ensure that almost 500 workers were paid their salaries despite being unable to come to work. Furthermore, salaries for management staff were also not cut during these difficult times.

The IIL Team has worked tirelessly towards our targets despite the difficult financial climate that the country is facing. Finally, we 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

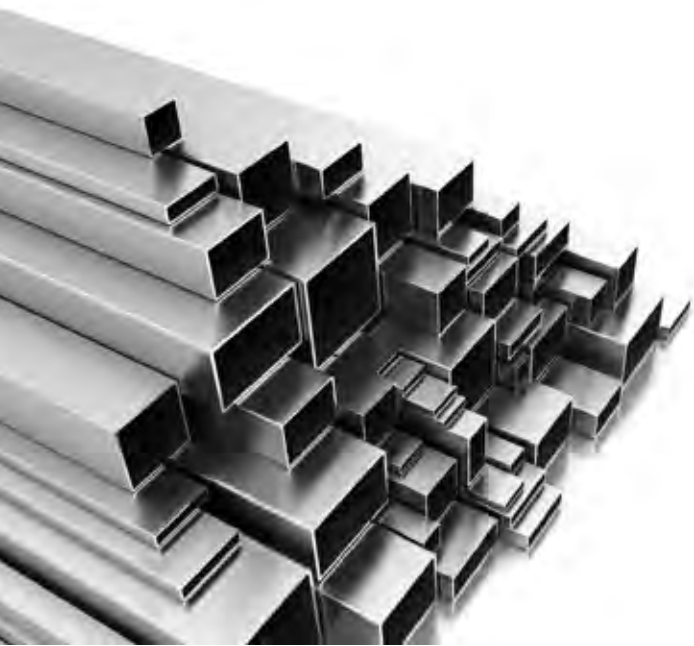


Mr. Riyaz T. Chinoy
Chief Executive Officer



Mr. Ehsan A. Malik
Director/Chairman BAC

Karachi
Dated: August 27th, 2020



ان سب کے باوجود ہم نے اس بات کو یقینی بنایا کہ ہماری اقدار کی خلاف ورزی نہ ہو اور ہم نے مہر و جمل سے ہر شیخ کا مطالعہ کیا۔ لاک ڈاؤن کی مدت کے دوران میں بھی ہم نے اپنے کسی ایک بھی ملازم کو ملازمت سے نہیں نکالا بلکہ III اور اس کی انتظامیہ نے فراخ دلی کے ساتھ III لٹی ویج لڈ میں حلیہ بنا کر کم از کم 500 رو کروان کی تحریروں پر وقت ادا ہوں باوجود اس کے کہ وہ ڈیوٹی پر بھی نہیں آ سکے۔ اس کے علاوہ ان مشکل اوقات میں انتظامیہ کے اضافہ کی تحریروں میں بھی کوئی کوتاہی نہیں کی۔

بلاشبہ III کی ٹیم نے ملک کو درپیش مشکل مالی صورتحال کے باوجود اہداف حاصل کرنے میں انتھک محنت کی۔ آخر میں ہم اپنے دیگر سٹیک ہولڈرز بشمول اپنے معزز صارفین، سپلائرز اور فنکاروں کے یقینی کامیابی پر پورے اعتماد اور آگے والے سالوں میں ان کے ساتھ مزید کامیابیوں کے حصول کے منتظر ہیں۔

برائے اور جناب پروف آف ڈائریکٹرز

نسرت بیگم

جناب پرنسپل چائے
چیف ایگزیکٹو آفیسر
کراچی
27 اگست 2020

جناب احسن اے ملک
ڈائریکٹر انٹرینسٹریکٹریں BAC

آپ کی یقینی پاکستان کھیلو لیگ (PCL) میں بھی 17.12% ملکیتی مفاد کی حامل ہے۔ یہ یقینی 1953 میں قائم ہوئی۔ PCL لیڈر یقینی ہے اور کاپر، راز، وائز اور کھیلو میونسپلٹی کے کارد ہار کرتی ہے اور یہ ملک کی سب سے پہلی کاپر کھیلو اور وائزنگ چار کرنے والی یقینی ہے۔



احتراف

ہم سال کے دوران میں COVID-19 کے پھیلاؤ سے حفاظتی انتظام کرنے اور اس کی روک تھام کی کوششوں پر مہم چلا رہے ہیں۔ لازمی سرورس پرووائڈرز، سیکورٹی فراہم کرنے والے اور پوری III ٹیم کا دل سے شکریہ ادا ہے۔

ایک بہت ہی مشکل سال کے اختتام کے قریب، پیچھے کی طرف مڑ کر دیکھنا بھی اہم ہے۔ سال 2018-20 کے دوران میں ہمیں خام مال کی قلت، روپے کی قدر میں کمی کے اثرات اور گیس کی قیمتوں میں اضافے سے ملکی GDP کے سڑنے اور آخر میں COVID-19 کی وبا جیسے مسائل کا سامنا ہوا۔ 30 سال میں ایسا پہلی بار ہوا ہے کہ III کو نمایاں نقصان ہوا جیسے 1989 میں III کے اپنی پہلی روڈنگ مل کے افتتاح کے وقت کی صورتحال تھی۔ ہماری مجموعی بلز کا حجم بھی انتظام رہا۔ 2008-09 میں کساد بازاری کے وقت ہوا تھا۔



لیجنڈ کراچی، پاکستان میں قائم کیا ہے جس کا مقصد تعمیرات کی صنعت میں استعمال کیلئے اسکیولڈنگ، شورنگ اور فارم ورک پروڈکشن اور سسٹمز تیار کرنا ہے۔

کتنی دنیا کے کسی سب سے بڑے کنسٹرکشن سولوشن فراہم کرنے والے کے ساتھ اشتراک کیلئے کوشاں ہے جو تعمیراتی مینجمنٹ اور نیپا پاکستان ہاؤسنگ انیٹیم کے اعلان کے ساتھ صحت مند وقت ہے۔

اسٹیک ہولڈرز کے ساتھ تعلقات

III اپنے تمام اسٹیک ہولڈرز کی بڑی قدر رکھتی ہے اور موثر اور بروقت ماحول اور دیگر گفت و شنید کے ذریعہ اسٹیک ہولڈرز کے ساتھ اطمینان بخش تعلقات برقرار رکھنے کی خواہاں ہے۔ برائے مہربانی اسٹیک ہولڈرز کے ساتھ مصروفیات کے تجربے کی تفصیلات صفحہ نمبر 48 پر ملاحظہ کیجئے۔

سماجی اور سالانہ مالیاتی اطمینان

کتنی کے سماجی غیر آڈٹ شدہ مالیاتی اطمینان مع ڈائریکٹرز کا جائزہ منظوری اور شائع ہونے کے بعد شیئر ہولڈرز کو بروقت پہنچا دینے کے ہیں۔ ششماہی مالیاتی اطمینان قانونی آڈیٹرز کے معروضات میں پائرس سے مشروط ہیں۔

بیرونی آڈیٹرز نے سالانہ مالیاتی اطمینان کا آڈٹ مکمل کر لیا ہے اور ہولڈز نے اس کی منظوری دی ہے اور یہ سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری کیلئے پیش کیا جائے گا۔ کتنی کے توازن سے شائع ہونے والے مالیاتی اطمینان ڈائریکٹرز کو گھمائے جاتے ہیں جو کہ CEO اور CFO سے ذاتی شدہ ہیں۔ ششماہی اور سالانہ حلیات کو آڈٹ کتنی اور ہولڈز آف ڈائریکٹرز کے پاس منظوری کیلئے پیچھے سے ملے بیرونی آڈیٹرز نے ملاحظہ کئے ہیں۔

جنگ خالص آفیسر (CFO)، کتنی بیکری اور ہولڈز آف اعزل آڈٹ

جنگ خالص آفیسر (CFO) اور ہولڈز آف اعزل آڈٹ مطلوبہ اہلیت اور تجربے کے حامل ہیں جو کوڈ آف کارپوریٹ گورننس میں تجویز کی گئی ہے۔ کتنی بیکری کیپٹول ایکٹ 2017 میں گھج ج کرد مطلوبہ اہلیت اور تجربے کے حامل ہیں۔ CFO، کتنی بیکری اور ہولڈز آف اعزل آڈٹ کے تقریر مشاہیر اور شرائط مضامین کا ضمن ہولڈز آف ڈائریکٹرز کے ذمہ ہے۔ CFO اور کتنی بیکری کو جب بھی بنانے کی ضرورت ہو ہولڈز آف ڈائریکٹرز کی منظوری حاصل کرنا ہوگی۔

قیمت

III بہترین کاروباری معمولات اور معیارات کے اختیار کر کے اچھی گورننس کے اعلیٰ ترین معیار کو یقینی بنانے کا عہدہ کرتا ہے۔ ہولڈز باقاعدگی کے ساتھ کتنی کے حکمت عملی کی سمت اور کاروباری پلانز کا جائزہ لیتا ہے۔ ہولڈز آڈٹ کتنی کوڈ آف کارپوریٹ گورننس کی موثر طور پر قیمت کو مؤثر بنانے

کیلئے بااختیار ہے۔ تمام حلقہ لین وین آڈٹ کتنی کے سامنے رکھا جاتا ہے اور آڈٹ کتنی کی سفارش پر جائزے اور منظوری کیلئے ہولڈز کو پیش کیا جاتا ہے۔ ہولڈز کوڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار کو بروقرار کتنی کے ساتھ وابستہ ہے۔

مزید تفصیلات کے لئے برائے مہربانی اس رپورٹ کا کوڈ آف کارپوریٹ گورننس کتنی ملاحظہ کریں۔

معلومات کا کامیابی اور پیچیدگی

ہم اپنے آئی انفراسٹرکچر کو مسلسل ترقیوں پر اپ گریڈ کرنے اور اس میں اضافے اور طریقہ کار کو مزید خودکار بنانے کی جانب گامزن ہیں۔ اس کے علاوہ ہم اصل صارف کی روزمرہ کی سرگرمیوں کے مطالعہ کیلئے ان سے نزدیک تر ہو کر کام کرتے ہیں اور مختلف امور میں مزید خودکاری اور بروقت کیلئے مواقع تلاش کرتے ہیں۔

JCR رینٹ

جن 2019 میں منصفہ ہمارے رینٹ کی معین میں ہم نے طویل مدت کیلئے AA- اور قلیل مدت کیلئے A-1 رینٹ حاصل کی۔



ہم ان چند ٹکپ کمپنیاں میں شامل ہیں جن کی JCR نے اوسط سطح کی قوت، گورننس اور ماحولیات اور سماجی ذمہ داری (IS-ESG) کی بنیاد پر گریننگ کیلئے جانچ کیا ہے۔

مراہدکاری

کتنی اپنے ذیلی ادارے انٹر نیٹل اسٹیلو لیجنڈ (ISL) میں 59.33% ملکتی مفاد کتنی ہے جو قیمت اسٹیل پروڈکشن کا کاروبار کرتی ہے۔ ISL کا مالی سال کا اہتمام 417,000 MT کی اضافی سال کے حجم کے ساتھ ہوا اور مجموعی نیٹز انعام 48 ملین روپے اور بعد از گیس منافع 495 ملین روپے ہوا۔



ہے۔ دونوں پلان فز پر مبنی آئیکو ہیں جو قیاس انفرادی سے تسلیم شدہ ہیں۔ سال کے آخر میں غیر آؤٹ شدہ پروڈکٹ فز کی رقم اور گریجویٹ فز با تریب 448 ملین روپے اور 470 ملین روپے تھی۔

تلف اہلیت کے فراہمی ملازمت
 قانونی شرائط کے مطابق تلف اہلیت کے فراہمی خدمات کے حصول کے تحت IIL کی افرادی قوت میں 16 افراد (1.9%) خصوصی افراد شامل ہیں۔

- محرم اور شمولیت کی رپورٹنگ**
1. IIL میں ایک خاتون ڈائریکٹر (11) بورڈ میں شامل ہے
 2. IIL میں ایک خاتون (11) ملازم اندرونی آؤٹ کی سرمایہ ہے جو CEO کو براہ راست رپورٹ کرتی ہے۔
 3. IIL میں تین محرم (0.32%) ملازم ہیں جو کہ ایچ آف ڈی ڈی پارٹنر شپ رپورٹ کر رہی ہیں۔ ایچ آف ڈی ڈی پارٹنر شپ CEO کو براہ راست رپورٹ کرتے ہیں۔

تجربہ
 مالی سال 2019-20 کے دوران میں 41 ان ہاؤس ٹریننگز کا اہتمام کیا گیا جو مختلف ٹیکنیکل اور OHSE کے موضوعات بشمول API 5L 45th Edition، گیلو پائپنگ پر خصوصی پروسیس ٹریننگ، HF، ویلڈنگ اور Seam Annealing، Extrusion، API Standards Poly Ethylene Pipes، Process حفاظت، محفوظ کرین آپریشن، PTV، ڈیزلنگ اور گیزرڈ کارڈرست استعمال اور دیگر بحال وغیرہ شامل ہیں۔ ان ٹریننگز میں 780 سے زائد اسٹاف ممبرز نے شرکت کی۔

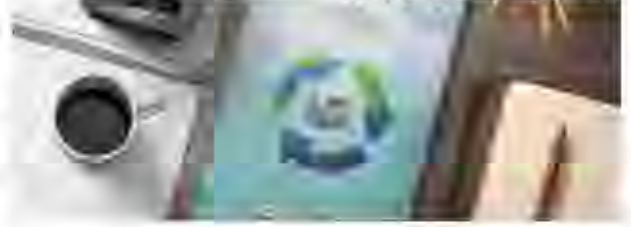
اس کے علاوہ 47 ایپلائنگز مختلف موضوعات پر معروف اداروں میں بیرونی ٹیکنک پروگرامز اور کنٹینس اور کانفرنسز میں شرکت کی۔

جانشینی کی پلاننگ
 کچھ نے ایک جانشینی پلان تھکیل دیا ہے جس میں مستقبل کے قائدین کی ڈیولپمنٹ کیلئے کارکردگی کی جانچ اور مناسب ٹریننگ کی ضروریات شامل ہیں۔ اس کا مطلب ہے کہ ایپلائنگز بحالی کرنا ان کے علم اور اہلیت کو بھارتی اداروں کو منتقلی والے کردار کے لئے جوش و خروش یا ترقی کیلئے تیار کرنا ہے۔

پیشہ دہانہ صحت، حفاظت اور ماحولیاتی کام (OHSE)
 IIL کو اپنے ایپلائنگز کی صحت اور حفاظت کی اہلیت کا احساس ہے۔ ہم اپنے ایپلائنگز اور سٹریکچرل

آؤٹ کے ترقی کیلئے آؤٹ کٹنگ کی سفارشات مطبقہ 97 پر مبنی جاسکتی ہیں۔ (کوڈ آف کارپوریٹ گورننس کی ترقی کے ہمارے آؤٹ کٹنگ کی رپورٹ)

ملائی تاثر
 IIL کو ملازمین کی ترقی دینے پر فخر ہے جو معاشرے کو مثبت خدمات بخاتی کرتے ہیں جس میں وہ آپریشن کرتے ہیں اور عمومی طور پر جس معاشرہ میں وہ رہتے ہیں۔ IIL کی ملائی و علاقائی اور ماحولیات کے تحفظ کے اقدامات کی تفصیلات 'Group Sustainability Report' میں دکھائی جاسکتی ہیں جو کہ Annual Report 2020 کے ساتھ فراہم کی گئی ہے اور کچھ کی ویب سائٹ پر دستیاب ہے۔



المالی وسائل کی مجموعہ
 IIL اس بات پر یقین رکھتا ہے کہ اس کے ایپلائنگز اس کا سب سے بڑا اثاثہ ہیں۔ ایپلائنگز کو مفید کردار بخاتون جزو ملے اور مالی معیار کے پیمانے کے پلٹ ڈرام کے ذریعہ اختیار کیا جاتا ہے جس سے وہ ایک محرم یا مفید ادارے کی تفہیم کی راہ بناتے ہیں۔ کچھ نے سال کے دوران میں ایپلائنگز کے ملازم کیلئے کی اقدامات کئے ہیں جن میں سے چند درج ذیل ہیں:

مستحق تعلقات
 دہلاؤ باہمی ملازمتی گفت و شنید 2019-2021 ہمارے طریقے سے جولائی 2020 کو مکمل ہوئی۔ WPPF کے واجبات برائے 2019-2020 میں تقسیم کر دیے گئے۔

کچھ اسمرت اطلاع دیتی ہے سوبائی اور دو ذوقی ضابطوں کی ترقی میں لاک ڈاؤن کے عرصے میں کسی ڈی ڈی ویکو والے ملازم کو ملازمت سے نہیں نکالا گیا۔

ایچ ایس شپ ٹریننگ پروگرام
 ہمارا ایچ ایس شپ ٹریننگ پروگرام تمام تمام شعبہ میں جاری ہے اور اپریشنز پروڈکشن، مینٹنس اور کوالٹی کنٹرول کے شعبہ جات میں تربیت حاصل کر رہے ہیں۔

گریجویٹ آئیکو ہاؤس فز فز
 کچھ اپنے ایپلائنگز کو رجسٹرڈ کے فراہم کرتی ہے۔ ان میں تمام ایپلائنگز کے لئے فز شرائط متروک گریجویٹ آئیکو ہاؤس فز سولے یونٹوں میں شامل افراد کیلئے فز شرائط پروڈکٹ فز شامل

پروڈکشن

اگرچہ لاگ ڈاؤن کے ابتدائی مراحل میں واضح طور پر 24 مارچ سے 11 مئی 2020 تک بندش کی گئی، جب صرف برآمدات سے متعلق گیلوینا ٹریڈ پائپ کی پروڈکشن کی اجازت دی گئی سال کے دوران میں گیلوینا ٹریڈ پائپ، پلمبر ڈارائن لین اسٹیل کی پروڈکشن سے متعلق کوئی سائیکل نہیں آئے۔ تاہم مقامی CR خام مٹل کی عدم دستیابی کے سبب ٹیب آپریشن متاثر ہوئے۔



کھیتی کے نتائج

کھیتی نے 18,984 ملین روپے کی ناقص سٹورسٹ کی جو گزشتہ سال سے 27% کم ہے اور 1,371 ملین روپے کا مجموعی منافع حاصل ہوا۔ آپ کی کھیتی کا کل اڑکھس نقصان 430 ملین روپے جو گزشتہ 30 سال میں پہلی مرتبہ ہوا اور جس کا سبب درج بالا تصحیلات کے مطابق سٹورسٹ کے حجم میں نمایاں کمی تھی۔ علاوہ ازاں اڑکھس کے غیر متصفی قوانین کے باعث کھیتی کو آمدنی پر کم سے کم ٹیکس ہوا کرتا ہوا اور اس کے نتیجے میں کھیتی کو بعد ازاں 894 ملین روپے کا نقصان ہوا۔ سال کے اختتام پر فی صیر نقصان 5.28 روپے ریل سٹورسٹ کے حجم میں کمی کی وجہ سے آپریٹنگ منافع بھی گزشتہ سال سے نمایاں طور پر کم حاصل ہوا۔

سال کے دوران میں فروخت کئے گئے سامان کی قیمت 17,583 روپے تھی جو گزشتہ سال سے 24% کم ہے۔

فروخت اور تقسیم کاری کے اخراجات 813 ملین روپے ہوئے جو گزشتہ سال کی سٹورسٹ کے حجم میں کمی کے سبب کچھ سال سے 29% کم ہیں۔

انٹرای اخراجات 298 ملین روپے کے ہوئے جو گزشتہ سال میں اعلیٰ ڈیپنگ کیس کے 5 ٹونی چار جی او اکرلے کے باوجود گزشتہ سال کے تقریباً برابر ہیں۔

دیگر آپریٹنگ کے اخراجات 31 ملین روپے ہیں جو گزشتہ سال سے 69% کم رہے۔ دیگر آمدنی کی مدد میں 580 ملین روپے حاصل ہوئے جو 66% کمی ظاہر کرتے ہیں اس کی بنیادی وجہ سال میں ڈیپنگ کی کم آمدنی اور درمبادلہ کا حصول تھی۔

سال کے دوران میں مالیاتی چارجز میں 314 ملین روپے کا اضافہ ہوا جو گزشتہ سال سے 34% زیادہ ہے۔ اس کی بنیادی وجہ سال بھر میں قرضہ جات کے حصول کی لاگت میں کمی سے اضافہ ہوا ہے۔

شعبہ کارخانہ

اسٹیل کے شعبہ سے 16,478 ملین روپے کی آمدنی ہوئی جس کے نتیجے میں کل اڑکھس 939 ملین روپے کا نقصان ہوا اس کی وجہ سٹورسٹ کے حجم میں 37% کمی تھی۔ پلمبر کے شعبہ کی آمدنی 2,485 ملین روپے ہوئی جس سے کل اڑکھس 133 ملین روپے کا فائدہ ہوا جس کی وجہ سٹورسٹ کے حجم میں کمی تھی اور اس وقت میں تھا۔

نقدیہ ادائیگی کی مجموعی اور قرضے کے حصول کی محنت عملی

کھیتی کا نقدیہ ادائیگی کی مجموعی سسٹم نقد کے داخلی بہاؤ اور خارجی بہاؤ کا موازنہ کرتا ہے اور روزانہ کی بنیاد پر اس کی گہرائی کرتا ہے۔ سال 2019-20 کے دوران میں ہم نے آپریٹنگ سے 288 ملین روپے کی نقد رقم حاصل کی۔ ہمارے قرضے کا حصول کا اوسط گزشتہ سال کے مقابلے میں 1.1 ملین روپے کم ہوا لیکن قرضے کے اوسط اخراجات بشمول درمبادلہ کے نقصانات، گزشتہ سال کے مقابلے میں 48% زیادہ ہوئے۔

کپٹل کاؤ ہاؤ

30 جون 2020 کو ایکٹیو اور قرضہ کا 81:39 تھا جو 30 جون 2019 کی سطح کے برابر ہے۔

ڈیپٹنگ اور لیا بولس

یورڈ آف ڈائریکٹرز نے کنٹری ایکٹ 2017 کے سیکشن 240 کی رو سے سال بھر 30 جون 2020 کیلئے کسی ڈیپٹنگ اور لیا بولس کی سفارش نہیں کی ہے۔

آڈیٹرز

موجودہ آڈیٹرز میسرز KPMG ٹاٹمر ہاؤس ایڈز کھیتی، چارٹرڈ اکاؤنٹنٹس کا تقرر 2003-04 میں ہوا تھا۔ انھما سے اور یورڈ آف ڈائریکٹرز ان کی خدمات کے شکر گزار ہیں جو 30 ستمبر 2020 کو منقطع ہونے والے 72 ویں سالانہ اجلاس عام کے اختتام پر مکمل ہو چکا تھا۔

یورڈ نے یورڈ آڈٹ کھیتی کی سفارشات پر میسرز ایف ٹرگوٹن ایڈز کھیتی، چارٹرڈ اکاؤنٹنٹس کو بطور 5 ٹونی آڈیٹرز کے سال 2020-21 اسی مشاہرے پر تقرری کی سفارش کی ہے جو رجسٹر ہونے والے آڈیٹرز کو ان کی اجازت ملے گی۔



ہماری PPRC پائپس اور فٹنگز کی کارکردگی بہت اچھی رہی اور اس کے سال بہ سال حجم میں 13% اضافہ ہوا لیکن یہ اعداد و ارقام صرف سے کافی کم تھا جس کی وجہ لاک ڈاؤن اور دواہ کی سلا کا نقصان تھی۔ ہم اس شعبہ میں صارفین پر توجہ دینے کیلئے مسلسل کام کر رہے ہیں جو اسٹیل کے شعبہ میں ہمارے نام کے ساتھ وابستہ ہے۔



پاکستان میں غیر معیاری کی پولیمر پروڈکٹس کی گہرا مارے صارف کو اپنی معیاری پروڈکٹس کی سلا اور مارکیٹ سے دور رکھا ہے جو پروڈکٹ کے بارے میں بہت کم یا بالکل معلومات ہی نہیں رکھتے جو ہمارے لئے بڑا چیلنج ہے۔ انتظامیہ کو اپنی کے معیار اور غیر معیاری پولیمر پائپ سسٹم کے استعمال سے طویل المدت صحت کے مسائل کے بارے میں آگاہی فراہم کرنے میں مسلسل کوشاں ہے اس ضرورت کو ملک بھر میں ڈھلری تقریبات، اداراتی کانفرنس کے ساتھ سیمینارز اور سائنٹ کے دورے کا اہتمام کر کے پورا کیا جا رہا ہے۔ ہم اداراتی کانفرنس کے ساتھ پانی اور ڈسٹ پائپس کیلئے کو اپنی کے معیارات کے بارے میں معلومات فراہم کرتے رہتے ہیں، تاہم کرشل مارکیٹ ایک چیلنج ہے جہاں سستی غیر معیاری پروڈکٹ سگورٹ کے ساتھ دستیاب ہیں۔



IL Americas Inc.

سال کے دوران میں IL Americas Inc. کا قیام اور کارپوریشن میں کچھ کے کل ملکیتی ذیلی ادارے کی حیثیت سے عمل میں آیا۔

COVID-19 کی وجہ سے مارکیٹ میں منفرد رہی جس کے باعث IL Americas Inc. کی 18 ماہ کی مدت میں خالص آمدنی 0.35 ملین کیونین ڈالر رہی۔

اگلے سال کا آغاز میں CAD 1 million سے زیادہ کے آرڈر بک ہونے سے ہوا اور ہمیں امید ہے کہ جب بھی COVID-19 اختتام پذیر ہو جائے گا اور پائپس انڈسٹری کا اختتام ہوگا تو کاروباری سرگرمیاں دوبارہ زور و شور سے شروع ہو جائیں گی۔

اسٹیل پائپس کی فروخت

کچھ کی اسٹیل پائپس اسٹیل ٹیوب کی سال بہ سال فروخت میں 16% اضافہ ہوا۔ اس سال اسٹیل پائپس پائپس کا SS 201 'Eco' براہ صاف کرانے اور ڈی ایچ ایٹر اور اسٹیل کی زیادہ وسیع رینج پیش کرنے سے ہماری پروڈکٹس کی رسائی میں بھتری آئی ہے۔ یہ ایک حوصلہ افزا علامت ہے اور آنے والے سال میں ہماری اسٹیل پائپس اسٹیل کی پروڈکٹ لائن ہماری ترقی کا ایک بڑا ذریعہ ثابت ہوگی۔



پولمر کی فروخت

کچھ کی پولمر کی فروخت کا حجم گزشتہ سال کے مقابلے میں معمولی طور پر تقریباً 4% کم رہا۔ سال کی خالص آمدنی 2.5 ملین روپے حاصل ہوئی (2019: 2.4 ملین روپے) اور مجموعی معائنہ 348 ملین روپے (2019: 220 ملین روپے) گیس کھپائی ٹینڈر پھٹی کاروبار میں گزشتہ سال کے مقابلے میں لایا کی دیکھنے میں آئی جس کی وجہ حکومت کی جانب سے کھڑکی عدم فراہمی تھی تاہم دوسرے اداراتی کانفرنس کی جانب سے duct اور بڑے ڈی ایٹر کے پائپ کے پائپ کے آرڈر کی بنا پر اس وقت کو کافی حد تک دور کر لیا گیا۔ ہم SSGC اور SNGPL کے ساتھ مسلسل رابطے میں ہیں اور پولمر پائپ میں بھی وہی سلاز کی جانچ اور حفاظتی اقدامات کے نفاذ کی کوششیں کر رہے ہیں جیسی API اسٹیل پائپس میں کی گئی ہیں۔

مقامہ حکمت عملی اور اہم کارکردگی کے اشاریے

III کا بنیادی مقصد مجموعی طور پر کارپوریٹ اور حکمت عملی کے اہداف کا حصول اور اہم مالی معمولات اختیار کرنا ہے اور اس کے ساتھ اسٹیل کی صنعت میں اہم کردار ادا کرنا ہے۔ کئی ایسے پروسیجر کیلئے کوترقی دینے اور بہتر سے بہتر بنانے کیلئے کوشاں ہے تاکہ اپنے شئرز ہولڈرز کیلئے زیادہ سے زیادہ آمدنی کو یقینی بنایا جاسکے۔ اس کے مقاصد، حکمت عملی اور اہم کارکردگی کے بارے میں تفصیلی بحث وہاں ملے گی۔⁴⁶ پڑھنا جاسکتا ہے۔

کئی کے پریز

مارکٹ شئرز

آپ کی کئی مقامی مارکٹ صف اول کی ٹیوب اور پائپ تیار کرنے والی کئی ہے جو کئی آئی پاکس، سی آر ٹیو اور اسٹیل لیس اسٹیل ٹیوب اور پاکس اور بلیک اور اسٹیل ٹنگ پائپ تیار کرتی ہے اور اپنے متعلقہ شعبوں میں اس کی سب سے بڑی پروڈکٹ منیج موجود ہے۔ کئی کو اپنے صارفین، ڈیلرز اور کاروباری پارٹنرز کا مسلسل تعاون حاصل ہے۔ ہمارا پیکر کا شعبہ پانی اور گیس کی ترسیل اور تعمیر اور ٹیلی کمیونٹی کی اینجلی کیشنز کیلئے خدمات فراہم کرتا ہے اور کئی مسلسل اپنے صارفین کی طلب کو پورا کرنے میں مصروف عمل رہتی ہے۔

مجموعی ملز

گزشتہ مالی سال کے دوران میں آپ کی کئی کی مجموعی ملز کا حجم تقریباً 143,000 میٹرک ٹن تھا جس سے 22.9 ملین روپے کی مجموعی آمدنی حاصل ہوئی۔



مقامی اسٹیل ملز

سال میں آپ کی کئی کی مجموعی ملز 20 ملین روپے (2019: 26.5 ملین روپے)۔ گزشتہ سال کے مقابلے میں مقامی ملز کا حجم مقامی سب سے روٹی کی بنیاد پر 25% کم رہا اور گورننگ وائرس سے حاصل لاک ڈاؤن سے اس میں مزید کمی ہوئی۔ پانی اور گیس کی تعمیر، ریشل اسٹیل اور تعمیرات، آلودگی اور عام پیکر کچھن کے شعبہ جات، گزشتہ سال کے مقابلے میں تمام اسٹیل کے شعبہ جات میں مارکیٹ میں کمرشل اور اداراتی دونوں شعبہ جات کی کارکردگی میں کمی آئی۔ اس کے علاوہ گزشتہ دو سالوں میں گرتی ہوئی طلب، حکومت کی مقامی ذرائع سے کولڈ رولڈ کالٹر (CRC) کی خریداری کی ممانعت کی پالیسی سے پائپ میں کمیچہ بڑھانے کیلئے میٹرل کی دستیابی کے مسائل پیدا ہوئے اور اس کے نتیجے میں ملز کا نقصان ہوا۔ ہم نے ان مسائل پر توجہ دلانے کیلئے کی فورمز پر اپنی پیشکش کا اظہار کیا ہے۔

درج بالا صورتحال کے باوجود، ہم فعال طور پر ملک بھر میں اپنے کمرشل اور اداراتی صارفین کے ساتھ رابطوں کو بڑھانے اور مثبت اثرات مرتب کرنے کیلئے کوشاں ہیں، انہیں انٹرپرائز اور براہ راست ملاقاتوں کا اہتمام کرتے رہتے ہیں۔

برآمدات میں اسٹیل کی فروخت

آپ کی کئی کی اس سال کی برآمدات کی مجموعی ملز 2.8 ملین روپے (2019: 4.4 ملین روپے)۔ برآمدات کی ملز کے حجم میں سال بہ سال 34% کی آئی کیونکہ مالی تھارٹ اور نومبر میں سب سے پہلے سال کے دوران میں بین الاقوامی اسٹیل کی قیمتوں میں اتار چڑھاؤ، 2018 کے اواخر میں III کے خلاف مقامی اقدامات اور گورننگ وائرس کی وجہ سے باعث بین الاقوامی خریداروں کے رجحان میں کمی آئی۔ اس کے علاوہ گزشتہ دو برسوں میں پاکستانی روپے کی قدر میں کمی سے سرمایہ کاری کے مواقع محدود ہو گئے۔ تاہم اہم مشرق وسطیٰ کی مارکیٹ میں داخل ہونے میں کامیاب ہو گئے ہیں جو واحد مارکیٹ ہے جہاں گزشتہ سال میں بڑی مقدار میں مال برآمد کیا گیا۔ کیڈا کی طرف سے III امریکی ایپک ڈیوٹی (ADD) کے نفاذ سے غریبہ پچھلے ہفتے تاہم III Americas Inc کے کام سے توقع ہے کہ خریداروں تک بہتر رسائی حاصل ہوگی اور قبائلی پروڈکٹس کے پائپ کرنے کے ذریعہ مواقع ملیں گے۔



بین الاقوامی سخت کاروباری حالات کے باوجود، پاکستان میں اہم انجینئرنگ پروڈکٹس کے سب سے بڑے برآمد کنندگان میں رہے اور III کی روایت کو برقرار رکھتے ہوئے ہم نے مسلسل 20 ویں سال میں FPCCI Best Export Performance Award 2019 حاصل کیا جس سال انجینئرنگ پروڈکٹس (مکانیکل) کے شعبہ میں دیا گیا۔

III Australia Pty Limited

III آسٹریلیا PTY لمیٹڈ کی خاص آمدنی 11.9 ملین آسٹریلین ڈالر (مالی سال 2018-19: AUD 15.5 million) آمدنی میں کمی کی بنیاد پر اسٹیل کی قیمتوں میں اتار چڑھاؤ منجملہ کی آگ اور گورننگ وائرس کی وجہ سے سب لاک ڈاؤن تھی۔ کئی مسلسل اپنا سبب درج دہا کر رہی ہے اور ایک مضبوط صارفین کی بنیاد قائم کر رہی ہے۔

30% ہوتا ہے۔ اسٹیل ٹیوب اور پائپ کی عالمی تجارت کل سالانہ پروڈکشن کا تقریباً 25% ہوتی ہے۔ پاکستان کی اسٹیل ٹیوب اور پائپ کی مارکیٹ کا سائز اسٹیل مارکیٹ کے کل سائز 9 ملین میٹرک ٹن کا کم و بیش 780,000 میٹرک ٹن ہے۔ مقامی اسٹیل ٹیوب اور پائپ مارکیٹ کی حصوں میں جی ہے اور چھوٹی سے اوسط سائز میٹریٹلرز کی بڑی تعداد پر مشتمل ہے جو پورے ملک میں پھیلی ہوئی ہے۔

اسٹیل لیس اسٹیل

2019 میں اسٹیل لیس اسٹیل کی عالمی پیداوار تقریباً 52.2 ملین میٹرک ٹن تھی جبکہ 2018 میں 51 ملین میٹرک ٹن تھی۔ آؤٹ پٹ میں مسلسل تیزی سے اضافہ ہوا ہے جو گزشتہ 5 برسوں میں CAGR پر 6% سے زیادہ ہوئی۔ چین کاربن اسٹیل کے ساتھ اسٹیل لیس اسٹیل کی مارکیٹ پر چھایا ہوا ہے جو دنیا کی کل آؤٹ پٹ کا تقریباً 56% پیدا کرتا ہے۔

اسٹیل لیس اسٹیل پائپس اور ٹیوبز خاص طور پر اصل استعمال کرنے والوں کے کام آتے ہیں جہاں زنگ اور ٹھیرچر سے مزاحمت اور خوبصورتی کی ضرورت ہوتی ہے۔ اسٹیل لیس اسٹیل پائپس اور ٹیوبز کے بڑے اصل استعمال میں شامل ہیں:

- کیمیکل اور پیٹرولیم کیل پروسیسنگ
- مائع قدرتی گیس پائپنگ
- وہائٹ گڈ اور گھریلو برتن
- آٹوموٹو ایگزاسٹ سسٹم
- تعمیرات۔ ساحلی اور مرطوب ماحول میں
- فوڈ اور فارماسیوٹیکل پروسیسنگ
- ڈی سیلینیشن اور ویسٹ واٹر پروڈیجکشن

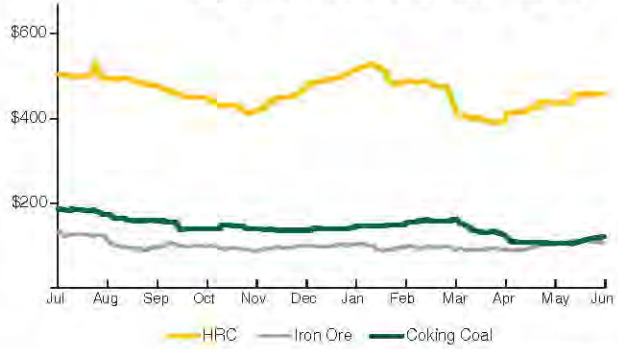
300 Series اسٹیل لیس اسٹیل اور اس سے جڑے گریڈز دنیا میں اسٹیل کی کل پیداوار کے تقریباً 50% پر مشتمل ہیں اور زیادہ کل ہونے کے سبب وسیع رینج میں استعمال ہوتے ہیں جس میں زنگ لگنے کی شرح کم ہوتی ہے۔ 300 Series پائپس اور ٹیوبز آپ کی کپہنی کی اسٹیل پروڈکشن لائن کے فلیک شپ ہیں۔ اس کے علاوہ اس سال ہم نے 200 Series اسٹیل لیس اسٹیل پائپس اور ٹیوبز کا آغاز کیا ہے جو زیادہ پاکفائیت ہے اور اس کی بڑی مارکیٹ ہے۔

پاکستان میں اسٹیل لیس اسٹیل کا استعمال تقریباً 0.5 kg/capita ہے جبکہ دنیا میں اوسط استعمال 5.7 kg/capita ہے جس سے ظاہر ہوتا ہے کہ اس خصوصی شعبہ میں آگے بڑھنے کی بڑی گنجائش موجود ہے۔

تاہم عالمی مرکزی بینکوں کی جانب سے مالیاتی محرک شامل کرنا عالمی اسٹیل اور ٹیل کی قیمتوں میں اس رپورٹ کے تحریر کرنے کے وقت تک بحالی کی بنیادی وجہ تھی۔ قیمتیں اب دبا کے پھیلاؤ سے پہلے کی سطح پر آگئی ہیں اور توقع ہے کہ عالمی سطح پر مرض کی شرح میں غیر متوقع اضافہ اور ایسا یو ایس چائنہ تجارت سے متعلق تنازع میں اضافہ نہ ہوا تو یہ مزید مضبوط ہوں گی۔

نئی صلاحیتوں کے وجود میں آنے سے پاکستان میں اسٹیل کی پیداوار جنوری 2019 نہایت تیزی سے بڑھ رہی تھی۔ تاہم کورونا وائرس کی وبا اور سیاسی اور مالیاتی تنازعات کے نتیجے میں گزشتہ ڈیڑھ سال سے موسمی بڑی سست رفتاری آئی۔ بہر حال، پاکستان کی آبادیاتی پروفاکس، تعمیرات کے سیکٹر کے اعلان اور ڈیزل، موٹر ویز اور سی پیک پروڈیکشنس پر پیش رفت سے اشارہ ملتا ہے کہ توانائی، انفراسٹرکچر، آٹوموٹو، وہائٹ گولڈ اور خام میٹریل کی طلب اوسط اور طویل مدت کیلئے اسٹیل کے استعمال میں اضافے میں معاون ہوگی۔

Iron Ore, Coking Coal and Hot Rolled Steel Coil Price
July 2019 – June 2020, USD per Ton



Source: Kallanish Commodities

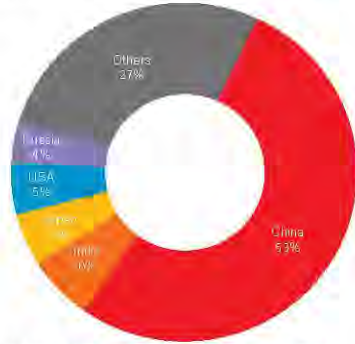
اسٹیل ٹیوب اور پائپ کی صنعت

عالمی اسٹیل ٹیوب اور پائپ کی صنعتیں ویلڈڈ اور ہموار پائپس اور ٹیوبز کی وسیع رینج تیار کرتی ہیں۔ اسٹیل پائپس بنیادی طور پر آئل، گیس، پانی اور مائع کی ترسیل اور تقسیم اور مختلف پاؤں لگانے اور فہرہیکیشن سے متعلق اشیاء کیلئے استعمال ہوتی ہیں۔ اسٹرکچرل اسٹیل پائپس اور ہالو اسٹرکچرل سیکشنز (HSS) تعمیرات کی صنعت میں زیادہ قوت کی ضرورت والی جگہوں پر استعمال ہوتی ہیں جب کہ کولڈ رولڈ اسٹیل ٹیوبنگ آٹوموٹو پارٹس، ہائی سائیڈز، ہوم ایپلائنس میڈیکل چیرنگ اور مختلف فرنیچر اور فہرہیکیشن سے متعلق جگہوں پر استعمال کی جاتی ہیں۔

دنیا میں اسٹیل ٹیوبز اور پائپس کی اوسط پروڈکشن تقریباً 160 ملین میٹرک ٹن ہوتی ہے جو دنیا میں خام اسٹیل کی تیاری کا اندازاً 9% ہے۔ اسٹیل ٹیوبز اور پائپس کی کل پیداوار میں ویلڈڈ پائپ کا شعبہ ٹیوب اور پائپ کی کل پیداوار کا 70% ہے جب کہ ہموار پائپ کل پروڈکشن کا

جاپان (99 million MT)، یونائیٹڈ سٹیٹس (88 million MT) اور روس (72 million MT) شامل ہیں۔

Share of Global Crude Steel Production (%)



World Steel Association, 2019 ذریعہ:

مالی سال 2019-20 کا آغاز خام لوہے کی بلند قیمتوں کی بنیاد پر محسوس عالمی اسٹیل کی قیمتوں سے ہوا، جن کے بڑھنے کا رجحان برازیل میں بروماڈینہو (Brumadinho) ڈیم کی تباہی کے سبب جنوری 2019 سے برقرار تھا۔ اس واقعہ نے نزدیکی خام لوہے کی کان کی پروڈکشن کو بری طرح متاثر کیا جو Vale S. A آپریٹ کر رہی تھی۔ اگرچہ خام لوہے کی قیمتیں اگست 2019 میں مناسب سطح تک آگئی تھیں مگر اضافی نے نیچے قائم اسٹیل پروسیسنگ کی صنعتوں بشمول کولڈ رولنگ اور ہائپ میٹیلکچرنگ کو تباہ کر دیا جس کے خام مال کی ڈیلیوری میں عموماً تین مہینے کا دقت لگتا ہے جو مالی سال 2019-20 کی دوسری سہ ماہی تک پہنچ گیا۔

اس کے بعد خام لوہے اور اسٹیل کی قیمتیں نمایاں طور پر کم ہو گئیں جس کی وجہ یو ایس جاپان کے تجارتی ٹکراؤ سے وجود میں آنے والے منفی احساس اور چین، CIS اور انڈیا میں کرنسی کا کمزور ہونا تھی جس کے باعث ملوں کو اپنی قیمتیں 15-20% کم کرنا پڑیں۔ اس کے نتیجے میں نومبر 2019 میں قیمتیں مزید نیچے گر گئیں مگر بعد میں بڑھنا شروع ہوئیں اور جنوری 2020 میں یو ایس جاپان پہلے مرحلے کی تجارتی گفت و شنید کے کامیاب اختتام پر پوری طرح بحال ہو گئیں۔ کورونا وائرس کے، پہلے چین اور جنوب مشرقی ایشیاء اور بعد میں بقیہ دنیا میں پھیلنے سے جنوری سے اپریل 2020 تک اسٹیل کی قیمتیں تیزی سے کمی آئی اور قیمتیں 5 سال کی ریکارڈ \$390/MT تک کی چلی سطح پر آ گئیں۔

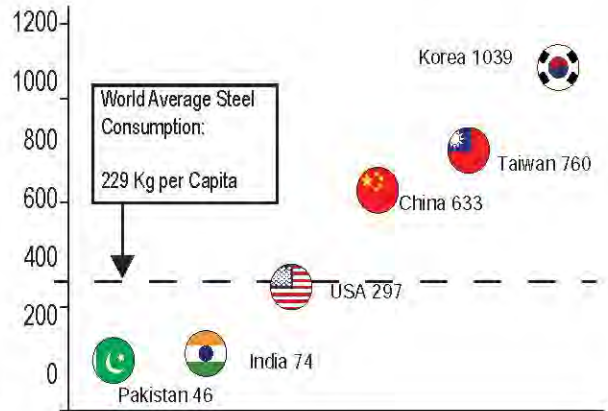
خوش قسمتی سے وبا کے نتیجے میں کان کنی یا اسٹیل تیار کرنے والے پلانٹس میں کوئی نمایاں بندش نہیں ہوئی اور پروڈکشن جاری رہی اور جنوری-جون 2020 کے دوران میں خام اسٹیل کی پروڈکشن میں گزشتہ سال کی اسی مدت کے مقابلے میں صرف 5.5% کمی آئی۔

2020-21 میں درآمد شدہ خام مال پر ڈیوٹیز میں کمی کا اعلان صنعت کیلئے ایک مثبت قدم ہے اور اس سے اگلے سال کیش فلو کے تحفظ اور سرمایہ کی تشکیل کا موقع ملے گا۔

حکومت نے مالی سال 2020-21 کیلئے جی ڈی پی میں اضافے کے ہدف کو تبدیل کر کے 2.1% کر دیا ہے جو تمام اسٹیک ہولڈرز کیلئے ایک کڑا چیلنج ہو گا تاہم ہمیں امید ہے کہ کورونا کیمر کی شرح میں کمی اور SOP's کے بارے میں نگرانی سے کام لینے سے ہم درست سمت آگے بڑھیں گے۔ حکومت کی جانب سے اعلان کردہ دیگر اقدامات جیسے قیمتیں کیلئے ہیکسج اور دیگر پانی اور توانائی کی تقسیم کے پروڈیکٹس آئندہ ترقی کی راہیں کھولنے میں معاون ہوں گے۔

ورلڈ اسٹیل ایسوسی ایشن کے 2019 کیلئے اسٹیل کے استعمال کے تخمینے سے اندازہ ہوتا ہے کہ دنیا میں استعمال کا اوسط تقریباً 229 kg/capita ہے۔ اگرچہ پاکستان دنیا کے اس اوسط سے کافی کم یعنی 46 kg/capita پر ہے۔ اس سے ظاہر ہوتا ہے کہ مقامی اسٹیل میٹیلکچرنگ اور پروسیسنگ کی صنعت میں ترقی کی بے انتہا استعداد موجود ہے۔

Per Capita Steel Consumption
Kg per Capita, 2019



World Steel Association, 2019 ذریعہ:

عالمی اسٹیل کا منظر نامہ

2019 میں خام اسٹیل کی پیداوار کا تخمینہ 1.87 بلین میٹرک ٹن (MT) تھا جو گزشتہ سال کے مقابلے میں 3% زیادہ ہے۔ چین کی پیداوار 996 million MT (up 8.3% YoY) ریکارڈ ہوئی جو اس سے پچھلے سالوں سے نمایاں طور پر زیادہ ہے اور کل عالمی خام اسٹیل کی پیداوار کا تقریباً 53% ہے۔ دیگر بڑے میٹیلکچرز میں انڈیا (111 million MT)،

ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز ہمسرت اپنی رپورٹ مع کمپنی کے آڈٹ شدہ مالیاتی اسٹیٹمنٹس برائے سال ختمہ 30 جون 2020 پیش کرتے ہیں۔

بورڈ کی تشکیل اور مشاہرہ

بورڈ کی تشکیل اور بورڈ کی ذیلی کمیٹیوں کے ممبرز کے نام صفحہ نمبر 20 اور 92۔

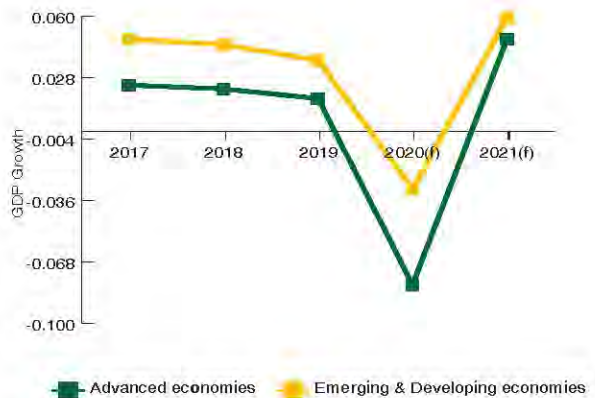
(کارپوریٹ گورننس سیکشن) میں دیئے گئے ہیں۔ کمپنی کی ایک باقاعدہ پالیسی ہے اور کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق اس کے ڈائریکٹرز کے مشاہرے کا تعین شفاف طریقے سے کیا جاتا ہے۔

مشاہرے بشمول ڈائریکٹرز کے بورڈ میٹنگ میں حاضری کی فیس، جو ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کو ادائیگی، صفحہ نمبر 173 پر درج ہے۔ (نوٹ 33 برائے غیر متعلق مالیاتی اسٹیٹمنٹس)

عالمی میکرو اکنامکس کا منظر نامہ

آئی ایم ایف ورلڈ اکنامک آؤٹ لک (WEO) کے تخمینے کے مطابق 2019 میں دنیا کی معیشت میں 2.9% اضافہ ہوا جو 2018 میں 3.6% ہوا تھا۔ تاہم یہ اضافہ یکینڈر سال 2020 کی پہلی اور دوسری سہ ماہی میں کورونا وائرس کی وبا پھیلنے کے سبب منفی میں چلا گیا۔ دنیا بھر میں یکساں نوعیت کی مندی سے استعمال، سیاحت، خدمات اور بین الاقوامی تجارت میں مشکلات پیدا ہوئیں جس کے نتیجے میں عالمی سطح پر تاریخی بیروزگاری پیدا ہوئی اور GDP میں کمی آئی۔ یکینڈر سال 2020 میں عالمی طور پر GDP میں متوقع کمی ترقی یافتہ، ابھرتی ہوئی ترقی پزیر معیشتوں میں بالترتیب 4.9%، 8% اور 3% متوقع ہیں۔

GDP Growth (%) - Advanced vs. Emerging and Developing
2017 - 2021 (f)



ذریعہ: آئی ایم ایف ورلڈ اکنامک آؤٹ لک، جون 2020

چین اور امریکہ کے درمیان تجارتی تناؤ میں اضافے، یورپ میں کمزور نمو اور جیو پالیٹیکل کھچاؤ کے سبب پہلے سے ہی ڈگمگاتی معیشت میں کروٹا کی وجہ سے عالمی معیشت، تجارت اور نمو میں آخری کیل ٹھونک دی۔ 2018 میں سامان اور خدمات کی عالمی تجارت میں 3.8% اضافہ ہوا تھا جو 2019 میں کم ہو کر 0.9% پر آ گیا اور 2020 کیلئے تقریباً 11.9% کمی کی پیش گوئی کی گئی ہے۔

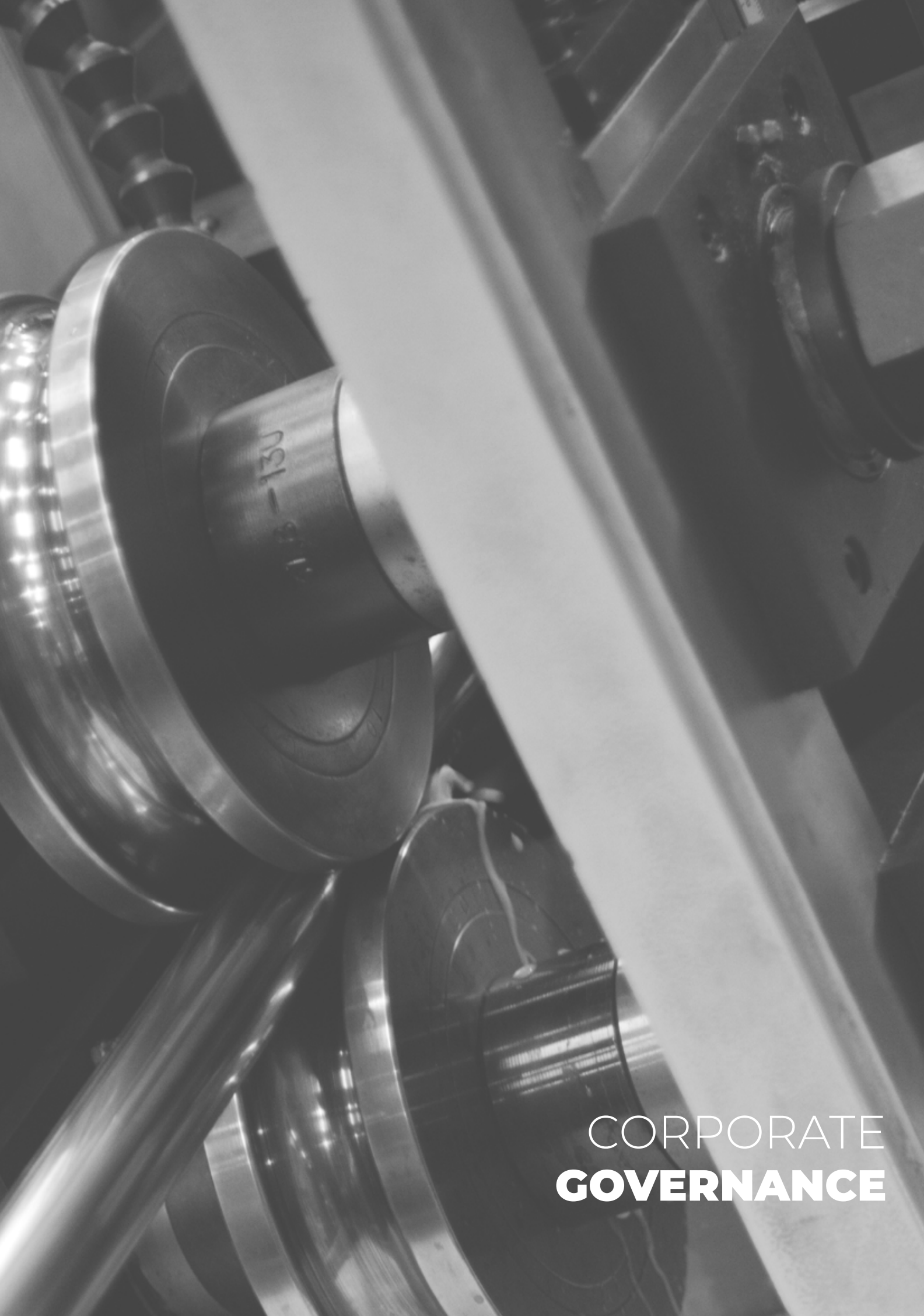
کورونا وائرس وبا کے حملے کے باعث منفی طلب کے دھچکے کے ازالے کیلئے دنیا بھر میں مرکزی بینکوں اور حکومتوں نے شرح سود میں نمایاں کمی کردی اور مجموعی طلب کی حوصلہ افزائی کیلئے مالیاتی پالیسی کے دائرے کو وسیع کر دیا۔ اگرچہ 2021 میں جلد ہی بحالی کی امید ہے، ہمیں آنے والے سال میں ایڈوانسڈ اور ایمیرجنگ اور ڈیولپنگ دونوں معیشتوں کیلئے چیلنج برقرار رہنے کی توقع ہے۔

ملکی معیشت

مالی سال 2019-20 کیلئے جی ڈی پی میں عبوری نمو کی شرح کا تخمینہ 0.38% لگایا گیا ہے جو گزشتہ سال کے دوران میں 1.9% تھی۔ مینوفیکچرنگ کا شعبہ خاص طور پر بہت متاثر ہوا اور بڑے پیمانے کی مینوفیکچرنگ (LSM) میں 10.17% کمی آئی۔ آئرن اور اسٹیل اور متعلقہ صنعتیں جیسے انجینئرنگ پروڈکٹس اور آٹوموٹو جو LSM کا بڑا حصہ ہیں، فروخت میں کمی کا شکار ہوئیں۔ کورونا کی وبا پھیلنے سے پہلے بڑے پیمانے کی صنعتیں مجموعی طور پر گیس کی قیمتوں کے بڑھنے اور پاکستانی روپے کی قدر میں کمی جیسے مسائل حل کرنے کی جدوجہد میں مصروف تھیں جو اس سے پچھلے سالوں سے درپیش تھے۔ اس کے علاوہ کمپنیل کی زیادہ لاگت، PSDP میں کمی اور 50,000 روپے اور اس سے زیادہ کی خریداری پر CNIC دکھانے کی شرط اور درج بالا کے نتیجے میں اصل صارف کی جانب سے طلب میں نمایاں کمی ہوئی۔

حکومت کی جانب سے آئی ایم ایف پالیسی کے بعد تیسری سہ ماہی کے شروع میں سخت اقدامات سے بہتر میکرو اکنامک کے اشاریے نظر آنے کے ساتھ کرنٹ اکاؤنٹ اور مالیاتی خسارے میں کمی آنا شروع ہو گئی، تاہم تیسری سہ ماہی کے آخر میں لاگ ڈاؤن کے اضافی بوجھ نے آنے والے مہینوں کیلئے نئے چیلنج پیدا ہو جائیں گے۔ بہر حال حکومت اور SBP کی جانب سے عام لوگوں کی زندگیوں کو تحفظ دینے کے لئے کئے جانے والے اقدامات کا خیر مقدم کیا گیا۔ 1.24 ٹریلین روپے کے مالیاتی پرکشش پیکیج، تعمیرات کیلئے پیکیج اور اجرتوں اور اخراجات کی ادائیگی کیلئے رعایتی شرح پر دوبارہ فنانس کی اسکیم بروقت فیصلے تھے جو وقت کی ضرورت بھی تھے۔

اس رپورٹ کے لکھتے وقت کورونا وائرس انفیکشن کی شرح میں کمی کی صورت حال سے ہمیں امید ہے کہ مشکل حالات کے باوجود حکومت پائیدار پالیسیوں کا سلسلہ جاری رکھے گی۔ معیشت کو دستاویزی شکل دینا اور ٹیکس کی بنیاد میں اضافہ اگرچہ تکلیف دہ ذمہ داری ہے، تاہم ملک کو بحیثیت مجموعی اور خاص طور پر منظم شعبہ کو اس قسم کے اقدامات سے آگے چل کر فائدہ ہوگا۔ نیز بجٹ



CORPORATE
GOVERNANCE

PROFILE OF THE BOARD OF DIRECTORS

Mr. Mustapha A. Chinoy

Director since: February 23rd, 1998

Chairman since: September 30th, 2016

Non-Executive Director

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

Mr. Adnan Afridi

Director since: February 18th, 2019

Independent Director

Mr. Adnan Afridi graduated with high honors from Harvard University with a degree in Economics (A.B.) and from Harvard Law School with a J.D. He has 25 years global and Pakistan based experience in Change Management, business transformation, innovation and profitability enhancement in blue chip companies, public-sector and start-up situations. Industry experience includes Capital Markets, Private Equity, Financial Services, Real-Estate, Health Care, Natural Resources, Technology and Food sectors, operating in CEO roles with Board level representations. Functional experience focuses on Governance, Strategy, Negotiation/Structuring, Corporate Planning, Group Company management, Public Relations and large-scale talent building.

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

He is currently the Managing Director of NITL and a private sector member of SECP Policy Board. In addition to being on the board of IIL, he is a

director at Bank Al Habib Limited, Lotte Pakistan Limited, Dynea Pakistan Limited, Habib Sugar Mills Limited, Mari Petroleum Limited and Bulk Transport Company (Private) Limited. He also serves as the Vice- Chairman of the Board of Governors of The Kidney Centre Institute and is a member of YPO Pakistan.

Mr. Kamal A. Chinoy

Director since: February 6th, 1984

Non-Executive Director

Mr. Kamal A. Chinoy is a graduate of the Wharton School, University of Pennsylvania, USA. He is the Chairman of Jubilee Life Insurance Company Limited and serves as a director on the Board of International Industries Limited, International Steels Limited, and Pakistan Cables Limited.

He is also Honorary Consul General of the Republic of Cyprus. Mr. Kamal A. Chinoy is a member of the Executive Committee of the International Chamber of Commerce (ICC) Pakistan and Past President of the Management Association of Pakistan (MAP).

He has previously served as Chairman of the Aga Khan Foundation (Pakistan). He has also served as Chief Executive Officer of the Pakistan Cables Limited for 27 years. He has also served as a Director of Pakistan Security Printing Corporation, Atlas Insurance Limited, Atlas Power Limited, Askari Bank Limited, First International Investment Bank, ICI Pakistan Limited, NBP Fund Management Limited and Pakistan Centre of Philanthropy. He has also served on the Undergraduate Admissions Committee of the Aga Khan University, the University of Pennsylvania Alumni Committee for Pakistan and on the Board of Governors of Army Burn Hall Institutions.

Mr. Azam Faruque

Director since: November 26th, 2009

Non-Executive Director

Mr. Azam Faruque is the Chief Executive Officer of Cherat Cement Company Limited, a Ghulam Faruque Group (GFG) company. He holds a graduation degree in Electrical Engineering and Computer Science from Princeton University, USA, and also possesses an MBA (High Honors) from

the University of Chicago Booth School of Business, USA. He has spent 30 years in the cement industry and other GFG businesses. He has also served as a member on the boards of Privatization Commission of the Government of Pakistan, National Bank of Pakistan and Oil and Gas Development Corporation Limited. He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. Currently, he is also a director of Atlas Battery Limited, Faruque (Private) Limited, Greaves Pakistan (Private) Limited, Indus Motors Company Limited, Unicol Limited, Habib University Foundation and State Bank of Pakistan.

Mr. Mansur Khan

Director since: September 30th, 2019
Independent Director

He has over 25 years of diversified experience, and a proven track record in Development/Commercial/Investment Banking. He has done Masters in Business Administration (with distinction) from Pace University, New York, USA; majoring in Financial Management.

Mr. Khan has served as a President / CEO of Zarai Taraqiati Bank Limited (ZTBL), SME (small and Medium Enterprises) Bank Limited, Managing Director of Pak Kuwait Investment Company, Punjab Small Industries Corporation (PSIC) and the Sudanese Microfinance Development facility (SMDF). He has international experience of working in Asia, Africa, USA, Europe and the Middle East. Prior to joining Pak Kuwait as Managing Director, he was associated with Weidemann Associates Inc, a Crown Agents USA, company. Mr. Khan was a Fighter Pilot in the Pakistan Air Force from 1970 to 1978.

He held Directorship in The General Tyre and Rubber Company of Pakistan Limited, Sudanese Microfinance Development Facility, Zarai Taraqiati Bank Limited, National Commodity Exchange Limited, Saudi Pak Agricultural and Investment Company Limited, National Database and Registration Authority, Kissan Support Services Limited, SME Bank Limited, SME Leasing Limited, TMT venture Capital Fund, Small and Medium Enterprise Development Authority, Business

Competitiveness/Support Funds, and Punjab Small Industries Corporation. A certified director from Pakistan Institute of Corporate Governance.

Mr. Ehsan A. Malik

Director since: September 30th, 2016
Independent Director

Mr. Ehsan A. Malik is a certified director from the Pakistan Institute of Corporate Governance (PICG). Mr. Ehsan A. Malik is currently serving as the Chief Executive Officer of Pakistan Business Council. Mr. Malik was the Chief Executive Officer of Unilever Pakistan Limited from 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 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.

Mrs. Saadia Shireen Rashid

Director since: September 30th, 2019
Non-Executive Director

Mrs. Saadia Shireen Rashid holds a degree from Ecole Miramonte, Montreux, Switzerland. She has served as a Director at Lahore College of Arts and Sciences (LCAS) where, apart from general management of the college, her primary responsibility included managing the institution's Finance & Accounts department. She previously also held Directorship in Kashmir Edible Oils Limited (public quoted company) for a period of nearly ten years.

In pursuit of her philanthropic aims, she has been involved in several charitable fundraisings in Lahore providing relief to natural disaster victims, thalassemia patients and furthering education and vocational training.

PROFILE OF THE BOARD OF DIRECTORS

Mr. Jehangir Shah

Director since: September 30th, 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.

Mr. Riyaz T. Chinoy

Director since: August 30th, 2007
Chief Executive Officer since: August 11th, 2011

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

is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance.

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



LIST OF OTHER DIRECTORSHIPS

Directors	Organizations
Mr. Mustapha A. Chinoy	International Industries Limited
	International Steels Limited
	Pakistan Cables Limited
	Intermark (Private) Limited
	Crea8ive Bench (Private) Limited
	Global e-Commerce Services (Private) Limited
	Global Reservation (Private) Limited
Mr. Adnan Afridi	Travel Solutions (Private) Limited
	International Industries Limited
	National Investment Trust Limited
	Bank Al Habib Limited
	Bulk Transport Company (Private) Limited
	Dynea Pakistan Limited
	Habib Sugar Mills Limited
Mr. Kamal A. Chinoy	Lotte Chemical Pakistan Limited
	Mari Petroleum Company Limited
	The Kidney Centre Institute
	SECP Policy Board
	International Industries Limited
	International Steels Limited
	Pakistan Cables Limited
Mr. Azam Faruque	Jubilee Life Insurance Company Limited
	International Industries Limited
	Cherat Cement Company Limited
	Atlas Battery Limited
	Faruque (Private) Limited
	Greaves Pakistan (Private) Limited
	Indus Motors Company Limited
Mr. Mansur Khan Mr. Ehsan A. Malik	Unicol Limited
	Habib University Foundation
	State Bank of Pakistan
	International Industries Limited
	International Industries Limited
	Pakistan Business Council
	Abbot Laboratories Pakistan Limited
Mrs. Saadia Shireen Rashid Mr. Jehangir Shah	Gul Ahmed Textile Limited
	National Foods Limited
	International Industries Limited
	International Industries Limited
	Pak Oman Asset Management Company Limited
	International Industries Limited
	IIL Americas Inc.
Mr. Riyaz T. Chinoy	IIL Australia Pty Limited
	Bulleh Shah Packaging (Private) Limited
	Indus Motor Company Limited
	Jubilee General Insurance Limited
	Pakistan Business Council (PBC)
	Citizens Trust Against Crime (CTAC)
	Management Association of Pakistan
	Pakistan Institute of Corporate Governance (PICG)
	The Citizens Foundation
	The Water Foundation



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IRON PIPES**



**IIL HOLLOW
STRUCTURAL SECTIONS**



**IIL SCAFFOLDING
PIPES**



**IIL FIREFIGHTING
PIPES**



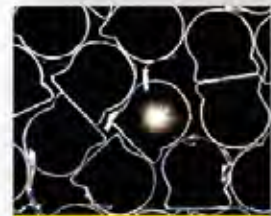
**IIL PRE-GALVANIZED
TUBES**



**IIL API LINE
PIPES**



**IIL COLD ROLLED
STEEL TUBES**



**IIL LTZD
PROFILES**



**IIL PPRC PIPES &
FITTINGS**



**IIL HDPE WATER
PIPES**



**IIL HDPE DUCT
PIPES**



**IIL MDPE GAS PIPES
& FITTINGS**



**IIL COSMO
SS GRADE 304**



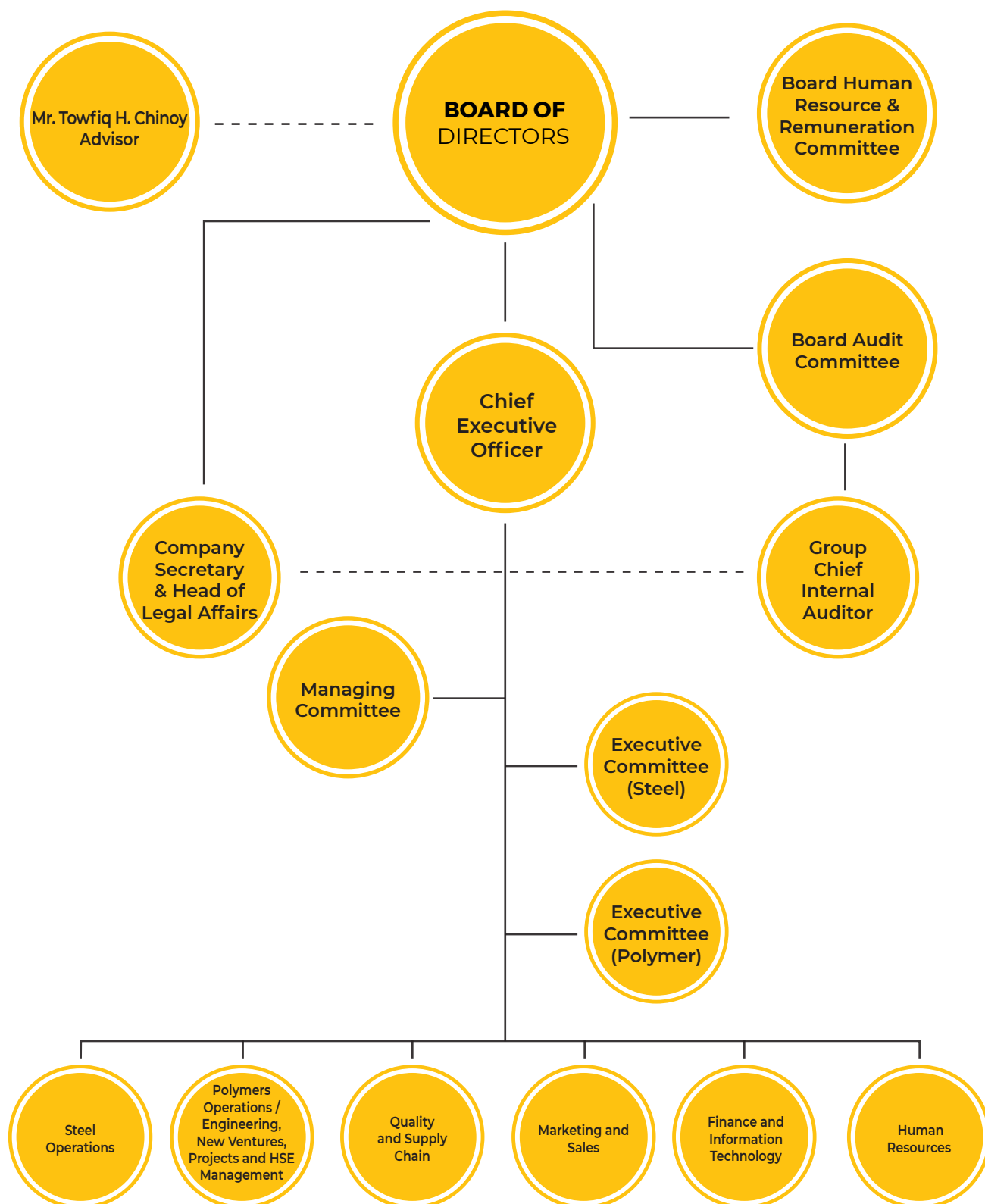
**IIL FORZA
SS GRADE 409**

STEEL PIPES & TUBES | STAINLESS STEEL TUBES | POLYMER PIPES & FITTINGS

As Pakistan's premium producer of pipes & tubes, we at International Industries Limited (IIL) cater to thousands of customers from a variety of sectors. From Oil & Gas, Residential and Commercial Construction, to the Government sector and Automotive Industry, our products are trusted for their trademarked quality and outstanding reliability.

As we grow, we stay committed to our promise of reliability, for now & tomorrow.

ORGANIZATION STRUCTURE



GOVERNANCE FRAMEWORK

The main philosophy of business followed by the sponsors of International Industries Limited for the last 72 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 2019, Rule Book of the Pakistan Stock Exchange Limited and the Corporate Financial Reporting Framework of Securities and Exchange Commission of Pakistan. Our approach towards corporate governance ensures ethical behavior, transparency, accountability in all that we do and to attaining a fair value for the shareholders.

Compliance Statement

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

The Directors confirm that 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 chaired by Mr. Mustapha A. Chinoy, a Non-Executive Chairman; out of nine (9) Directors, four (4) are Independent Directors and one (1) is Female Director. 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, all Directors have either attended the Directors Training Program or have minimum of 14 years of education and 15 years of experience on the Board of listed companies and therefore are exempt from the Directors Training Program.

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 Board Human Resources and Remuneration Committee (BHR&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, Board Audit Committee and Board Human Resource and Remuneration Committee Meetings. All the Board members



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

During the year 2019-20, the Board had eight (8) meetings during this year, out of which four (4) were held to review the annual/quarterly results, one (1) for appointment of Chairman and CEO and constitution of the Board Committees, one (1) for Strategy and two (2) for budget. The average attendance of the Directors in Board meetings during the year was 93%.

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 and Exchange Commission of Pakistan.

Changes in the Board

Mr. Fuad Azim Hashimi retired from the Board of Directors on September 29, 2019, at the conclusion of his term. Mr. Hashimi joined the BOD in 2005 and served on the Board audit committee for 15 years with 8 years as its Chairman. Mr. Tariq Ikram also retired at the conclusion of his term as an independent Director after having served on the IIL Board since 2011 including having served as the Chairman of the Board Human Resource & Remuneration Committee. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Hashimi and Mr. Ikram.

On September 30, 2019, the remaining seven retiring Directors along with Mr. Mansur Khan and Mrs. Saadia Shireen Rashid were elected to a new three-year term on the Board of IIL. The Board welcomes Mr. Khan and Mrs. Rashid and looks forward to their contribution.

Board Meetings Outside Pakistan

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

Role and Responsibilities of the Chairman and Chief Executive

The Board of Directors provides the overall direction for the Company operations and provides oversight for various policies and monitors the management in the light of operational and financial plans. The roles of Board and the Chief Executive Officer have

been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business.

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

Business Philosophy and Best Corporate Practices

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

The Board Charter defines the scope of the Board's activities in setting the tone at the top, formulating strategies and providing oversight to the management for sustainable growth of the business. The Board members actively participate in the meetings to provide guidance concerning the Company's business activities, operational plans, review corporate operations and formulate and review all significant policies. The Board firmly adheres to the best ethical practices and fully recognises its responsibilities for protection and efficient utilisation 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 eight (8) meetings, agendas of which were duly circulated at least a week before the meetings.

Timely Communication of Financial Results

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within sixty nine (69) days from the close of the financial year. Additionally, all important disclosures, including the financial statement, were also made on the Company's website to keep the stakeholders duly informed.

Board Evaluation

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

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

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

Risk and Opportunity Management

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

For more details on Risk and Opportunity Management, please refer to the Directors' Report on page No. 66.

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 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. 52.

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

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

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

Corporate Social Responsibility

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

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

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

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

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

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

Sustainability Measures

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

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

For more details, please refer to our Group Sustainability Report which has been circulated with the Annual Report 2020 and is available on our website (www.iil.com.pk)

Engaging Stakeholders and Transparency

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

To bring an accurate understanding of the Management's policies and business activities to all its stakeholders, the Company 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. The Company encourages full participation of the members in the Annual General Meetings by sending corporate results and sufficient information following the prescribed timeline so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors.

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

Policy for Investor Grievances

The Company has an “Investor Relation Policy” that sets out the principles in providing the shareholders and prospective investors with necessary information to make well informed investment decisions and to ensure a level playing field. Investor grievances and complaints are very important and are properly reviewed to minimize the recurrence of similar issues in future. The following principles are adhered to with regards to investor grievances:

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

3. Various modes of communication like email, telephone, meetings and raising matters at the Annual General Meeting are available to investors to raise grievances.
4. Queries and complaints are treated fairly and efficiently.
5. Employees work in good faith and without prejudice towards the interest of the creditors.
6. Detailed Company information regarding financial highlights, investor information, and other requisite information specified under the relevant regulations has been placed on the corporate website of the Company which is updated on regular basis.

Safety of Company Records

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

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

Human Resources Management Policies and Succession Planning

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

Information Technology Policy

A well-defined Information Technology Policy is in place to help achieve efficient and effective use of IT resources for the Company so as to establish

priorities, strategy delivery, increase productivity and deliver right services to users. The IT Steering Committee comprising of CEO, CFO and CIO are responsible for taking major IT decisions. The CIO is responsible for ensuring communication of CIO security policies to all users of the Company. Further, Internal Audit is responsible for monitoring compliance of IT 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’s published financial statements during the 71st Annual General Meeting of the Company held on September 30th, 2019, no significant issues were raised.

Dividend and/or Bonus Shares

The Board of Directors of the Company has not recommended dividend and/or bonus for the year ended June 30th, 2020.

Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the Directors and executives as on June 30th, 2020 is placed on Page No. 269.

MECHANISM FOR PROVIDING INFORMATION

FORMAL REPORTING LINE

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

EMPLOYEES

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

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

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

CORPORATE BRIEFING SESSIONS

The Corporate Briefing Session of the Company was held on Monday, September 30, 2019 at 4.00 p.m. at Jasmin Hall, Beach Luxury Hotel, off: M.T. Khan Road, Karachi to brief the investors/analyst/shareholders about the financial performance and future outlook of the Company.

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 Board Audit Committee and the Human Resource & Remuneration Committee to support its decision making in their respective domains:

A. Board Audit Committee

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

The Board Audit Committee comprises of three (03) Non-executive Directors, out of which two (02) 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 Board 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 Board Audit Committee are held at least once every quarter; the recommendations of the Board Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2019-20, the Board Audit Committee held five (05) meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Board Audit Committee are provided to all members, Directors and the Chief Financial Officer. The Chief Internal Auditor meets the Board 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 Board Audit Committee

The Board 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 Board Audit Committee are as follows:

1. Recommending the appointment of internal and external auditors to the Board.
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. Board Human Resources & Remuneration Committee

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

BHR&RC comprises of five (05) members and the Chairman is an Independent Director whereas the other four members are the Chief Executive Officer and three 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 BHR&RC. The minutes of the meetings of the BHR&RC meetings are provided to all members and Directors. The Committee held two (02) meetings during the year.

Terms of Reference of Board 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 BHR&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 BHR&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

Meetings of the Board of Directors, Board Audit Committee and Board Human Resource and Remuneration Committee were held according to an annual schedule circulated before each fiscal year to ensure maximum director participation.

	Board	BAC	BHR&RC
Meetings held during FY 2019-20			
Mr. Mustapha A. Chinoy ^	8/8	-	1/1
Mr. Adnan Afridi	7/8	-	-
Mr. Kamal A. Chinoy ^	6/8	4/5	-
Mr. Azam Faruque	7/8	-	1/2
Mr. Mansur Khan * ^	6/6	-	1/1
Mr. Ehsan A. Malik	8/8	5/5	-
Mrs. Saadia S. Rashid *	6/6	-	-
Mr. Jehangir Shah	8/8	5/5	-
Mr. Riyaz T. Chinoy	8/8	-	2/2
Mr. Fuad Azim Hashimi **	2/2	1/1	-
Mr. Tariq Ikram**	2/2	-	1/1

* Mr. Mansur Khan and Mrs. Saadia S. Rashid elected on the Board of Directors on September 30, 2019.

** Mr. Fuad Azim Hashimi and Mr. Tariq Ikram retired from the Board of Directors and Board Committees on September 29, 2019.

^ Mr. Mustapha A. Chinoy and Mr. Mansur Khan were appointed as a member of BHR&RC w.e.f. September 30, 2019 and Mr. Kamal A. Chinoy was also appointed a member of BHR&RC on April 2, 2020.



MANAGING COMMITTEE

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

Composition of the Managing Committee:

			Meetings held during the FY 2019-20
Mr. Riyaz T. Chinoy	Chairman	Chief Executive Officer	21/21
Mr. Muhammad Akhtar*	Member	Chief Financial Officer	11/11
Mr. Khawar Bari	Member	Director Marketing & Sales	21/21
Mr. Khalid Junejo	Member	Director Human Resources	21/21
Mr. Zulfiqar Mooraj**	Member	BUH Construction Division	16/16
Ms. Asema Tapal	Member	Group Chief Internal Auditor	21/21
Mr. Perwaiz Ibrahim	Member	Technical Advisor	21/21
Mr. Mohsin Safdar	Member	CEO IIL Americas	21/21
Mr. Sohail Bhojani	Member	CEO IIL Australia	21/21
Mr. Owais Ahmed	Secretary	Chief Information Officer	21/21
Mr. Muhammad Hanif Idrees***	Member	Chief Financial Officer	10/10

* Mr. Muhammad Akhtar joined on January 16th, 2020

** Mr. Zulfiqar Mooraj joined on October 1st, 2019

*** Mr. Hanif Idrees resigned on January 15th, 2020

Role of the Managing Committee

The Committee is responsible for the following:

- Reviewing the organizational structure.
- Establishing the Executive Committees and their TORs.
- Reviewing the annual budget of the Company.
- Reviewing the business principles, strategy, strategic priorities, risk analysis, business plan as well as key performance indicators, financial performance, annual targets and variances.
- Reviewing the Company's Management Information System (MIS).



EXECUTIVE COMMITTEES

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

Composition of the Executive Committee – Steel:

			Meetings held during the FY 2019-20
Mr. Muhammad Riaz Moazzam	Chairman	GM Operations (Steel)	12/12
Mr. Mirza Samar Abbas	Member	GM Domestic Sales (South) & Global Sales	12/12
Mr. Sheraz Ahmed Khan	Member	GM Domestic Sales (North)	12/12
Mr. Salman Najeeb	Member	Financial Controller	12/12
Mr. Syed Ghazanfar Ali Shah	Member	Div. Manager Supply Chain & QA	12/12
Mr. Zain Kamal Chinoy	Member	Div. Manager Global Sales	12/12
Mr. Samiuddin Khan	Secretary	Div. Manager IR & Admin (South)	12/12

Composition of the Executive Committee – Polymer:

Mr. Muhammad Imran Siddiqui	Chairman	GM Polymer, Engineering, Projects & New Ventures	12/12
Mr. Mirza Samar Abbas	Member	GM Domestic Sales (South) & Global Sales	12/12
Mr. Sheraz Ahmed Khan	Member	GM Domestic Sales (North)	12/12
Mr. Usman Ali *	Member	Div. Manager PPRC Sales	9/9
Mr. Nasir Arif Raja	Member	Div. Manager Polymer Operations	12/12
Mr. Fahad Mushtaq	Secretary	Deputy Manager IR & Admin (North)	12/12

*Mr. Usman Ali joined on October 7th, 2019

Role of the Executive Committee

The Committee is responsible for the following:

- Reviewing the organizational structure and recommending the changes to the Managing Committee.
- Reviewing the business principles, strategy, strategic priorities, risk analysis, business plan.
- Reviewing the key performance indicators, financial and non-finance performance, targets and variances against budget, if any.
- Recommending the changes in the Company's Management Information System (MIS) to the Managing Committee.
- Reviewing the training needs for optimization of the resources.
- Briefing the Managing Committee and CEO on the matters discussed at the EC meeting.
- Reviewing the raw material, WIP and finished goods inventory levels and taking timely action on reducing/controlling the same.
- Reviewing the status of the order book for the next month production planning.
- Reviewing the product development and new projects and ventures.

REPORT OF THE BOARD AUDIT COMMITTEE

on Adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended June 30th, 2020 and reports that:

- The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange, Code of Corporate Governance, Company's Code of Conduct and Values and the international best practices of governance throughout the year.
- The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.
- Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended June 30th, 2020, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman & Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.
- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Act, 2017.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

INTERNAL AUDIT FUNCTION

- The internal control framework was effectively implemented through outsourcing the internal audit function to M/s EY Ford Rhodes, Chartered Accountants, for the last many years. Presently the Company's internal Audit function is being looked after by the Chief Internal Auditor in compliance of the Code of Corporate Governance, who is assisted by the internal auditor's M/s EY Ford Rhodes. The Chief Internal Auditor reports directly to the Chairman of the Board Audit Committee.
- The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the company and the shareholder's wealth through effective financial, operational and compliance controls and risk management at all levels within the company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory auditors of the Company, KPMG Taseer Hadi & Co, Chartered Accountants, have completed their audit of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended June 30th, 2020 and shall retire on the conclusion of the 72nd 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.
- The retiring Auditors, KPMG Taseer Hadi & Co., Chartered Accountants, have completed the period of five years. Therefore, the Board Audit Committee recommends that A. F. Ferguson & Co., Chartered Accountants (a member firm of the PwC network), who have indicated their consent to act as Auditors, be appointed as Statutory Auditors at the same statutory audit fees as currently being paid to the retiring Auditors. In addition, any Federal or Provincial taxes and reimbursements of out of pocket expenses will be paid at actuals.



Mr. Ehsan A. Malik
Chairman - BAC

Dated: August 20th, 2020
Karachi





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, 2019

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

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

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop 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 2020.

Date: September 6th, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

International Industries Limited For the year ending June 30th, 2020

International Industries Limited (hereinafter referred to as 'the Company') has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner:

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

	Category	Number of Directors
a.	Male Director*	8
b.	Female Director	1

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

- The composition of the Board of Directors is as follows:

Categories	Names of Directors
Independent Directors	1- Mr. Adnan Afridi 2- Mr. Mansur Khan 3- Mr. Ehsan A. Malik 4- Mr. Jehangir Shah
Non-Executive Directors	1- Mr. Kamal A. Chinoy 2- Mr. Mustapha A. Chinoy 3- Mr. Azam Faruque
Non-Executive Female Director	1- Mrs. Saadia S. Rashid
Executive Director	1- Mr. Riyaz T. Chinoy

- The Independent Directors meet the criteria of independence as defined under the Companies Act, 2017.
- The Directors have confirmed that none of them is serving as a Director of more than seven (7) listed companies, including this Company.
- The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- The Board has approved a Vision/Mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Regulations.

8. The meetings of the Board were presided over by the Chairman of the Board and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board.
9. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and the Regulations.
10. All Directors have either attended the Directors Training Program or have minimum of 14 years of education and 15 years of experience on the Board of listed companies and therefore are exempt from the Directors Training Program.
11. The Board has approved appointment of the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
12. The Chief Financial Officer and the Chief Executive Officer have duly endorsed the financial statements before the approval of the Board.
13. The Board has formulated the following committees comprising of the members listed against each committee as of June 30th, 2020:

Name of Committee	Composition
a) Board Audit Committee (BAC)	1. Mr. Ehsan Malik, Chairman – Independent Director 2. Mr. Kamal A. Chinoy, Member – Non-Executive Director 3. Mr. Jehangir Shah, Member – Independent Director
b) Board Human Resource & Remuneration Committee (BHR&RC)	1. Mr. Mansur Khan, Chairman – Independent Director 2. Mr. Kamal A. Chinoy, Member – Non-Executive Director 3. Mr. Mustapha A. Chinoy, Member – Non-Executive Director 4. Mr. Azam Faruque, Member – Non-Executive Director 5. Mr. Riyaz T. Chinoy, Member – Chief Executive Officer

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

Name of Committee	Number of Meetings
a) Board Audit Committee (BAC)	Five (05)
b) Board Human Resource and Remuneration Committee (BHR&RC)	Two (02)

16. The Board has set up an effective Internal Audit function supervised by a qualified Chartered Accountant, who is being assisted by M/s EY Ford Rhodes and in house executives to carry out the Internal Control functions. The Internal Auditors are conversant with the policies and procedures of the Company and are considered suitably qualified and experienced for the purpose.
17. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan and are registered with the Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Chief Internal Auditor, Company Secretary or Director of the Company.

18. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all requirements of regulations 3, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Mr. Ehsan A. Malik
Chairman - BAC



Mr. Riyaz T. Chinoy
Chief Executive Officer

Dated: August 27th, 2020



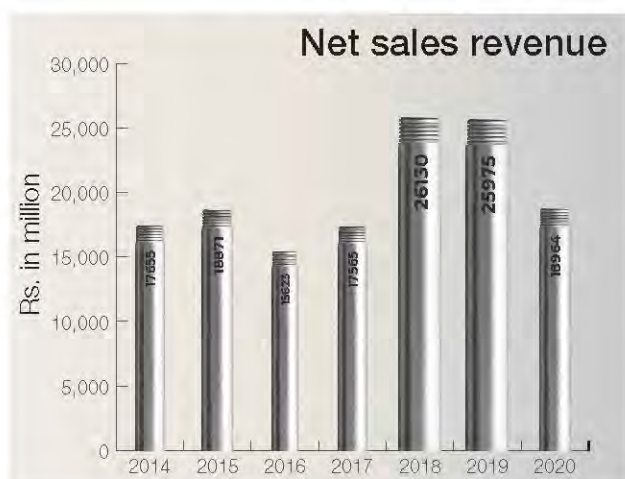


FINANCIAL **HIGHLIGHTS**

FINANCIAL HIGHLIGHTS

	2020	2019	%
	-----Rupees in million-----		
Net Sales Revenue	18,964	25,975	(27.0)
Gross Profit	1,371	2,826	(51.5)
Property, Plant & Equipment	7,081	7,360	(3.8)
Shareholders equity	8,946	9,949	(10.1)
Book Value per share (Rupees)	67.83	82.98	(18.3)

BUSINESS GROWTH



SHAREHOLDER VALUE ACCRETION



ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Position

	2020	2019	2018	2017	2016	2015	2014
	Rs. in million						
Property, plant and equipment	7,081	7,360	5,770	5,088	4,852	3,622	3,502
Investments	3,295	3,277	3,277	2,743	2,743	2,743	2,593
Other non current assets	5	7	72	67	59	21	18
Current assets	12,758	14,683	13,346	10,619	6,322	6,752	10,133
Total assets	23,140	25,327	22,465	18,516	13,977	13,138	16,247
Shareholders' equity	8,946	9,949	8,894	7,859	7,307	6,343	6,004
Non current liabilities	1,971	2,156	2,338	1,494	1,332	458	568
Current portion of long term financing	411	291	181	110	158	150	150
Short term borrowings	9,394	9,425	8,310	5,899	3,243	4,664	6,277
Other Current liabilities	2,417	3,506	2,743	3,155	1,937	1,522	3,247
Total equity & liabilities	23,140	25,327	22,465	18,516	13,977	13,138	16,247

Vertical Analysis

	Percentage						
Property, plant and equipment	30.6	29.1	25.7	27.5	34.7	27.6	21.6
Investments	14.2	12.9	14.6	14.8	19.6	20.9	16.0
Other non current assets	0.0	0.0	0.3	0.4	0.4	0.2	0.1
Current assets	55.1	58.0	59.4	57.3	45.2	51.4	62.4
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	38.7	39.3	39.6	42.4	52.3	48.3	37.0
Non current liabilities	8.5	8.5	10.4	8.1	9.5	3.5	3.5
Current portion of long term financing	1.8	1.1	0.8	0.6	1.1	1.1	0.9
Short term borrowings	40.6	37.2	37.0	31.9	23.2	35.5	38.6
Other Current liabilities	10.4	13.8	12.2	17.0	13.9	11.6	20.0
Total equity & liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis

	Percentage						
Property, plant and equipment	(3.8)	27.6	13.4	4.9	34.0	3.4	1.1
Investments	0.5	0.0	19.5	-	-	5.8	0.4
Other non current assets	(23.9)	(90.4)	6.9	12.9	183.6	13.9	4.2
Current assets	(13.1)	10.0	25.7	68.0	(6.4)	(33.4)	19.2
Total assets	(8.6)	12.7	21.3	32.5	6.4	(19.1)	11.5
Shareholders' equity	(10.1)	11.9	13.2	7.6	15.2	5.6	0.4
Non current liabilities	(8.6)	(7.8)	56.5	12.1	190.9	(19.4)	(20.8)
Current portion of long term financing	41.2	60.8	64.9	(30.7)	5.5	-	-
Short term borrowings	(0.3)	13.4	40.9	81.9	(30.5)	(25.7)	(12.3)
Other Current liabilities	(31.1)	27.8	(13.1)	62.9	27.2	(53.1)	358.9
Total equity & liabilities	(8.6)	12.7	21.3	32.5	6.4	(19.1)	11.5

ANALYSIS OF FINANCIAL STATEMENTS

Statement of Profit or Loss

	2020	2019	2018	2017	2016	2015	2014
	Rs. in million						
Net Sales	18,964	25,975	26,130	17,565	15,623	18,871	17,655
Cost of Sales	(17,593)	(23,149)	(22,619)	(14,396)	(12,800)	(16,425)	(15,088)
Gross Profit	1,371	2,826	3,511	3,169	2,824	2,446	2,567
Administrative, Selling and Distribution expenses	(1,112)	(1,443)	(1,631)	(1,408)	(1,424)	(1,346)	(1,229)
Other operating expenses	(31)	(98)	(172)	(180)	(116)	(82)	(73)
Other operating income	580	1,733	883	1,037	155	402	166
Operating profit before financing cost	809	3,017	2,591	2,618	1,438	1,420	1,431
Finance cost	(1,238)	(924)	(442)	(224)	(334)	(488)	(779)
(Loss) / Profit before Taxation	(430)	2,093	2,149	2,393	1,104	933	652
Taxation	(264)	(518)	(567)	(551)	(318)	(202)	(149)
(Loss) / Profit after Taxation	(694)	1,575	1,582	1,842	786	731	503

Vertical Analysis

	Percentage						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	(92.8)	(89.1)	(86.6)	(82.0)	(81.9)	(87.0)	(85.5)
Gross Profit	7.2	10.9	13.4	18.0	18.1	13.0	14.5
Administrative, Selling and Distribution expenses	(5.9)	(5.6)	(6.2)	(8.0)	(9.1)	(7.1)	(7.0)
Other operating expenses	(0.2)	(0.4)	(0.7)	(1.0)	(0.7)	(0.4)	(0.4)
Other operating income	3.1	6.7	3.4	5.9	1.0	2.1	0.9
Operating profit before financing cost	4.3	11.6	9.9	14.9	9.2	7.5	8.1
Finance cost	(6.5)	(3.6)	(1.7)	(1.3)	(2.1)	(2.6)	(4.4)
(Loss) / Profit before Taxation	(2.3)	8.1	8.2	13.6	7.1	4.9	3.7
Taxation	(1.4)	(2.0)	(2.2)	(3.1)	(2.0)	(1.1)	(0.8)
(Loss) / Profit after Taxation	(3.7)	6.1	6.1	10.5	5.0	3.9	2.8

Horizontal Analysis

	Percentage						
Net Sales	(27.0)	(0.6)	48.8	12.4	(17.2)	6.9	(1.9)
Cost of Sales	(24.0)	2.3	57.1	12.5	(22.1)	8.9	(3.7)
Gross Profit	(51.5)	(19.5)	10.8	12.2	15.4	(4.7)	10.1
Administrative, Selling and Distribution expenses	(22.9)	(11.5)	15.8	(1.1)	5.8	9.5	21.6
Other operating expenses	(68.8)	(43.0)	(4.0)	55.0	42.1	12.0	2.1
Other operating income	(66.5)	96.2	(14.8)	567.7	(61.4)	141.7	11.4
Operating profit before financing cost	(73.2)	16.5	(1.0)	82.0	1.3	(0.7)	2.4
Finance cost	34.0	109.3	97.1	(33.0)	(31.4)	(37.4)	11.5
(Loss) / Profit before Taxation	(120.5)	(2.6)	(10.2)	116.8	18.3	43.1	(6.8)
Taxation	(49.0)	(8.6)	3.0	73.3	57.2	35.9	5.8
(Loss) / Profit after Taxation	(144.1)	(0.4)	(14.1)	134.4	7.6	45.3	(9.9)

ANALYSIS OF FINANCIAL STATEMENTS

Statement of Cash Flows

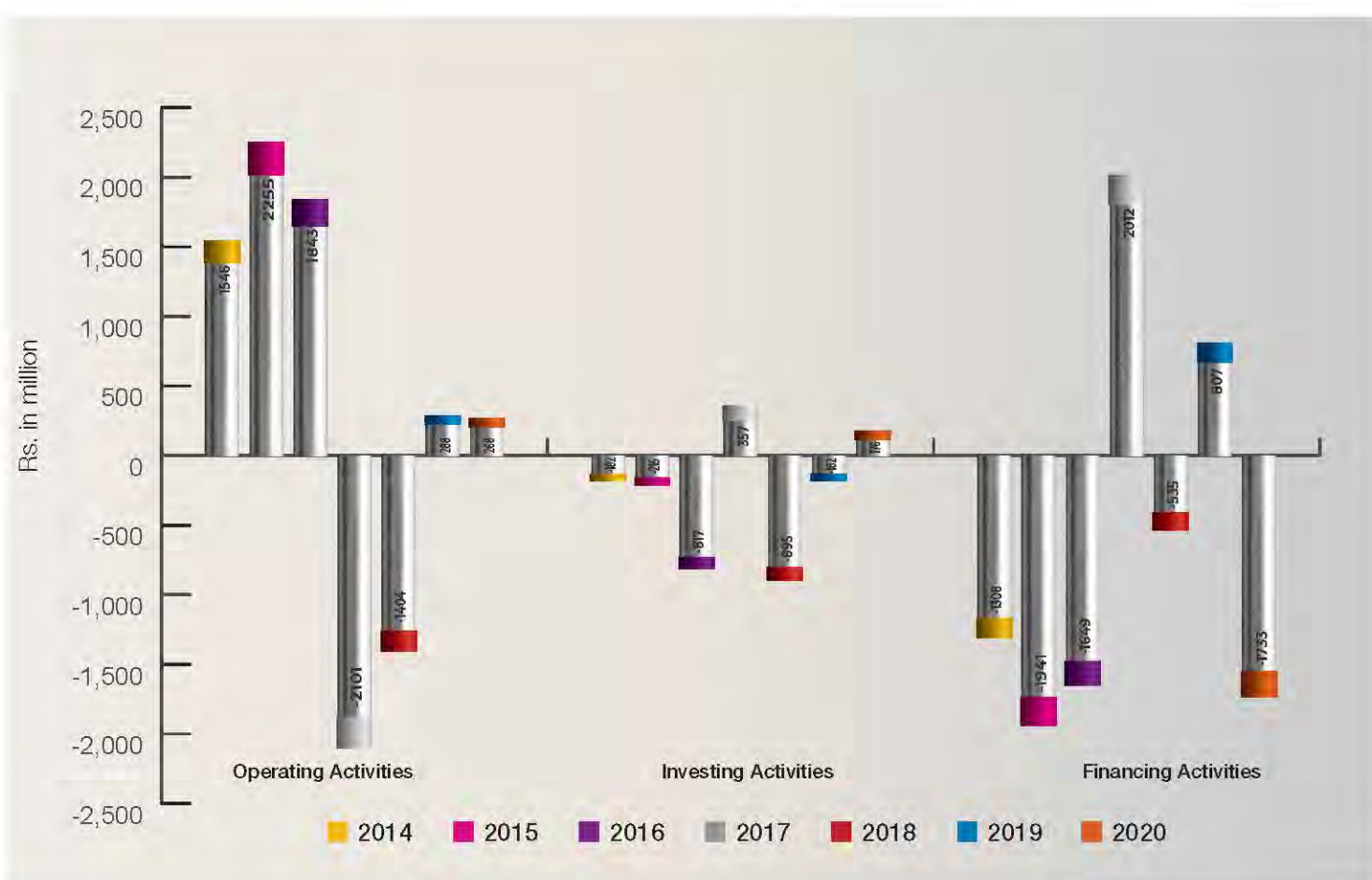
	2020	2019	2018	2017	2016	2015	2014
	Rs. in million						
Net cash generated from/(used in) operating activities	268	288	(1,404)	(2,101)	1,843	2,255	1,546
Net cash inflows/(outflows) from investing activities	176	(182)	(895)	357	(817)	(215)	(182)
Net cash (outflows)/inflows from financing activities	(1,733)	807	(535)	2,012	(1,649)	(1,941)	(1,308)
Net increase/(decrease) in cash and cash equivalents	(1,290)	913	(2,834)	268	(623)	99	56

Vertical Analysis

	Percentage						
Net cash generated from/(used in) operating activities	21	(32)	(50)	(785)	296	2,271	2,783
Net cash inflows/(outflows) from investing activities	14	20	(32)	134	(131)	(216)	(328)
Net cash (outflows)/inflows from financing activities	(134)	(88)	(19)	751	(265)	(1,955)	(2,356)
Net increase/(decrease) in cash and cash equivalents	(100)	(100)	(100)	100	(100)	100	100

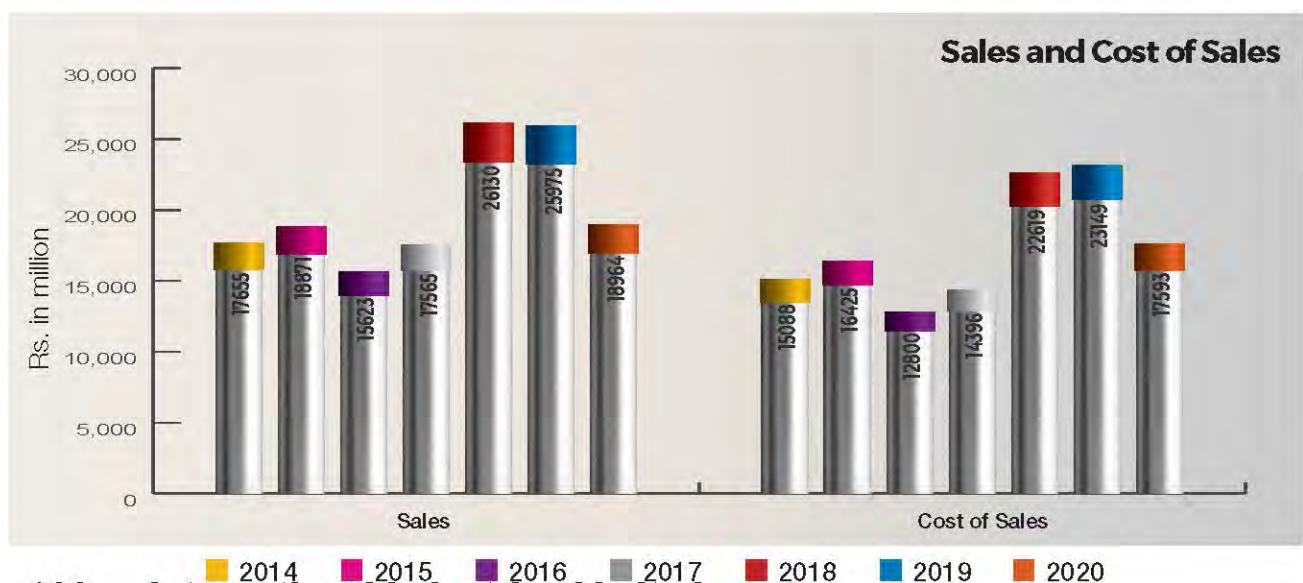
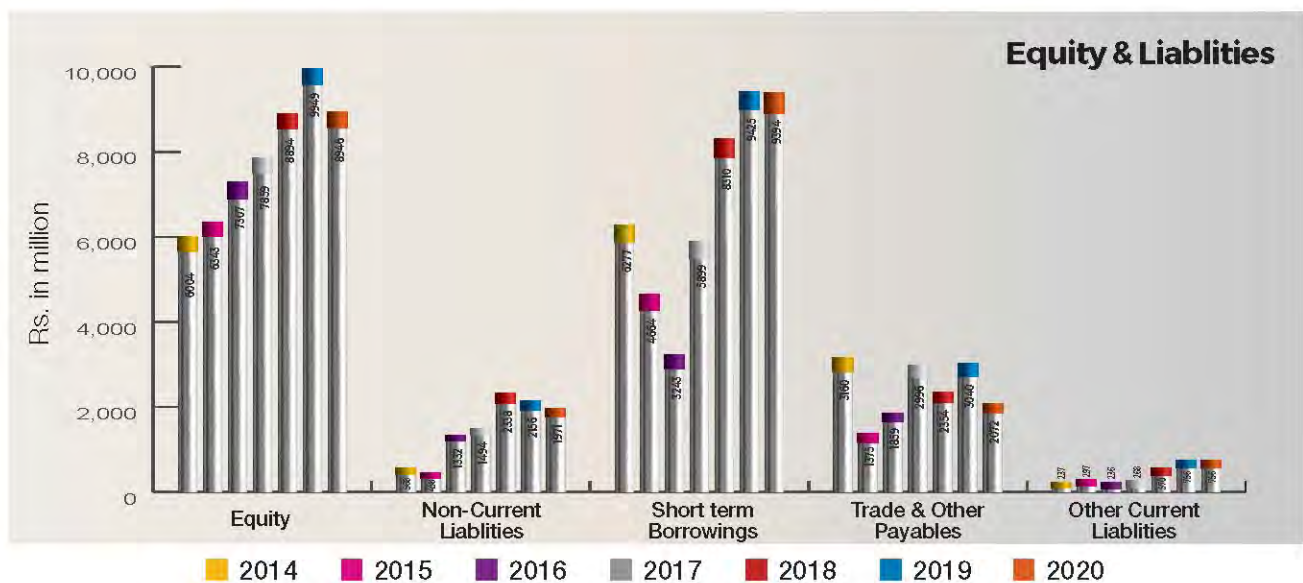
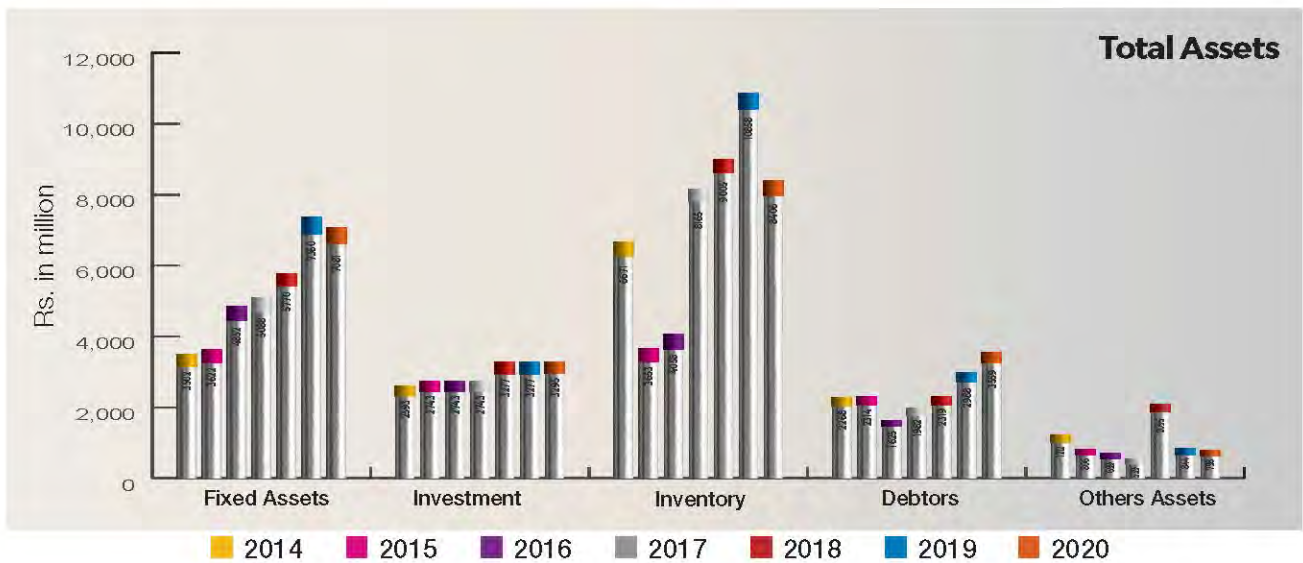
Horizontal Analysis

	Percentage						
Net cash generated from/(used in) operating activities	(7)	(121)	(33)	(214)	(18)	46	28
Net cash inflows/(outflows) from investing activities	(196)	(80)	(350)	(144)	281	18	8
Net cash (outflows)/inflows from financing activities	(315)	(251)	(127)	(222)	(15)	48	21
Net increase/(decrease) in cash and cash equivalents	(241)	(132)	(1,158)	(143)	(727)	79	(229)



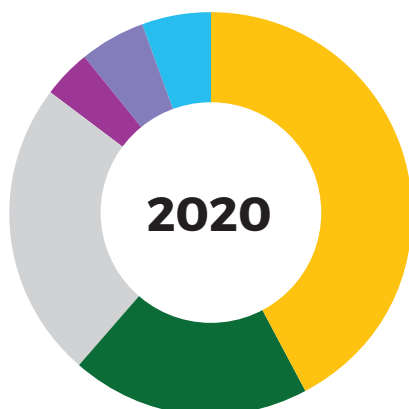
Graphical presentation of

Statement of Financial Position and Statement of Profit or Loss

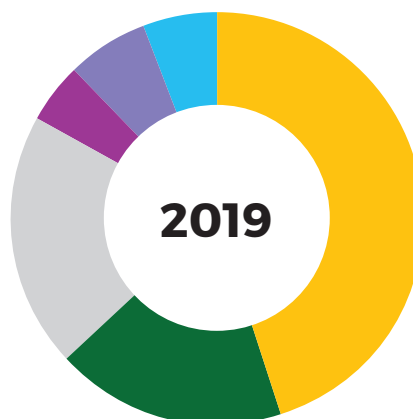


Key Financial Indicators (Graphs)

Conversion Cost

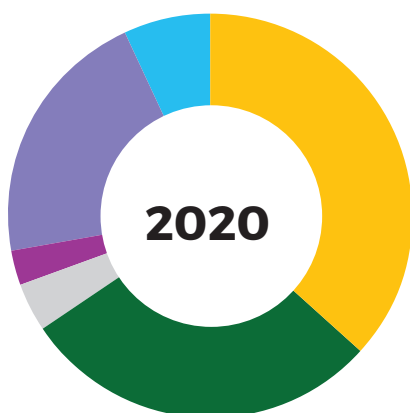


- Salaries, wages and benefits
- Electricity, gas and water
- Depreciation and amortisation
- Operational supplies and consumables
- Repairs and maintenance
- Others

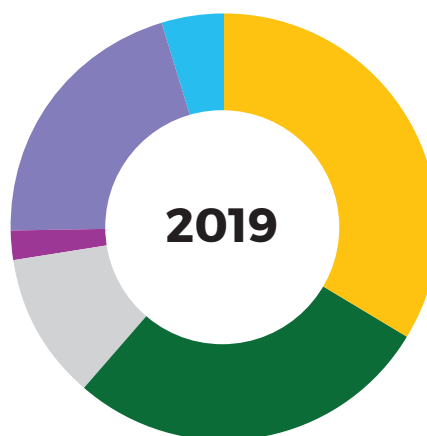


2019	2018
Rs in million	
867	970
394	389
494	428
80	101
106	141
112	120
2,054	2,150

Product Wise Performance



- Galvanized iron pipes
- CR steel tubes
- API line pipes
- Black pipes
- Polymer
- Others



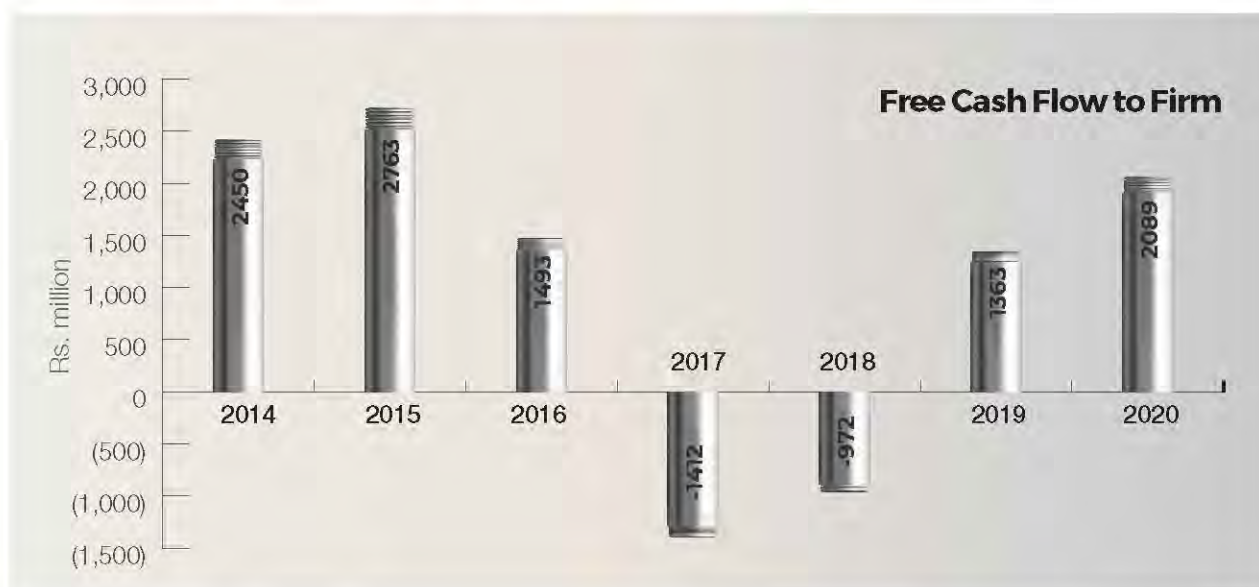
2020	2019
% of tonnage	
37%	34%
28%	27%
4%	11%
3%	2%
7%	5%
21%	21%
100%	100%

Key Financial Indicators

		2020	2019	2018	2017	2016	2015	2014
Profitability Ratios								
Gross profit ratio	%	7.2	10.9	13.4	18.0	18.1	13.0	14.5
Net profit to Sales	%	(3.7)	6.1	6.1	10.5	5.0	3.9	2.8
EBITDA Margin to Sales	%	7.1	13.4	11.4	17.1	10.9	8.8	9.4
Cost to Income Ratio	Times	12.2	2.6	1.9	1.8	2.3	2.8	1.9
Operating Leverage	%	2.3	(28.8)	0.0	6.1	(0.2)	0.0	(1.9)
Return on Equity with Surplus on revaluation of fixed assets	%	(7.8)	15.8	17.8	23.4	10.8	11.5	8.4
Return on Equity without Surplus on revaluation of fixed assets	%	(10.6)	21.0	22.8	31.5	15.1	15.3	11.4
Return on Capital Employed	%	(6.6)	13.5	14.6	20.4	9.4	11.1	8.0
Return on Total Assets	%	(3.0)	6.2	7.0	10.0	5.6	5.6	3.1
Liquidity Ratios								
Current ratio	Times	1.04	1.11	1.19	1.16	1.18	1.07	1.05
Quick / Acid test ratio	Times	0.34	0.27	0.37	0.26	0.40	0.47	0.34
Cash to Current Liabilities	Times	(0.53)	(0.39)	(0.54)	(0.06)	(0.15)	(0.03)	(0.03)
Cash flow from Operations to Sales	Times	0.01	0.01	(0.05)	(0.12)	0.12	0.12	0.09
Activity / Turnover Ratios								
Inventory turnover ratio	Times	1.8	2.3	2.6	2.4	3.3	3.2	2.5
Inventory turnover in days	Days	200	157	139	155	110	115	146
Debtor turnover ratio	Times	7.0	11.6	14.3	10.8	8.9	8.8	8.6
Debtor turnover in days	Days	52	31	26	34	41	41	43
Creditor turnover ratio	Times	22.9	34.2	37.1	20.1	22.6	7.7	10.4
Creditor turnover in days	Days	16	11	10	18	16	47	35
Total assets turnover ratio	Times	0.8	1.0	1.2	0.9	1.1	1.4	1.1
Fixed assets turnover ratio	Times	2.7	3.5	4.5	3.5	3.2	5.2	5.0
Operating cycle in days	Days	236	177	154	171	135	109	154
Capital employed turnover ratio	Times	1.7	2.3	2.6	2.0	2.1	2.9	2.8
Investment / Market Ratios								
Earnings per share - basic and diluted	Rs.	(5.3)	11.9	13.2	15.4	6.6	6.1	4.2
Price earning ratio	Times	(17.4)	6.5	17.6	24.0	10.8	11.0	11.8
Dividend Yield ratio	%	0.0	8.4	3.7	2.4	6.4	6.0	6.6
Dividend Payout ratio	%	0.0	54.4	64.4	58.57	68.64	65.6	77.5
Dividend per share - Cash	Rs.	-	5.50	8.50	9.00	4.50	4.00	3.25
Bonus shares	Rs.	-	1.00	-	-	-	-	-
Dividend Cover	Times	-	1.84	1.55	1.71	1.46	1.52	1.29
Market value per share at the end of the year	Rs.	91.73	77.07	231.98	368.57	70.55	67.14	49.44
Market value per share high during the year	Rs.	120.99	247.97	377.00	405.99	93.90	86.90	61.35
Market value per share low during the year	Rs.	63.50	71.25	203.00	85.80	60.00	44.51	39.70
Break-up value per share with revaluation of fixed assets	Rs.	67.83	82.98	74.19	65.55	60.94	52.91	50.08
Break-up value per share without revaluation of fixed assets	Rs.	49.84	62.54	57.85	48.72	43.39	39.89	36.89
Break-up value per share including Investment in Related Party with revaluation of fixed assets	Rs.	143.82	144.03	264.30	311.88	115.65	92.16	77.66
Break-up value per share including Investment in Related Party without revaluation of fixed assets	Rs.	125.84	123.59	247.97	295.05	98.10	79.14	64.47
Price to book ratio	Times	0.52	0.36	1.24	2.39	0.61	0.61	0.37
ISL (Market Value of Investment at year end)	Rs.	12,657	9,731	24,922	31,340	8,729	6,886	5,649
PCL (Market Value of Investment at year end)	Rs.	651	856	1,139	776	414	404	242
IIL A (Unquoted - Value of Initial Investment)	Rs.	9	9	9	9	9	9	9
IIL SS (Unquoted - Value of Initial Investment)	Rs.	-	-	-	150	150	150	-
Total Investment in Related Parties at Market Value	Rs.	13,318	10,596	26,070	32,276	9,302	7,449	5,900
Capital Structure Ratios								
Financial leverage ratio	Times	1.6	1.5	1.5	1.4	0.9	1.1	1.7
Net assets per share	Rs.	67.83	82.98	74.19	65.55	60.94	52.91	50.08
Weight avg : cost of debts	Times	10.9	8.1	4.0	2.8	5.4	5.8	9.9
Total Debt : Equity ratio	Times	61 : 39	61 : 39	60 : 40	58 : 42	48 : 52	52 : 48	63 : 37
Interest cover	Times	0.2	1.5	4.3	7.9	4.2	2.3	1.7

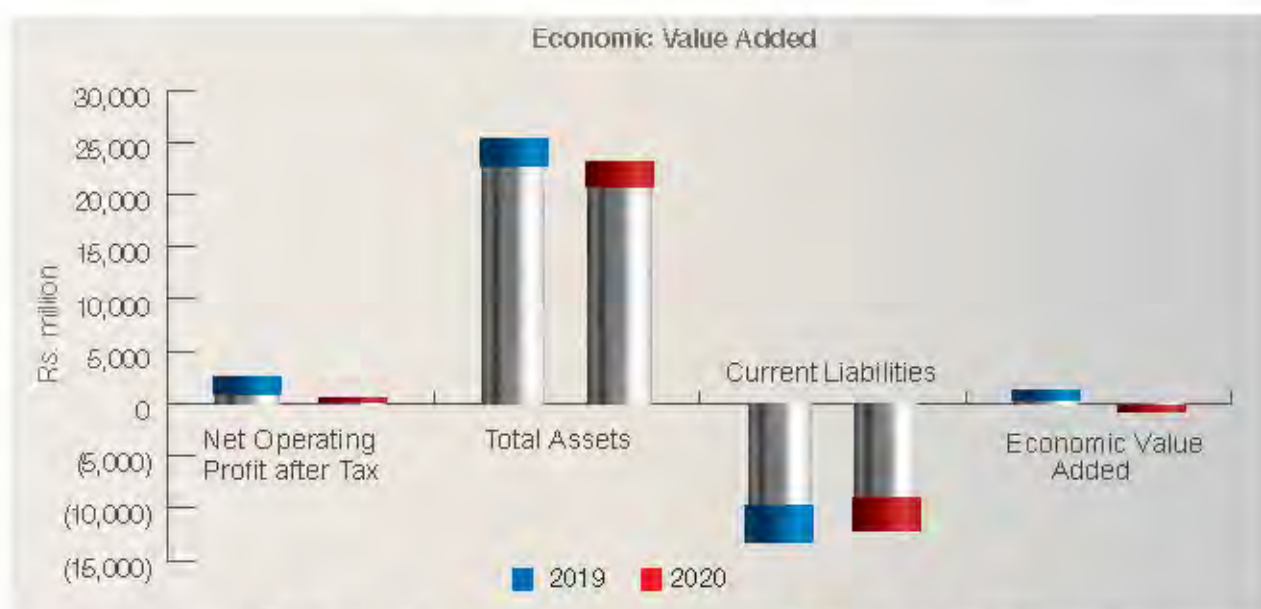
Free Cash Flow

	2020	2019	2018	2017	2016	2015	2014
			Rs. million				
Earnings before Interest and Taxes	809	3,017	2,591	2,618	1,438	1,420	1,431
Depreciation and amortisation	536	468	387	379	270	246	235
Changes in Working capital	1,011	(666)	(2,881)	(3,788)	653	1,463	1,009
Capital expenditure incurred	(267)	(1,456)	(1,070)	(620)	(868)	(366)	(224)
	1,280	(1,654)	(3,563)	(4,029)	54	1,342	1,019
Free Cash Flow to Firm	2,089	1,363	(972)	(1,412)	1,493	2,763	2,450
Net borrowing raised / (paid)	(1,374)	1,883	170	3,024	(1,232)	(1,523)	(891)
Interest paid	(1,305)	(859)	(426)	(202)	(353)	(515)	(766)
	(2,679)	1,024	(256)	2,822	(1,585)	(2,038)	(1,657)
Free Cash Flow to Equity holders	(590)	2,387	(1,228)	1,410	(92)	725	793



Economic Value Added

	2020	2019	2018	2017	2016	2015	2014
	Rs. million						
Net operating profit after tax (NOPAT)	544	2,499	2,023	2,067	1,120	1,218	1,282
Cost of Capital	(1,223)	(1,304)	(1,091)	(938)	(877)	(752)	(720)
Economic Value Added	(679)	1,195	932	1,129	243	466	562
Total Assets	23,140	25,327	22,465	18,516	13,977	13,138	16,247
Current Liabilities	(12,228)	(13,222)	(11,233)	(9,164)	(5,338)	(6,337)	(9,674)
Invested Capital	10,917	12,105	11,232	9,352	8,639	6,801	6,572
WACC	11.20%	10.77%	9.71%	10.02%	10.15%	11.06%	10.95%
Cost of Capital	1,223	1,304	1,091	938	877	752	720



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

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



Comments on Six Years Analysis

On the performance of the Company

ECONOMIC SLOWDOWN AND COVID 19

It is no secret that Pakistan economy has been in the decline during the last two years. The GDP growth rate was 1.91% in 2018-19 and was forecasted at 2.3% in 2019-20. During the COVID-19 period starting from April 2020 and still continuing in some ways, national priorities have changed and health has taken precedence over business. As a result, the forecast GDP growth for 2019-20 was missed and the actual growth nosedived to -0.38%.

Such has been the turn of events, that an analysis in terms of CAGR ratios over the period under review may not render meaningful explanations.

STATEMENT OF FINANCIAL POSITION

Over six years, the asset base of the Company elevated mainly due to investment in property, plant and equipment, to achieve gradual capacity expansion to meet the market needs. During the year the Company has established a wholly owned subsidiary (ILL Americas Inc., Canada) to establish physical presence in the American market. The Company has also taken concrete steps towards establishing another 100% owned subsidiary in Pakistan (ILL Construction Solutions (Pvt) Ltd.) to cater for the needs of construction industry.

Additions and revaluation of land and building contributed in progression of the asset base. Continued PKR devaluation has led to surge in raw materials prices and value of inventories which increased average working capital requirements.

Significant portion of long-term investments represents 56.33% interest in a subsidiary engaged in manufacturing cold rolled sheets since 2011. Remaining long-term investment represents 17.124% strategic interest in an associated company and 100% interest in two foreign subsidiaries to establish foothold in Australia and the Americas.

The shareholders' equity consists of share capital, reserves and revaluation surplus. The equity has surged-up over the past six years primarily due to increase in retained earnings of the Company accumulated till the year 2018-19 and the revaluation surplus.

The non-current liabilities of the Company have increased in the past six years, principally due to the long-term loans obtained to enhance capabilities to produce large dia tubes, PPRC and Stainless Steel products. The current liabilities have consequently soared-up due increase in average working capital requirement and also a portion of long term debt being shown in the current liabilities.

STATEMENT OF PROFIT OR LOSS

The topline witnessed continuous growth, except in FY2019 & FY2020 when the volumes declined due to challenging economic environment and the lockdowns forced by COVID-19.

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

In the current year, Finance cost at Rs 1,238m was caused by consistent hikes in the policy rate.

Other income mainly consists of dividends received from strategic investments and exchange differences.



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 funds from its operating activities due to positive working capital variations at period end. Investing activities comprises of investment in capital expenditure, subsidiaries and dividend income. Financing activities comprises of long-term loans obtained, changes in short term borrowings and dividends paid to the shareholders.

RATIO ANALYSIS

PROFITABILITY

EBITDA margin to sales is 7.1% driven by the decline in business volume.

INVESTMENT / MARKET

Company's earnings per share and price earning ratio at Rs -5.3 and -17.4 times in FY2020 were the lowest in last 6 years – again driven down by the decline in business volume.

For the first time in the last six years, the Company has not announced any dividend.

LIQUIDITY

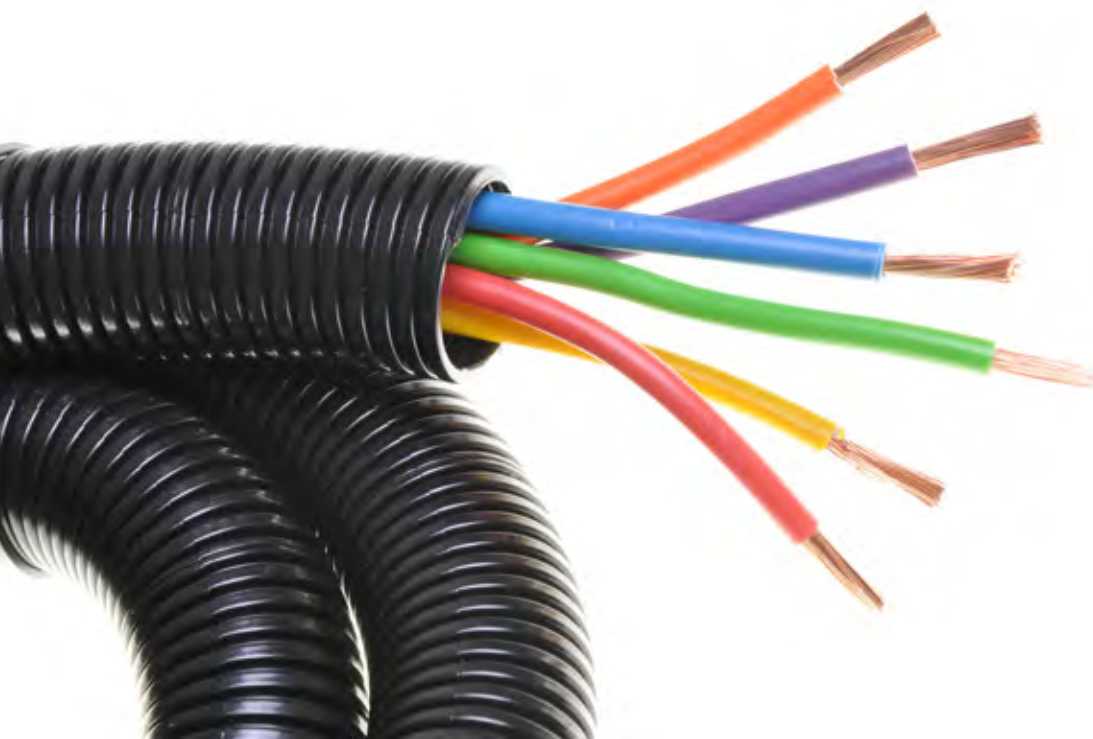
Despite a negative business environment, the Company generated overall positive cash flow in FY2020. Throughout the last six years, the Company's current ratio remained above 1. All short term and long term debt commitments were discharged on timely basis.

CAPITAL STRUCTURE

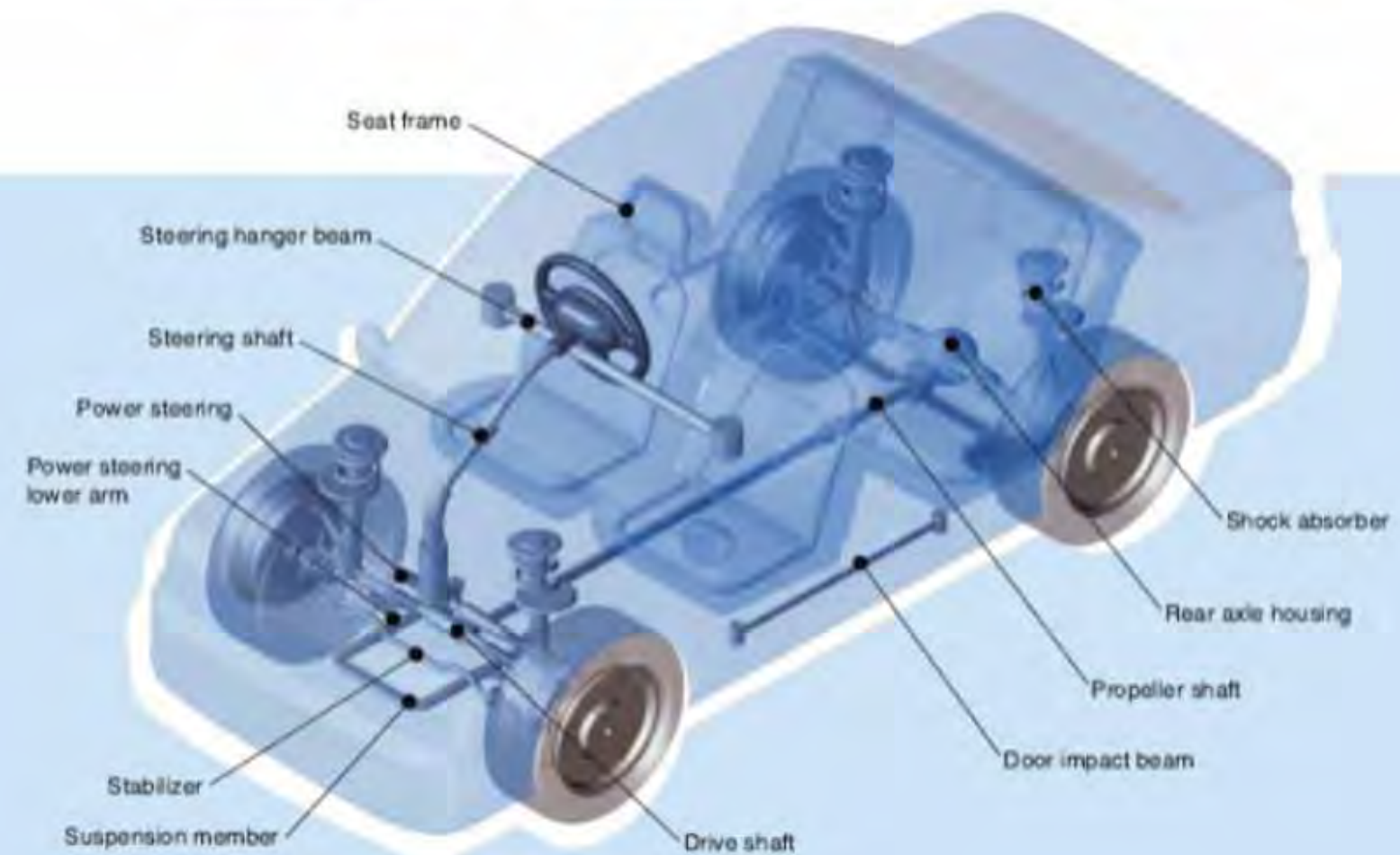
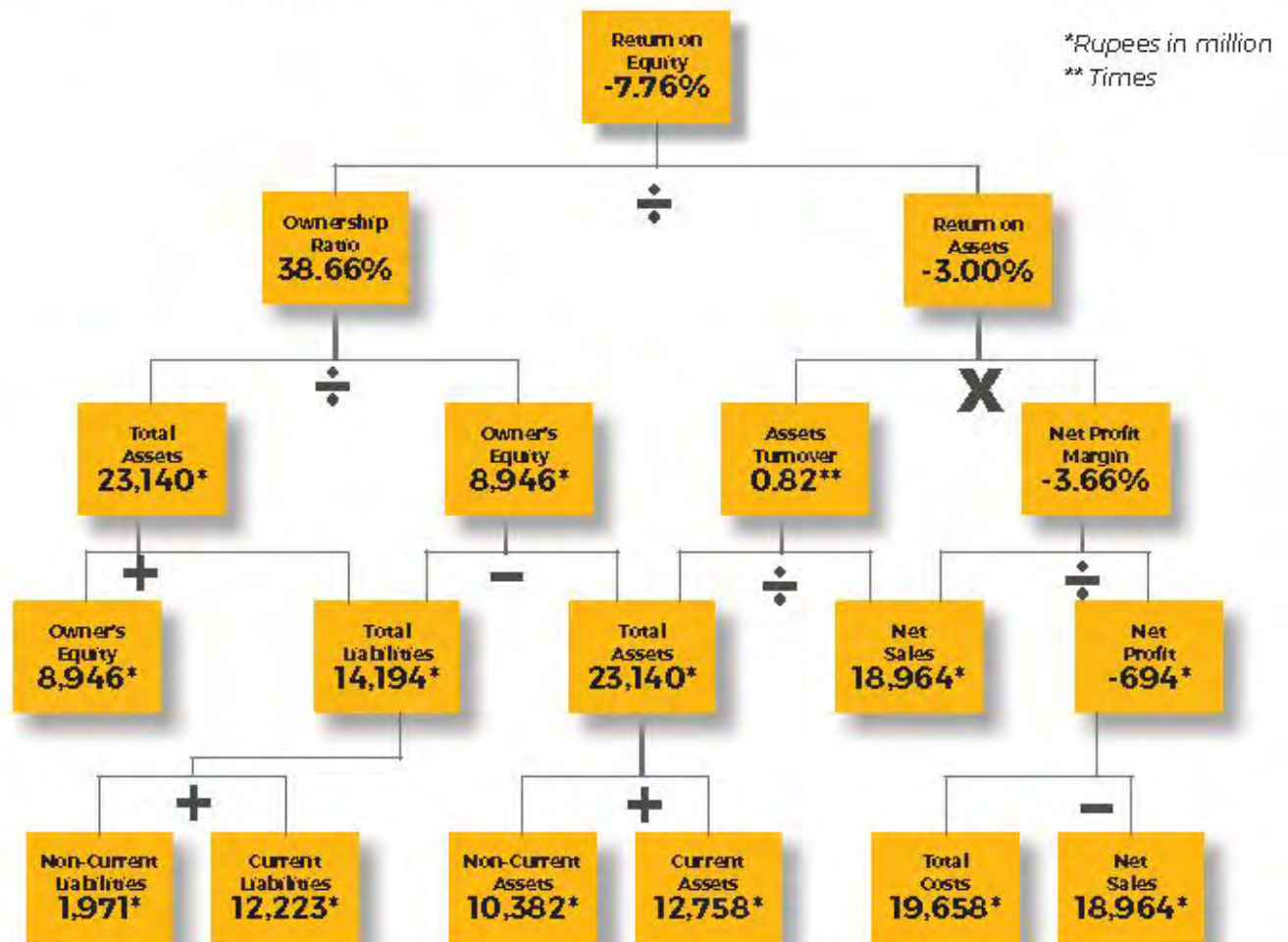
The gearing level of the Company remained around 60:40 for most part of the last six years.

ACTIVITY / TURNOVER

For the most part of last six years, the operating cycle remained at around 150-170 days. However, during FY2020, the operating cycle appears high because of a low denominator.

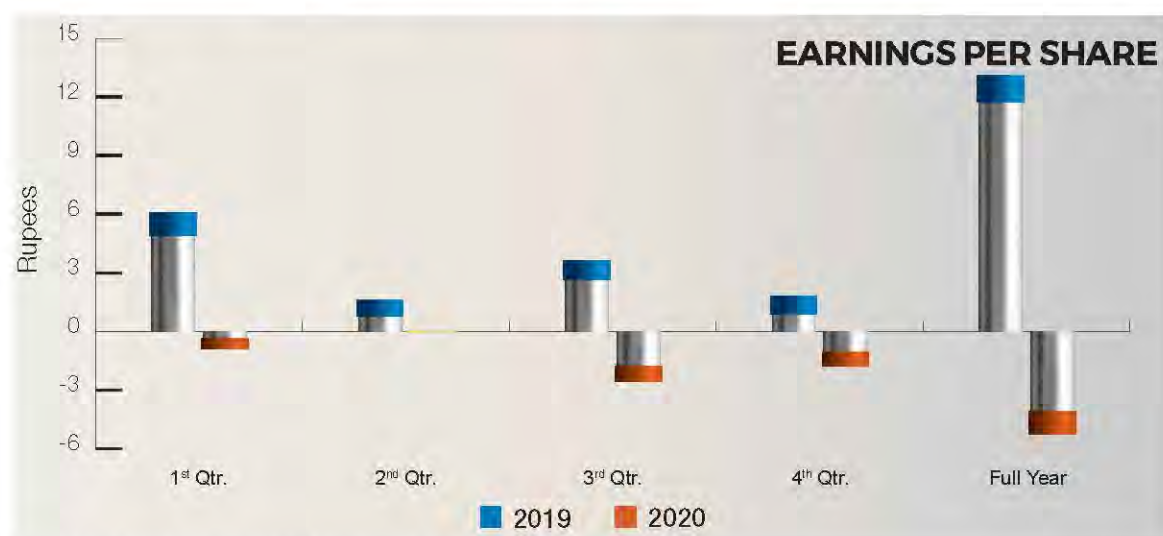
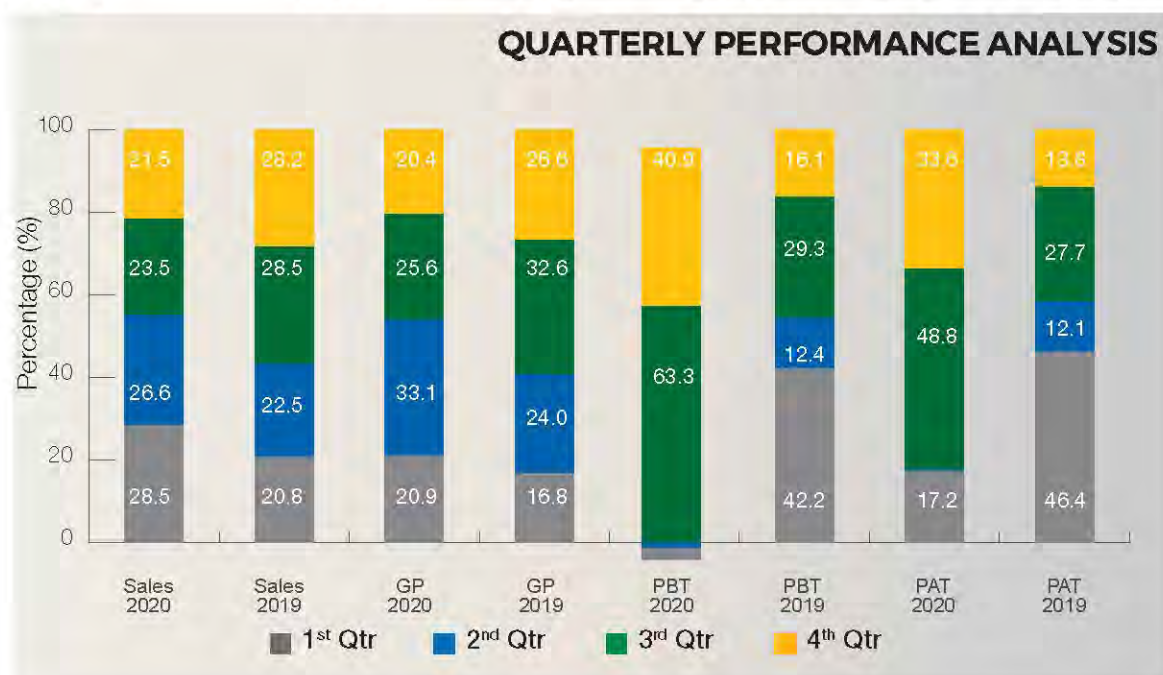


DuPont Analysis 2020



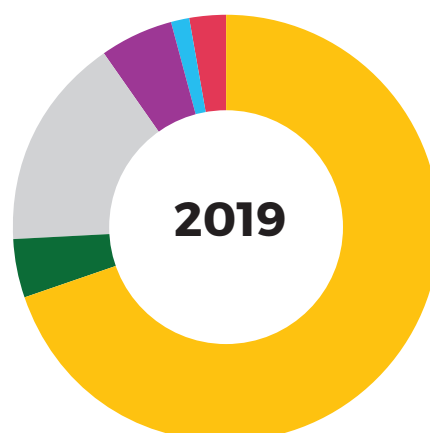
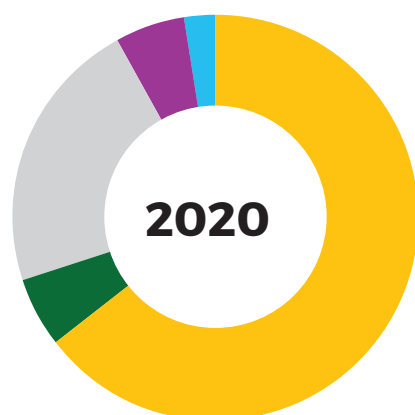
QUARTERLY PERFORMANCE ANALYSIS

	2020									
	Q 1		Q 2		Q 3		Q 4		Total	
	Amount PKR	%	Amount PKR	%	Amount PKR	%	Amount PKR	%	Amount PKR	%
Revenue	5,403	100.0	5,040	100.0	4,450	100.0	4,070	100.0	18,964	100.0
Cost of sales	(5,117)	(94.7)	(4,587)	(91.0)	(4,099)	(92.1)	(3,791)	(93.1)	(17,593)	(92.8)
Gross Profit	287	5.3	454	9.0	351	7.9	280	6.9	1,371	7.2
Selling and distribution cost	(208)	(3.8)	(156)	(3.1)	(168)	(3.8)	(282)	(6.9)	(814)	(4.3)
Administration Cost	(78)	(1.4)	(74)	(1.5)	(71)	(1.6)	(76)	(1.9)	(299)	(1.6)
Operating Profit	1	0.0	224	4.4	112	2.5	(78)	(1.9)	259	1.4
Other expenses	(5)	(0.1)	(10)	(0.2)	(9)	(0.2)	(6)	(0.2)	(31)	(0.2)
Other income	335	6.2	59	1.2	41	0.9	145	3.6	580	3.1
EBIT	330	6.1	273	5.4	144	3.2	61	1.5	809	4.3
Finance cost	(329)	(6.1)	(256)	(5.1)	(416)	(9.4)	(236)	(5.8)	(1,238)	(6.5)
PBT	1	0.0	17	0.3	(272)	(6.1)	(176)	(4.3)	(430)	(2.3)
Taxation	(121)	(2.2)	(20)	(0.4)	(66)	(1.5)	(58)	(1.4)	(264)	(1.4)
PAT	(119)	(2.2)	(3)	(0.1)	(339)	(7.6)	(233)	(5.7)	(694)	(3.7)
EPS (Rupees)	(0.91)		(0.02)		(2.57)		(1.77)		(5.26)	



STATEMENT OF VALUE ADDITION

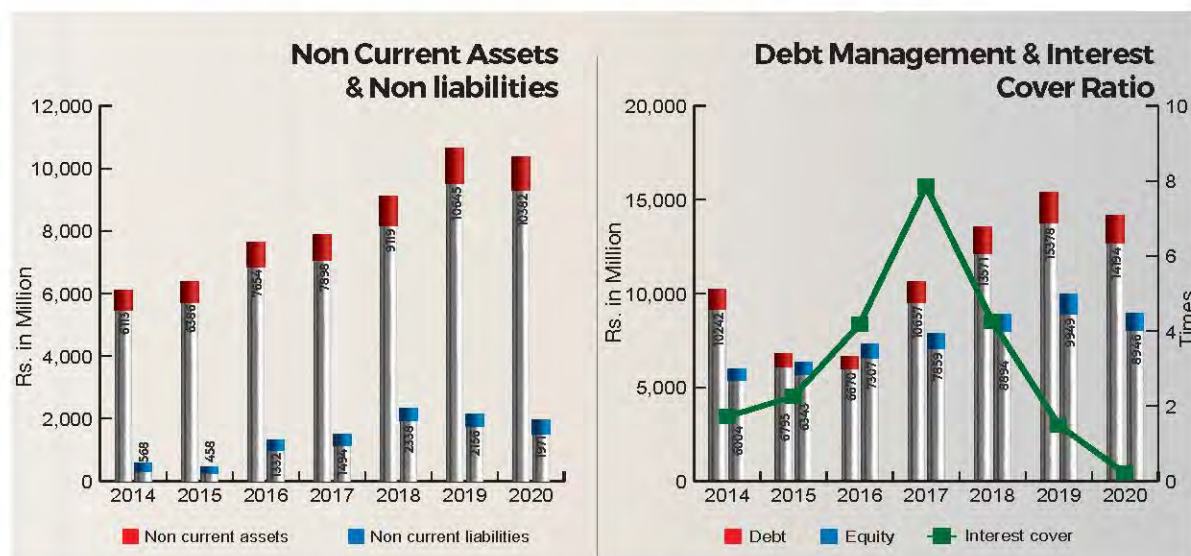
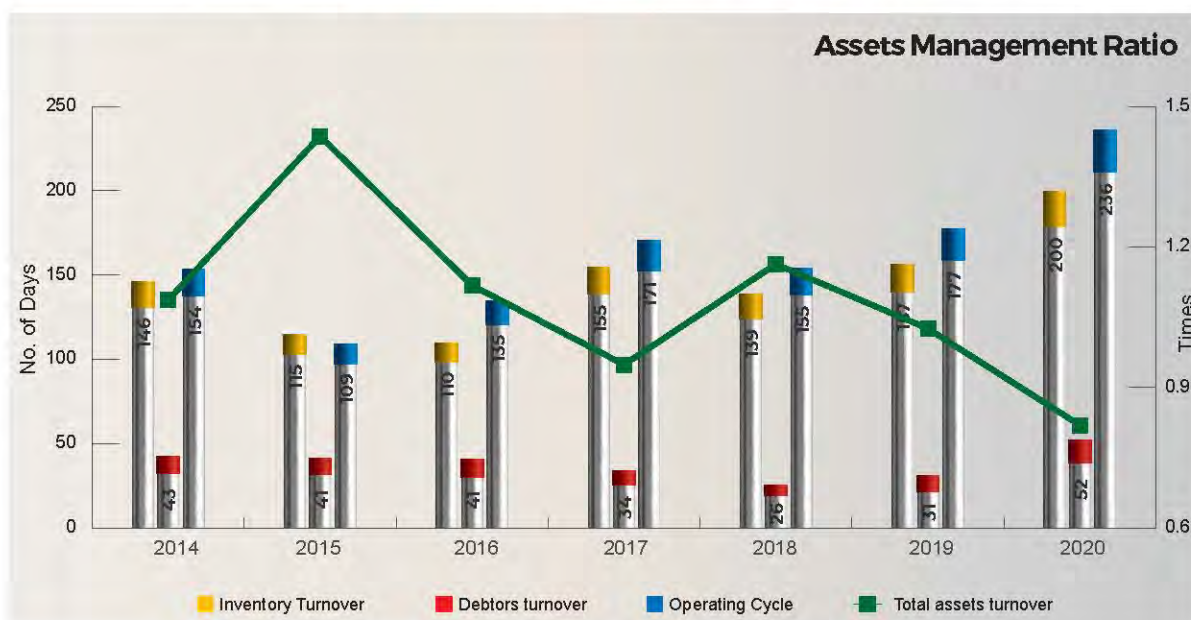
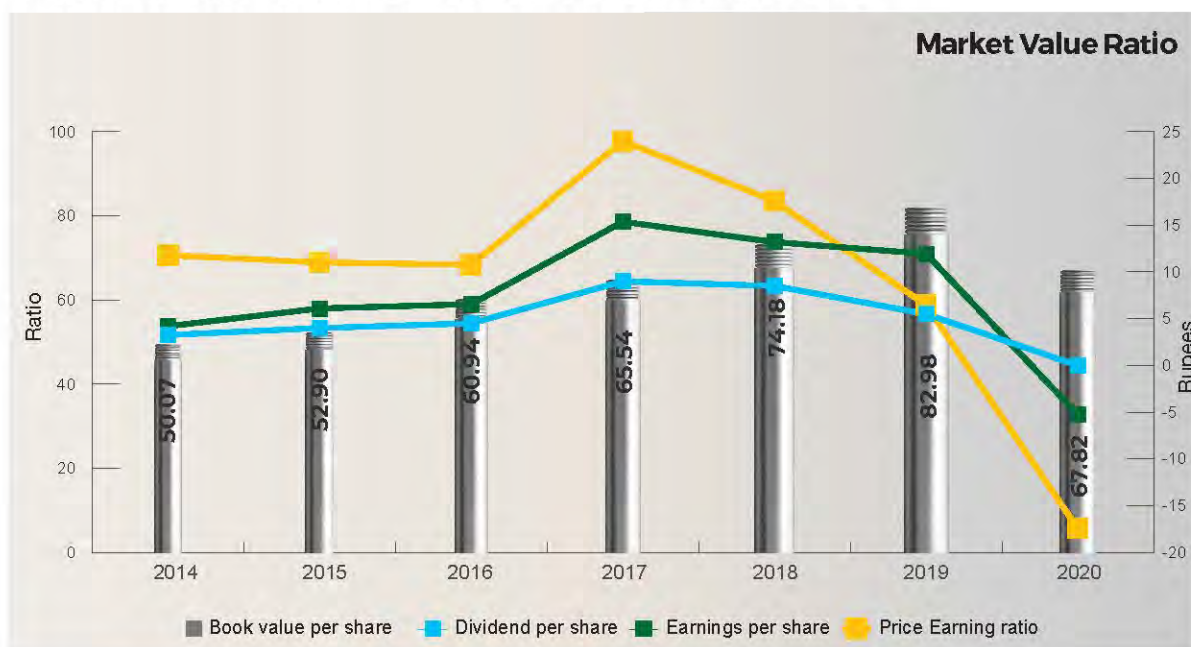
	2020		2019	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales including sales tax	21,908,964	97.4%	29,833,419	94.5%
Other operating income	580,326	2.6%	1,732,512	5.5%
	22,489,290	100%	31,565,931	100%
Wealth Distributed				
Cost of material & services	14,571,112	64.8%	22,089,352	70.0%
To Employees				
Salaries & other related cost	1,231,668	5%	1,353,472	4%
To Government				
Taxes & Duties	4,900,481	21.8%	5,068,000	16.1%
Worker Profit Participation Fund	7,166	0.0%	52,000	0.2%
Worker Welfare Fund	2,302	0.0%	19,000	0.1%
	4,909,949	21.8%	5,139,000	16.3%
To Providers of Capital				
Dividend to shareholders	-	0.0%	779,302	2.5%
Finance cost	1,238,325	5.5%	924,292	2.9%
	1,238,325	5.5%	1,703,594	5.4%
To Society				
Donation	2,350	0.0%	17,245	0.1%
Retained in Business				
For replacement of fixed assets				
Depreciation & Amortisation	535,886	2.4%	467,857	1.5%
To provide for growth: Retained Profit	-	-3.1%	795,411	2.5%
	535,886	-0.7%	1,263,268	4.0%
	22,489,290	100%	31,565,931	100%

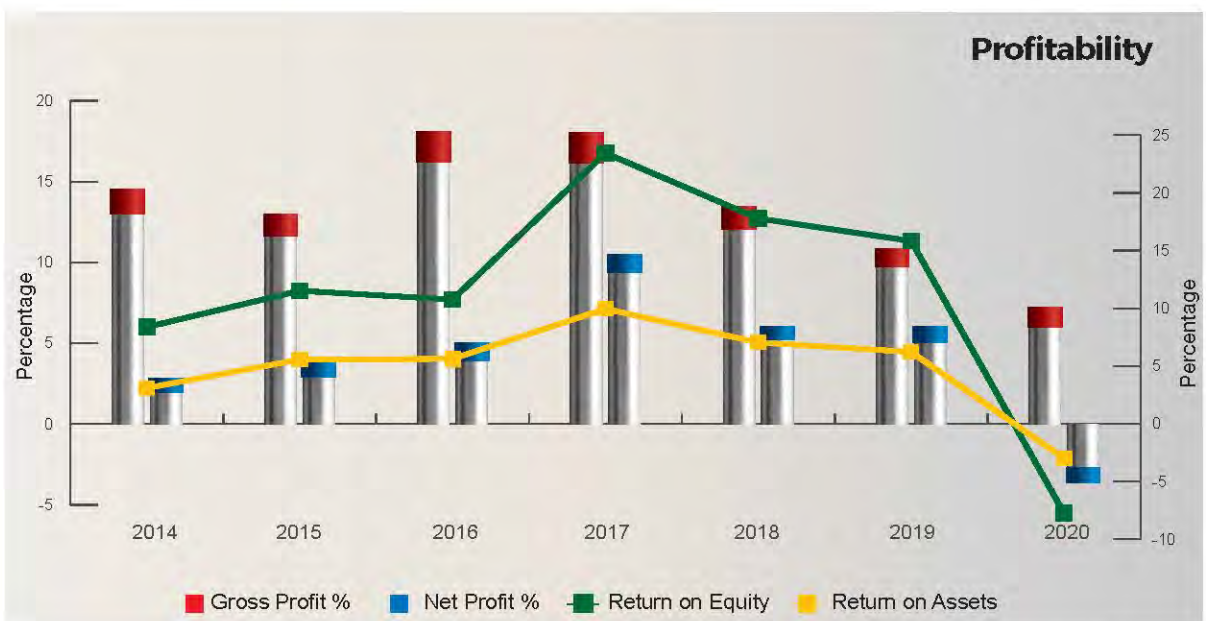
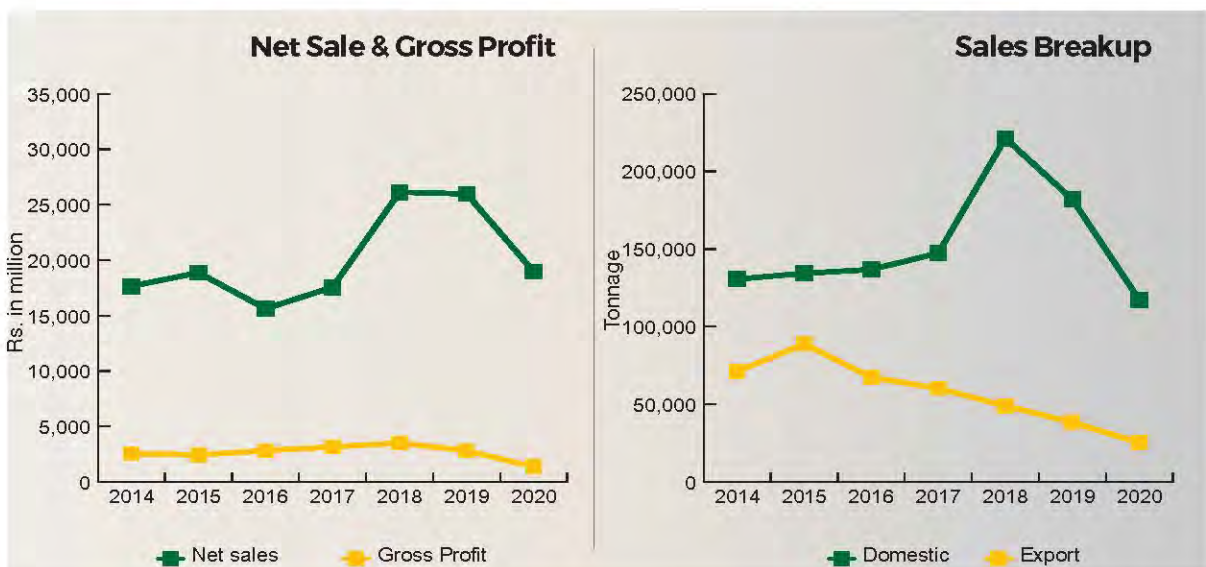
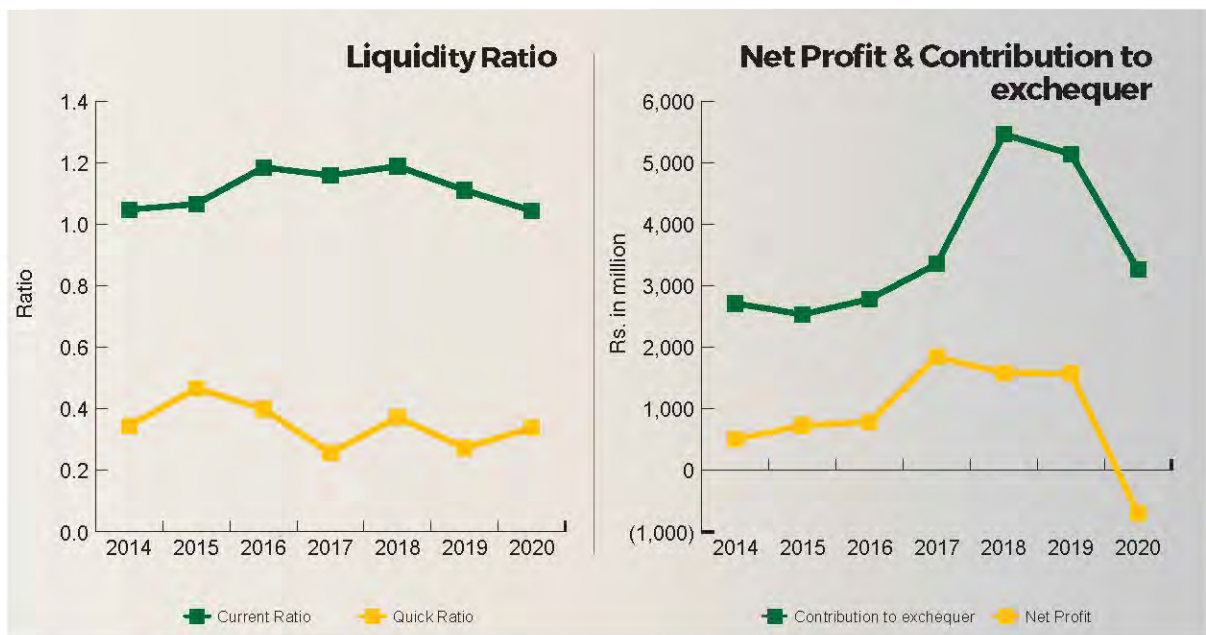


- Cost of material & services
- To Employees
- To Government
- To Providers of Capital
- To Society
- Depreciation & Amortisation
- Retained Profit

2020	2019
64.8%	70.0%
5.5%	4.3%
21.8%	16.3%
5.5%	5.4%
0.0%	0.1%
2.4%	1.5%
0%	2.5%

PERFORMANCE AT A GLANCE





STATEMENT OF CASH FLOWS - DIRECT METHOD

For the year ended 30 June 2020

	Note	2020	2019
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Customers	N 1	21,359,916	28,908,623
Cash paid to suppliers / service providers and employees	N 2	(19,052,001)	(26,904,867)
Workers Funds	N 3	(11,482)	(46,050)
Sales tax payment	N 4	(343,236)	(328,849)
Finance cost paid	CF	(1,305,256)	(859,498)
Income on bank deposits received	CF	1,344	1,827
Payment for staff gratuity	CF	(17,800)	(47,533)
Payment for compensated absences	CF	(4,801)	(4,585)
Income tax paid	CF	(358,754)	(490,446)
Income tax paid		(490,446)	(352,923)
Net cash generated (used in) operations		267,930	228,621
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	CF	(266,523)	(1,455,983)
Amalgamation of wholly owned subsidiary company	CF	(17,966)	-
Proceeds from disposal of property, plant and equipment	CF	83,648	140,556
Long-term Deposits	CF	-	59,475
Dividend income received	CF	376,351	1,133,212
Net cash (used in) investing activities		175,510	(122,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing	CF	131,415	24,553
Repayment of long term financing	CF	(136,364)	(180,919)
Proceeds from short term borrowings - net	CF	(1,369,000)	2,039,500
Dividends paid	CF	(359,049)	(1,076,253)
Net cash (used in) / generated from financing activities		(1,732,998)	806,881
Net increase / (decrease) in cash and cash equivalents		(1,289,558)	912,762
Cash and cash equivalents at beginning of the year	CF	(5,190,430)	(6,103,192)
Cash and cash equivalents at end of the year	CF	(6,479,988)	(5,190,430)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	CF	299,469	250,700
Short term borrowings - running finance (secured)	CF	(6,779,457)	(5,441,130)
	CF	(6,479,988)	(5,190,430)

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

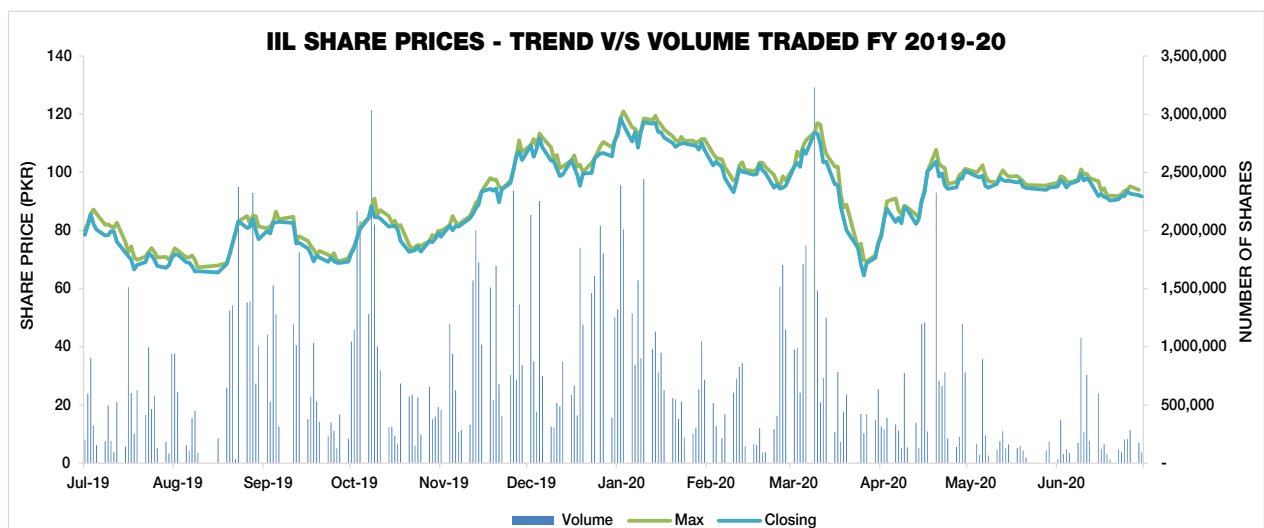
Cost of steel is a major component of the cost of the product. Stability in price which cannot be passed on to the customers will have an impact on profitability and the share price.

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

The international outlook in the wake of the Coronavirus pandemic, increasing US-China trade tension and approaching US elections will remain unpredictable to a large extent in the months and years ahead. Even after the successful development of a Covid-19 vaccine, its distribution and the successful immunization of the masses may take years and may present unanticipated challenges for nations around the world. Needless to say, the present state of condition in industries such as airlines, automobile manufacturing, tourism and hospitality will continue to persist in the short to medium term, and one should remain alert to shifting economic trends and behavioral patterns in trade, commerce and technology adoption to better position themselves for the future.

Global economic indicators are expected to react gradually to the policy response of the Covid-19 healthcare crisis. However, the unprecedented fiscal and monetary policy response by governments and global central banks have had an almost immediate impact on commodity prices and financial asset prices globally. To note, over a 3 to 4-month period, the fiscal policy outlay legislated by the US government was estimated at \$2.8 trillion (13% of GDP), whereas monetary policy measures amounted to \$2.3 trillion (11% of GDP) as of May 2020, and are still ongoing. In perspective, during the 2007-08 financial crisis and subsequent recession, monetary policy measures amounted to \$3.6 trillion over an 8-year period. This extensive increase in liquidity over a short period of time has inflated asset and commodity prices and will continue to do so in the absence of any external shock or policy countermeasures. We continue to monitor such further developments to gauge future outlook on commodity and steel prices going forward and remain cautious to rising valuations that are divorced from economic fundamentals. Other factors that will contribute towards the outlook will be the pace of recovery in major global economic hubs and the ensuing policy response.

On the domestic front the policy response by the government and State Bank of Pakistan (SBP) has also been swift. The cumulative 625 basis point cut in interest rates has helped improve business sentiment and the decline in the incidence of daily Coronavirus cases and re-normalization of commercial and social activities will sustain business confidence. The construction package announced by the government, development work on dams and gas distribution infrastructure is also expected to help the construction and engineering industries in the months ahead.

We however remain cautiously optimistic as automotive, general fabrication and real estate construction remain the primary drivers for growth in our business, and barring a visible improvement in activity in these segments, business conditions may not fully recover. Furthermore, oil prices and inflation rates may not remain at their current lows in the coming months, which may put added burden on the domestic economy, and prompt policy countermeasures which can be counterproductive for industry.

The export market remained subdued due to high volatility in steel prices in the first half of the outgoing year. This was followed by the Covid-19 crisis in the second half, which although did not halt exports, but have had a detrimental impact on export orders. Various trade barriers on steel products continue to affect our exports and our strategy for the foreseeable future is to leverage our footprint in existing regions to promote new products for which investments have been made in previous years.

Notwithstanding the above, the long-term outlook for steel and related industries in Pakistan remains positive as developing economies with young and growing populations, require large investments in public infrastructure to continue growing. The country's demographic profile indicates that the economy will require greater investment in housing, energy, automobiles and white goods to service the needs of this demographic. As per the World Steel Association's assessment for 2019, world average steel consumption was 228 kg per capita, whereas Pakistan, as per industry estimates remained well below the world average at approximately 46 kg per capita steel. This highlights the extent of shortage of steel products in Pakistan and indicates the immense potential for growth in the domestic steel manufacturing and processing industry.

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

1. Our Hollow Structural Sections (HSS) and API pipe mill has been fully operational for the last 4 years. The mill has been servicing various export and domestic orders for square and rectangle HSS during the year. Although large tender based API business has been visibly absent during FY 2019-20, the Gas Infrastructure Development Cess (GIDC) judgement by the Supreme Court will provide the government much needed funds to initiate gas infrastructure development projects for execution in the coming years.

2. IIL Construction Solution (Pvt) Limited “CSL” was incorporated in August 2020. The company is geared to produce scaffolding, shoring and formwork products and systems used in the construction industry worldwide. CSL will also provide technical solutions and structural engineering and fabrication services to further support our investments in our scaffolding and HSS mills commissioned in previous years. High-rise buildings, warehouses, industrial sheds, pedestrian bridges and walkways etc. are the key target market for our solutions.
3. Our Stainless-Steel business has been performing well with our expanded range of products which includes squares and rectangles and newly introduced mid-range ‘Eco’ range of Stainless-Steel pipes. Our premium range of 304 grade ‘Cosmo’ pipes are well-positioned in the market. Sales were up 15% year-on-year and our projections remain optimistic.
4. Australia has been one of our top performing international markets over the past 3 years, with IIL Australia Pty Ltd. now a well-established name in the country. Although sales to Australia were 20% lower than last year due to bushfires, economic conditions and the Coronavirus pandemic, reconstruction efforts following the bushfires will play a major role in increasing sales in the coming year.
5. IIL Americas Inc. was incorporated in Ontario, Canada, in October 2019, as a wholly owned subsidiary of IIL. North America is the largest steel tube and pipe importing market in the world, and through IIL Americas we expect to re-enter this market with a diversified portfolio of products to re-gain our foothold in this region.
6. We remain cognizant of shifting market dynamics that may affect our business. A shift away from small diameter steel pipe towards polymer pipe

for water supply led to IIL’s foray into PPRC pipes & fittings. The Company views this new business as an important part of its future strategy as the polymer pipes market for water supply is set to grow along with the rise in housing demand. Bulk water supply utilises large diameter HDPE water pipe and IIL is proud to be the only manufacturer with the largest product range of HDPE water pipes in Pakistan. Our new Polymer Division in Sheikhpura is well-equipped to manufacture the full range our water, gas and duct polymer pipes and fittings. Polymer sales volumes were down marginally by 4% over last year.

7. Our subsidiary International Steels Ltd. (ISL) reported earnings of Rs. 495 million for FY 2019-20 (2019: 2.7 Bn). Net sales turnover was down 17% over last year. The company is the market leader in its segment and remains well-positioned in the domestic and export market.

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

It is a matter of pride that all new business undertakings mentioned in our previous report have not only been commissioned but are now fully engaged in commercial production and servicing orders.

Sources of information:

Management has quoted figures from the World Steel Association Report (2018), IMF and The Federal Reserve, and has made estimates through market surveys, discussions with industry professionals, internal discussions and research. IIL regularly utilises 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.





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 2020, and the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2020** and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1	Revenue recognition Refer notes 4.11, 22 and 37.1 to the financial statements relating to revenue recognition. The Company generates revenue from sale of goods to domestic as well as export customers. Sales to domestic and export customers represent 87% and 13% of the total sales respectively. Sales to related parties represent 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 being recognised in the appropriate period.	Our key audit procedures amongst others, included the following: • We obtained an understanding of, assessed and tested the design and operating effectiveness of controls designed to ensure that revenue is recognised in the appropriate accounting period; • We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • We compared, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognised in the appropriate accounting period; and • We inspected 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 4.5.2.1, 4.13.1 and 10 to the financial statements relating to valuation of trade debts. The Company has a significant balance of trade debts. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECL). We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts.	Our key audit procedures amongst others, included the following: • We obtained an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process; • We assessed the method used by the company for the recognition of the impact of the application of IFRS 9 regarding provision for doubtful debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL; and • We tested the accuracy of the data on a sample basis extracted from the Company's accounting system which has been used to calculate the provision required including the subsequent recoveries.
3.	Valuation of Stock-in-trade Refer notes 4.7, 9, 23 and 37.1 to the financial statements relating to valuation of stock-in-trade. Inventory forms a significant part of the Company's assets. During the year 11% 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 key audit procedures amongst others, included the following: • We obtained an understanding of internal controls over purchases and valuation of stock in trade and tested, on a sample basis, their design, implementation and operating effectiveness; • We compared on a sample basis specific purchases (including those from related party) with underlying supporting documents / agreements, if any; • We compared calculations of the allocation of directly attributable costs with the underlying supporting documents; • We obtained an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • We compared the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

KPMG Taseer Hadi & Co.

Date: September 6th, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi



COVID-19 CORONAVIRUS

کویڈ - 19

کورونا وائرس

Coronavirus (COVID-19) is an infectious disease caused by a newly discovered virus (SARS CoV-2).

کورونا وائرس (COVID-19) ایک متعدی بیماری ہے جو ایک نئے دریافت ہونے والے وائرس (SARS CoV-2) کی وجہ سے ہوتی ہے۔

SYMPTOMS

علامات



FEVER
بخار



COUGH & COLD
کھانسی اور نزلہ



HEADACHE &
SORE THROAT
سر درد اور
گلے کی سوزش



SHORTNESS
OF BREATH
سانس لینے
میں تکلیف



CONTAGION

وائرس کی منتقلی

WASHING HANDS

ہاتھ دھونا



AIR TRANSMISSION
کھانسی یا چھینک کے
ذریعے ہوا کی ترسیل



HUMAN CONTACT
متاثرہ شخص سے رابطہ



CONTAMINATED OBJECTS
متاثرہ اشیاء کو چھونا

PRECAUTIONS

احتیاطی تدابیر



MAINTAIN
SOCIAL DISTANCE
معاشرتی فاصلہ برقرار رکھیں



CLEAN YOUR
HANDS OFTEN
باقاعدگی سے ہاتھ دھوئیں



STAY AT HOME
گھر سے کم باہر نکلیں



COVER COUGH
AND SNEEZE
کھانسی یا چھینک آنے پر
منہ اور ناک کو ٹشو یا آستین
کے کپڑے سے ڈھاپیں



WEAR FACEMASK
AND GLOVES
چہرے کا ماسک
اور دستاویں پہنیں



CLEAN AND DISINFECT
SURFACES
سطحوں کو باقاعدگی سے
جرائیم سے پاک رکھیں

UNCONSOLIDATED
FINANCIAL STATEMENTS

Unconsolidated

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020	2019
----- Rupees in '000 -----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,081,385	7,360,485
Intangible assets	6	1,710	3,351
Investments	7	3,295,242	3,277,276
Long term deposits		3,519	3,519
		10,381,856	10,644,631
Current assets			
Stores and spares	8	213,371	215,528
Stock-in-trade	9	8,405,807	10,857,730
Trade debts - considered good	10	3,558,719	2,988,083
Advances, trade deposits and short-term prepayments	11	28,526	51,384
Receivable from K-Electric Limited (KE) - unsecured, considered good		19,006	30,124
Other receivables	12	15,000	9,523
Sales tax receivable		217,762	279,468
Cash and bank balances	14	299,469	250,700
		12,757,660	14,682,540
Total assets		23,139,516	25,327,171
EQUITY AND LIABILITIES			
Share capital and Reserves			
Authorised capital			
200,000,000 (2019: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital	15	1,318,819	1,198,926
Revenue reserve			
General reserve		2,700,036	2,700,036
Un-appropriated profit		2,554,370	3,599,089
Capital reserve			
Revaluation surplus on property, plant and equipment	16	2,372,304	2,450,893
Total Shareholders' equity		8,945,529	9,948,944
LIABILITIES			
Non-current liabilities			
Long term financing - secured	17	1,577,275	1,702,174
Staff retirement benefits	32	89,552	118,409
Deferred taxation	18	304,615	335,547
		1,971,442	2,156,130
Current liabilities			
Trade and other payables	19	1,846,134	2,764,019
Contract Liabilities		184,462	235,171
Short term borrowings - secured	20	9,394,457	9,425,130
Unpaid dividend		2,438	4,257
Unclaimed dividend		39,044	36,596
Current portion of long term financing- secured	17	410,863	290,913
Taxation - net	13	269,317	322,545
Accrued mark-up		75,830	143,466
		12,222,545	13,222,097
Total liabilities		14,193,987	15,378,227
Contingencies and commitments	21		
Total equity and liabilities		23,139,516	25,327,171

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



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

Unconsolidated

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	2020	2019
		----- Rupees in '000 -----	
Net sales	22	18,964,215	25,975,107
Cost of sales	23	(17,592,908)	(23,148,791)
Gross profit		1,371,307	2,826,316
Selling and distribution expenses	24	(813,043)	(1,141,480)
Administrative expenses	25	(298,707)	(295,796)
Net impairment loss on trade debts	10.4	(664)	(5,767)
		(1,112,414)	(1,443,043)
Finance cost	26	(1,238,325)	(924,292)
Other operating charges	27	(30,702)	(98,364)
		(1,269,027)	(1,022,656)
Other income	28	580,326	1,732,512
(Loss) / Profit before taxation		(429,808)	2,093,129
Taxation	29	(264,397)	(518,416)
(Loss) / Profit after taxation for the year		(694,205)	1,574,713
(Rupees)			
(Loss) / Earnings per share - basic and diluted	30	(5.26)	11.94

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



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Officer



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Unconsolidated

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020	2019
		----- Rupees in '000 -----	
(Loss) / Profit for the year		(694,205)	1,574,713
Other comprehensive income			
Items that will not be subsequently reclassified to Statement of profit or loss account			
Gain on Remeasurements of net defined benefit liability		60,665	27,844
Adjustment related to opening deferred tax balance		595	(2,933)
Related deferred tax charge for the year		(7,107)	(6,718)
		(6,512)	(9,651)
		54,153	18,193
Gain due to addition to Surplus on Revaluation during the year			
Freehold land	5.1	-	72,635
Leasehold land	5.1	-	197,316
Building	5.1	-	358,144
Adjustment related to opening deferred tax balance		(3,685)	(685)
Related deferred tax charge for the year		-	(86,721)
		(3,685)	270,738
		(3,685)	540,689
Other comprehensive income for the year - net of tax		50,468	558,882
Total comprehensive income for the year		(643,737)	2,133,595

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



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Board Audit Committee



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Officer



Riyaz T. Chinoy
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Officer

Unconsolidated STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020	2019
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(429,808)	2,093,129
Adjustments for:			
Depreciation of property, plant and equipment	5.2	533,578	462,573
Amortisation of intangible assets	6.1.2	2,308	5,284
Impairment loss on trade debts	10.4	664	5,767
Provision for staff gratuity	32.2	49,608	47,533
Provision for compensated absences		(1,799)	1,109
Income on bank deposits	28	(1,344)	(1,827)
Gain on disposal of property, plant and equipment	28	(72,270)	(109,877)
Dividend income		(376,351)	(1,133,212)
Government grant income		(705)	-
Finance cost	26	1,238,325	924,292
		942,206	2,294,771
Changes in:			
Working capital	31	1,010,991	(665,915)
Net cash generated from operations		1,953,197	1,628,856
Finance cost paid		(1,305,256)	(859,498)
Income on bank deposits received		1,344	1,827
Employee defined benefits paid	32.2	(17,800)	(47,533)
Payment for compensated absences		(4,801)	(4,585)
Income tax paid		(358,754)	(490,446)
Net cash generated from operating activities		267,930	228,621
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		(266,523)	(1,455,983)
Payment for investment in wholly owned subsidiary company		(17,966)	-
Proceeds from disposal of property, plant and equipment		83,648	140,556
Increase in long term deposits		-	59,475
Dividend income received		376,351	1,133,212
Net cash generated from / (used in) investing activities		175,510	(122,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		131,415	24,553
Repayment of long term financing		(136,364)	(180,919)
Proceeds from short term borrowings - net		(1,369,000)	2,039,500
Dividends paid		(359,049)	(1,076,253)
Net cash (used in) / generated from financing activities		(1,732,998)	806,881
Net (decrease) / increase in cash and cash equivalents		(1,289,558)	912,762
Cash and cash equivalents at beginning of the year		(5,190,430)	(6,103,192)
Cash and cash equivalents at end of the year		(6,479,988)	(5,190,430)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	14	299,469	250,700
Short term borrowings - running finance (secured)	20.1,20.2,20.4	(6,779,457)	(5,441,130)
		(6,479,988)	(5,190,430)

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


Ehsan A. Malik
Director & Chairman
Board Audit Committee


Muhammad Akhtar
Chief Financial
Officer


Riyaz T. Chinoy
Chief Executive
Officer

Unconsolidated

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Issued, subscribed and paid up capital	Revenue reserves General reserves	Un- appropriated profit	Capital Reserves Revaluation surplus on property, plant & equipment	Total
	(Rupees in '000)				
Balance as at 01 July 2018	1,198,926	2,700,036	3,037,210	1,958,211	8,894,383
Profit for the year	-	-	1,574,713	-	1,574,713
Other comprehensive income for the year	-	-	18,193	540,689	558,882
Total comprehensive income for the year	-	-	1,592,906	540,689	2,133,595
Transactions with owners recorded directly in equity - distributions					
Dividend:					
- Final dividend at 65% (i.e. Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(779,302)	-	(779,302)
- Interim dividend at 25% (i.e. Rs. 2.50 per share) for the year ended 30 June 2019	-	-	(299,732)	-	(299,732)
Total transactions with owners of the Company - distributions	-	-	(1,079,034)	-	(1,079,034)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of tax	-	-	7,139	(7,139)	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	-	40,868	(40,868)	-
Balance as at 30 June 2019	1,198,926	2,700,036	3,599,089	2,450,893	9,948,944
Loss for the year	-	-	(694,205)	-	(694,205)
Other comprehensive income for the year	-	-	54,153	(3,685)	50,468
Total comprehensive income for the year	-	-	(640,052)	(3,685)	(643,737)
Transactions with owners recorded directly in equity - distributions					
Dividend:					
- Final dividend at 30% (i.e. Rs. 3.00 per share) for the year ended 30 June 2019	-	-	(359,678)	-	(359,678)
- Bonus share at 10% (i.e. 1 share for every 10 shares) for the year ended 30 June 2019	119,893	-	(119,893)	-	-
Total transactions with owners of the Company - distributions	119,893	-	(479,571)	-	(359,678)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of tax	-	-	8,772	(8,772)	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of tax	-	-	66,132	(66,132)	-
Balance as at 30 June 2020	1,318,819	2,700,036	2,554,370	2,372,304	8,945,529

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



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1 STATUS AND NATURE OF BUSINESS

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

The manufacturing facilities of the Company are situated as follows:

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

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

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

1.1 Impact of COVID-19

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

The Company availed employee refinance facility for payment of salaries and wages under SBP's infrastructure, Housing & SME Finance department (IH&SMEFD) Circular No. 6 of 2020 dated April 10, 2020.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of unconsolidated 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 recognised 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 recognised in these unconsolidated financial statements, assumptions and estimation uncertainties with significant risk of material adjustment to the carrying amount of asset and liabilities in the next year are described in the following notes:

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

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

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than disclosed in note 4.1. These are considered not to be relevant or do not have any significant effect on the Company's unconsolidated financial statements and are therefore not stated in these unconsolidated financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB’s recommendations set out in its July 2014 report ‘Reforming Major Interest Rate Benchmarks’ (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity’s right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

3.2 Annual Improvements to IFRS Standards 2018-2020 Cycle

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

- IFRS 9- The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph 83.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
- IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same except for, during the year, the Company has revised the useful life of its certain plant and machinery, however the impact of such change is immaterial.

4.1 Changes in significant accounting policies

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019 and the key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized below:

IFRS 16 'Leases'

IFRS 16 has introduced a single, on-balance sheet accounting model for lessees. As a result, the entity, as a lessee has recognised right-of-use asset representing its rights to use the underlined assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the cumulative effect of initial application has been recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases properties for its operations. The entity recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

'The lease payments associated with these leases are recognised as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented as separate line item in the statement of financial position.

'The Company did not have any property leases arrangement therefore adoption of IFRS 16 at 1 July 2019 did not have an effect on the unconsolidated financial statements of the Company.

4.2 Property, plant and equipment

4.2.1 Operating assets and depreciation

Initial Recognition

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

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

Measurement

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

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

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

Subsequent expenditure

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

Depreciation

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

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

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

Revaluation surplus

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

Gains and losses on disposal

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

4.2.2 Capital work-in-progress

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

4.3 Intangible assets

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

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

Indefinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

- a) These are stated at cost less accumulated amortisation and impairment, if any.
- b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 6).
- c) Amortisation on additions during the financial year is charged from month in which the asset is intended to use, whereas no amortisation is charged from the month the asset is disposed-off.

4.4 Investments

Investments in subsidiaries

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

Investments in associates

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

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

4.5 Financial Instruments

4.5.1 Initial measurement of financial asset

The Company classifies its financial assets into following three categories:

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

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

Subsequent measurement

Debt Investments at FVOCI

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

Equity Investments at FVOCI

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

Financial assets at FVTPL

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

Financial assets measured at amortised cost

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

4.5.2 Non-derivative financial assets

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

4.5.2.1 Trade debts, advances and other receivables

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

4.5.2.2 Cash and cash equivalents

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

4.5.3 Financial liabilities

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

4.5.3.1 Mark-up bearing borrowings and borrowing costs

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

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

4.5.3.2 Trade and other payables

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

4.5.4 Derivative financial instruments - other than hedging

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

4.5.5 Derivative financial instruments - cash flow hedges

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

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

4.5.6 Offsetting of financial assets and financial liabilities

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

4.6 Stores and spares

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

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

4.7 Stock-in-trade

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

4.8 Taxation

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

Current

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

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

Deferred tax

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

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

4.9 Staff retirement benefits

4.9.1 Defined benefit plan

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

. Net interest expense and current service cost are recognised in statement of profit or loss account. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

4.9.2 Defined contribution plan

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

4.9.3 Compensated absences

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

4.10 Foreign currency translation

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

4.11 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of control of goods , which coincides with delivery.
- Export sales are recognised as revenue when invoiced with the transfer of control of goods, which coincides either with the date of bill of lading or upon delivery to customer or its representative, based on terms of arrangement.
- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited.
- Toll manufacturing / Partial manufacturing income is recognised when related services are rendered.
- Dividend income is recognised when the right to receive payment is established.
- Gains / losses arising on sale of investments are included in the statement of profit or loss in the period in which they arise.
- Service income is recognised when related services are rendered.
- Rental income is recognised on straight line basis over the term of the respective lease agreement.

4.12 Income on bank deposits and finance cost

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

4.13 Impairment

4.13.1 Financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

4.13.2 Non-financial assets

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

4.14 Provisions

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

4.15 Contingent liabilities

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

4.16 Segment reporting

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

The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its production facilities and currently any excess electricity is sold to KE.

4.17 Dividend and appropriation to / from reserves

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

4.18 Government grants

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

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		----- Rupees in '000 -----	
Operating assets	5.1	7,052,984	7,309,783
Capital work-in-progress (CWIP)	5.5	4,161	19,749
Stores and spares held for capital expenditures - at cost		24,240	30,953
		7,081,385	7,360,485

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
----- (Rupees in '000) -----								
Balance as at 1 July 2019								
Cost / revalued amount	601,426	2,028,395	385,869	1,414,772	5,294,115	127,400	160,491	10,012,468
Accumulated depreciation	-	-	-	-	(2,530,253)	(88,671)	(83,761)	(2,702,685)
Net book value (NBV)	601,426	2,028,395	385,869	1,414,772	2,763,862	38,729	76,730	7,309,783
Additions / adjustments / transfers from CWIP	-	13,274	26,662	57,387	186,780	4,635	14,420	303,158
Surplus on revaluation	-	-	-	-	-	-	-	-
Disposals								
- Cost	-	-	-	(15,911)	(76,883)	(1,571)	(18,132)	(112,497)
- Accumulated depreciation	-	-	-	2,376	69,564	1,475	12,703	86,118
	-	-	-	(13,535)	(7,319)	(96)	(5,429)	(26,379)
Depreciation charge	-	-	(38,700)	(133,796)	(321,557)	(12,243)	(27,282)	(533,578)
Balance as at 30 June 2020 (NBV)	601,426	2,041,669	373,831	1,324,828	2,621,766	31,025	58,439	7,052,984
Gross carrying value as at 30 June 2020								
Cost / revalued amount	601,426	2,041,669	412,531	1,456,248	5,404,012	130,464	156,779	10,203,129
Accumulated depreciation	-	-	(38,700)	(131,420)	(2,782,246)	(99,439)	(98,340)	(3,150,145)
Net book value	601,426	2,041,669	373,831	1,324,828	2,621,766	31,025	58,439	7,052,984
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2018								
Cost / revalued amount	528,791	1,782,743	271,176	1,130,212	4,368,547	106,073	160,899	8,348,441
Accumulated depreciation	-	-	(31,691)	(193,386)	(2,348,845)	(88,029)	(81,866)	(2,743,817)
Net book value (NBV)	528,791	1,782,743	239,485	936,826	2,019,702	18,044	79,033	5,604,624
Additions / transfer from CWIP	-	48,336	85,574	310,010	1,063,066	28,968	34,362	1,570,316
Surplus on revaluation	72,635	197,316	84,176	273,968	-	-	-	628,095
Disposals								
- Cost	-	-	-	(24,664)	(137,498)	(7,641)	(34,770)	(204,573)
- Accumulated depreciation	-	-	-	12,763	124,947	7,327	28,857	173,894
	-	-	-	(11,901)	(12,551)	(314)	(5,913)	(30,679)
Depreciation charge	-	-	(23,366)	(94,131)	(306,355)	(7,969)	(30,752)	(462,573)
Balance as at 30 June 2019 (NBV)	601,426	2,028,395	385,869	1,414,772	2,763,862	38,729	76,730	7,309,783
Gross carrying value as at 30 June 2019								
Cost / revalued amount	601,426	2,028,395	385,869	1,414,772	5,294,115	127,400	160,491	10,012,468
Accumulated depreciation *	-	-	-	-	(2,530,253)	(88,671)	(83,761)	(2,702,685)
Net book value	601,426	2,028,395	385,869	1,414,772	2,763,862	38,729	76,730	7,309,783
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

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

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

	Note	2020	2019
		----- Rupees in '000 -----	
Cost of sales	23	492,651	428,041
Selling and distribution expenses	24	13,765	14,945
Administrative expenses	25	15,348	10,703
Power Generation	28.1	11,814	8,884
		533,578	462,573

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

Particulars	Location	Area of Land (acres)	Covered Area (Sq Ft)
Leasehold Land and Building (Manufacturing Plant)	Plot no.LX15-16, HX-7/4 Landhi Industrial Estate Karachi	25.59	791,614
Leasehold Land and Building (Manufacturing Plant)	22 KM Sheikhpura Road, Mouza Khanpur Nabipur Tehsil Ferozpur District Sheikhpura.	31.45	370,664
Freehold Land and Building (Manufacturing Plant)	Survey Nos.402,405-406, Deh Sharabi, Landhi Town, City District Government, Karachi	10	220,480
Leasehold Building (Office Premises)	Office No.101-105, 1st Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	Not applicable	13,676
Leasehold Building (Sales Office Premises)	Chinoy House, 2nd and 3rd Floor Off Thornton Road, Hadbast Mouza Khas District Lahore	Not applicable	4,906
Freehold Land and Building (Sales Godown)	Plot bearing No.NEIR-61 Khasra No.3303 - 3308, Hadbast Mouza Naulakha GT Road Lahore	0.17	6,295
Freehold Land and Building (Sales Godown)	Plot bearing No.47, Khasra Nos.298/1, 2978/1 Ghoray Shah Road, Hadbast Mouza Khoi Meran District Lahore	0.18	6,215
		67.39	1,413,850

5.3 The revaluation of freehold land, leasehold land and buildings thereon was carried out as of 30 June 2019 by MYK Associates (Private) Limited (an independent valuer who is located in Karachi) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction, net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus amounting to Rs.628 million which was incorporated in the books of the Company as at 30 June 2019.

The Company commissioned independent valuation of freehold land, leasehold land and buildings thereon during the years / periods ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007, 30 June 2013, 30 June 2016 & 30 June 2019.

The carrying amount of the aforementioned assets as at 30 June 2020, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	-----	(Rupees in '000)	-----
Freehold land	141,962	-	141,962
Leasehold land	724,456	-	724,456
Buildings	1,397,495	(489,089)	908,406
As at 30 June 2020	2,263,913	(489,089)	1,774,824
As at 30 June 2019	2,182,501	(418,349)	1,764,152

5.4

Details of property, plant and equipment disposed off / scrapped having book value of five hundred thousand rupees or more each are as follows:

Asset category	Description	Original cost	Accumulated depreciation	Book value (Rupees in '000)	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyer	Relationship with buyer
Buildings	Buildings	15,177	2,295	12,882	12,907	25	Negotiation	M/s. Arshad Bros.	None
Plant and Machinery	Nitrogen PSA Generator	12,720	11,220	1,500	173	(1,327)	Negotiation	M/s. Rahim Shah	None
	Accumulator	10,256	7,256	3,000	3,146	146	Negotiation	M/s. Nazim Khan	None
	Crane Runner	2,254	1,710	544	3,225	2,681	Negotiation	M/s. Rahim Shah	None
	Plant	25,000	23,534	1,466	15,000	13,534	Insurance Claim	M/s. Jubilee General Insurance Co Ltd	None
Vehicles	Honda Civic	2,353	980	1,373	-	(1,373)	Company's Policy	Mr. Anwer Imam	Company Employee
	Toyota Grande	2,804	841	1,963	3,165	1,202	Negotiation	Mr. M. Hanif Idrees	Company Employee
	Toyota Corolla	2,619	917	1,702	-	(1,702)	Company's Policy	Mr. M. Munaf	Company Employee

5.6 Capital work-in-progress (CWIP)

	Cost			As at 30 June 2020
	As at 1 July 2019	Additions / Adjustments	Transfers / Adjustments	
	(Rupees in '000)			
Leasehold land	-	13,274	(13,274)	-
Buildings on freehold land	-	26,662	(26,662)	-
Buildings on leasehold land	4,884	53,106	(57,387)	603
Plant and machinery	14,865	175,473	(186,780)	3,558
Furniture, fixtures and office equipment	-	4,635	(4,635)	-
Vehicles	-	14,420	(14,420)	-
	19,749	287,570	(303,158)	4,161

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

Note **2020** 2019
----- Rupees in '000 -----

6 INTANGIBLE ASSETS

Operating intangible assets	6.1	630	2,271
Capital work-in-progress (CWIP)	6.2	1,080	1,080
		1,710	3,351

6.1 Operating intangible assets

Net book value as at 1 July		2,271	7,555
Additions		667	-
Amortisation	6.1.2	(2,308)	(5,284)
Net book value as at 30 June		630	2,271
Gross carrying value as at 30 June			
Cost		75,607	74,940
Accumulated amortisation		(74,977)	(72,669)
Net book value		630	2,271

Percent

Amortisation rate (per annum)	33.33	33.33
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6.1.1 Intangible assets comprise of computer software and licenses. Note **2020** 2019
----- Rupees in '000 -----

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

Cost of sales	23	1,136	-
Selling and distribution expenses	24	718	-
Administrative expenses	25	454	5,284
		2,308	5,284

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

7 INVESTMENTS

2020 (Number of shares)			Note	2020	2019
					----- Rupees in '000 -----
Quoted Companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company, at cost	7.1	2,450,555	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associated company, at cost	7.2	817,553	817,553
Un-quoted Companies					
-	-	IIL Americas Inc. (IIL Americas) - subsidiary company, at cost	7.3	17,966	-
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company, at cost	7.4	9,168	9,168
				3,295,242	3,277,276

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

7.1.1 The Company has pledged 500,000 shares of International Steels Limited in the Honourable Sindh High Court as explained in note no .21.1.8

7.2 The Company holds 17.124% (2019: 17.124%) ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Fahd K.Chinoy.

7.3 This represents advance against shares paid by International Industries Limited for issuance of 100% ownership interest (150,000 shares) in IIL Americas Inc. . The Chief Executive Officer of IIL Americas Inc., is Mr. Mohsin Safdar.

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

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

	Note	2020	2019
			----- Rupees in '000 -----
International Steels Limited at Rs.51.65 (2019: Rs. 39.71) per share	7.5.1	12,657,119	9,731,156
Pakistan Cables Limited at Rs.106.89 (2019: Rs. 140.52) per share	7.5.1	651,224	856,114

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

7.6 The book value of IIL Australia based on the financial statements as at 30 June 2020 is Australian Dollars 160,232 (Rs. 18.47 million) [2019: AUD 177,569 (Rs. 20.42 million)].

8 STORES AND SPARES

Note **2020** 2019
----- Rupees in '000 -----

Stores	104,119	98,269
Spares	104,624	113,286
Loose tools	4,628	3,973
	213,371	<u>215,528</u>

9 STOCK-IN-TRADE

Raw material - in hand	9.1	4,433,572	5,186,733
- in transit		120,327	1,721,549
		4,553,899	<u>6,908,282</u>
Work-in-process		1,648,287	1,516,682
Finished goods		2,123,945	2,358,009
By-products		32,295	45,970
Scrap material		47,381	28,787
		8,405,807	<u>10,857,730</u>

9.1 Raw material amounting to Rs. 2.3 million as at 30 June 2020 (2019: Rs. 4.9 million) was held at a vendor's premises for the production of pipe caps.

10 TRADE DEBTS - considered good

Note **2020** 2019
----- Rupees in '000 -----

Considered good - secured	10.1	183,471	86,154
- unsecured		3,375,248	2,901,929
		3,558,719	<u>2,988,083</u>
Considered doubtful		146,431	145,767
		3,705,150	<u>3,133,850</u>
Provision for impairment on trade debts	10.4	(146,431)	(145,767)
		3,558,719	<u>2,988,083</u>

10.1 This represents trade debts arising on account of export sales of Rs. 139.9 million (2019: Rs. 63.3 million) which are secured by way of Export Letters of Credit and Rs. 43.5 million (2019: Rs. 22.8 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

10.2 Related parties from whom trade debts are due as at 30 June 2020 are as under:

Note **2020** 2019
----- Rupees in '000 -----

ILL Australia Pty Limited		814,507	581,091
ILL Americas Inc.		70,042	-
Pakistan Cables Limited		702	9,695
	10.3.1	885,251	<u>590,786</u>

10.3 The maximum aggregate amount due from the related parties at any time during the year calculated by reference to month-end balances is Rs. 947.11 million. Companies fully owned subsidiaries i.e., ILL Americas and ILL Australia have obtained credit insurance on their debtors.

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

	Note	2020	2019
		----- Rupees in '000 -----	
Not yet due		491,221	416,015
Past due 1-60 days		75,785	137,362
Past due 61 days - 180 days		318,245	37,409
Total		885,251	590,786
10.4 Provision for impairment on trade debts			
Balance as at 01 July		145,767	140,000
Impairment charge for the year		46,786	38,774
Recoveries during the year		(46,122)	(33,007)
Net impairment loss on trade debts		664	5,767
Balance as at 30 June		146,431	145,767
11 ADVANCES, TRADE DEPOSITS AND SHORT - TERM PREPAYMENTS			
Considered good - unsecured			
- Suppliers		14,378	40,927
- Employees for business related expenses		703	440
Trade deposits		7,906	4,352
Short term prepayments		5,539	5,665
		28,526	51,384
11.1 These advances and trade deposits are non interest bearing.			
12 OTHER RECEIVABLES			
Considered good			
Insurance claim		15,000	9,341
Others		-	182
		15,000	9,523
Considered doubtful			
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
		40,940	35,463
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior periods		(25,940)	(25,940)
		15,000	9,523
13 TAXATION - net			
Tax receivable as at 01 July		(322,545)	(310,225)
Tax payments / adjustments made during the year		358,754	490,446
		36,209	180,221
Less: Provision for tax		(305,526)	(502,766)
Tax payable as at 30 June		(269,317)	(322,545)

Note **2020** 2019
----- Rupees in '000 -----

14 CASH AND BANK BALANCES

Cash at bank

- Current accounts

- Deposit accounts

299,469	245,408
-	5,292
299,469	250,700

- 14.1 Mark-up rate on deposits accounts, placed with banks under conventional banking arrangement, is 3.25% - 6.5% (2019: 3.25% - 10.25%).

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020 2019
(Number of shares)

Note **2020** 2019
----- Rupees in '000 -----

6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
125,112,156	113,122,894	Fully paid ordinary shares of Rs.10 each issued as bonus shares	1,251,122	1,131,229
131,881,881	119,892,619		1,318,819	1,198,926

- 15.1 Pakistan Cables Limited, an associated company, due to common directors, held 633,600 (2019: 576,000) ordinary shares of Rs. 10 each at the year end.

16 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

Freehold land

Balance as at 01 July

Surplus on revaluation of Freehold land

Balance as at 30 June

5.1	459,464	386,829
	-	72,635
	459,464	459,464

Leasehold land

Balance as at 01 July

Surplus on revaluation of Leasehold land

Balance as at 30 June

5.1	1,317,213	1,119,897
	-	197,316
	1,317,213	1,317,213

Buildings

Balance as at 01 July

Surplus on revaluation of buildings

Disposal of buildings

Transferred to retained earnings (un-appropriated profit)

in respect of incremental depreciation charged during the year

5.1	889,633	594,834
	-	358,144
	(11,638)	(9,420)
	(87,741)	(53,925)
	790,253	889,633

Related deferred tax liability

Balance as at 30 June - net of deferred tax

16.2	(194,626)	(215,417)
	595,627	674,216
	2,372,304	2,450,893

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

16.2 Movement in related deferred tax liability	Note	2020	2019
		----- Rupees in '000 -----	
Balance as at 01 July		215,417	143,349
Surplus on revaluation of Buildings		-	86,721
Effect of change in tax rates		3,685	685
Tax effect on disposal		(2,866)	(2,281)
Tax effect on incremental depreciation transferred to retained earnings		(21,609)	(13,057)
Deferred tax liability as at 30 June		194,626	215,417

17 LONG TERM FINANCING - secured

CONVENTIONAL

Long Term Finance Facility	17.1	1,396,118	1,402,179
Deferred Income - Government Grant	17.3	18,608	-

ISLAMIC

Diminishing Musharakah	17.2	573,412	590,908
		1,988,138	1,993,087

Current portion of long term finances shown under current liabilities:

CONVENTIONAL

Long Term Finance Facility	17.1	(262,764)	(154,549)
Deferred Income - Government Grant	17.3	(11,735)	-

ISLAMIC

Diminishing Musharakah	17.2	(136,364)	(136,364)
		(410,863)	(290,913)
		1,577,275	1,702,174

Details of Long Term Financing are as follows:

	Sale price (Rupees in '000)	Purchase price	Number of installments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2020 ----- Rupees in '000 -----	2019
CONVENTIONAL							
MCB Bank Limited Financing under long term finance facility (Refer note.17.1)	550,000	906,963	34 quarterly 29 October 2016	28 March 2025 to 20 Nov 2027	SBP+0.70% (fixed rate)	346,690	411,134
MCB Bank Limited Financing under long term finance facility (Refer note.17.1)	800,000	1,164,316	11 half yearly 30 June 2020	28 Dec 2024	0.1 % over 6 months KIBOR	727,272	800,000
MCB Bank Limited Financing under long term finance facility (Refer note.17.1)	100,000	149,976	34 quarterly 31 Aug 2019	31 Aug 2027	SBP+0.50% (fixed rate)	86,492	98,422
MCB Bank Limited Financing under long term finance facility (Refer note.17.1)	100,000	147,862	34 quarterly 30 Mar 2020	30 June 2028	SBP+0.50% (fixed rate)	87,175	92,623
Habib Metropolitan Bank Limited Financing under long term finance facility (Refer note.17.3)	275,000	330,000	8 quarterly 31 Mar 2021	30 Dec 2022	SBP+0.75% (fixed rate)	167,097	-
ISLAMIC							
Meezan Bank Limited Diminishing Musharakah of Rs.500 million (Refer note.17.2)	500,000	950,361	5 half yearly & 12 quarterly 30 June 2018	30 June 2023	0.1 % over 6 months KIBOR	272,728	363,635
Meezan Bank Limited Diminishing Musharakah of Rs.250 million (Refer note.17.2)	250,000	279,978	3 half yearly & 16 quarterly 30 June 2019	30 June 2024	0.1 % over 6 months KIBOR	181,818	227,273
Habib Bank Limited Diminishing Musharakah of Rs.150 million (Refer note.17.2)	150,000	187,500	16 half yearly 30 June 2022	31 May 2030	SBP+0.50% (fixed rate)	118,866	-
						1,988,138	1,993,087

- 17.1** The Company has an approved financing facility under Long Term Finance Facilities of an amount aggregating Rs. 1,550 million. As at 30 June 2020 the Company has withdrawn Rs. 1,414.7 million (2019: Rs. 1,402.1 million) from a commercial bank. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.
- 17.2** These long term financing utilised under diminishing musharakah arrangement are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.
- 17.3** In addition to the above, the Company has also obtained long term loans of Rs. 167.097 million for financing its salaries and wages under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit, which is secured against first Joint Pari Passu Hypothecation charge over stock and book debts. The rate of markup on these loans are at 0.75% per annum. These loans are for two and half years and are repayable in eight equal quarterly instalments of Rs.20.887 million commencing from 31 March 2021. The facility available under the above arrangement amounted to Rs. 225 million of which the amount remained unutilised as at 30 June 2020 was Rs. 57.903 million (2019: Nil).

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

The company has obtained the said borrowing from Habib Metropolitan Bank Limited ("HMB") at subsidized rate in three tranches on 05 May 2020, 29 May 2020 and 15 June 2020 at 0.75% concessional interest rate which is repayable by Dec 2022 in 8 quarterly installments to HMB under the SBP scheme.

Government grant amounting to Rs. 18.608 million has been recorded during the year ended 30 June 2020 and Rs. 0.705 million has been amortised during the year. In accordance with the terms of the grant, the company is prohibited to lay-off the employees atleast for three months from the period April to June 2020 of the grant.

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

18 DEFERRED TAXATION - NET

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

	Note	2020	2019
		----- Rupees in '000 -----	
Taxable temporary difference			
Accelerated tax depreciation		307,662	306,631
Surplus on revaluation of buildings	16.2	194,626	215,417
Deductible temporary differences			
Provision for infrastructure cess		(133,153)	(115,791)
Provision for impairment on trade receivables		(42,465)	(40,551)
Provision for compensated absences		-	(1,592)
Staff retirement benefits		(22,055)	(28,567)
		304,615	335,547
19 TRADE AND OTHER PAYABLES			
Trade creditors		152,325	125,238
Bills payable		1,278	1,003,235
Accrued expenses		998,138	999,177
Provision for Infrastructure cess	19.1 & 21.1.4	540,653	477,586
Short term compensated absences		-	6,600
Workers' Profit Participation Fund	19.2	855	5,171
Workers' Welfare Fund		123,457	121,155
Others		29,428	25,857
		1,846,134	2,764,019

19.1 Provision for Infrastructure Cess

This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 21.1.5).

	Note	2020	2019
		----- Rupees in '000 -----	
Balance as at 01 July		477,586	401,376
Charge for the year		63,067	76,210
Balance as at 30 June		540,653	477,586

19.2 Workers' Profit Participation Fund

Balance as at 01 July		5,171	(311)
Interest on funds utilised in the Company's business 48.75% (2019: Nil)	26	600	-
		5,771	(311)
Allocation for the year		7,166	51,532
		12,937	51,221
Payments made during the year		(12,082)	(46,050)
Balance as at 30 June		855	5,171

20 SHORT TERM BORROWINGS - secured

CONVENTIONAL

Running finance under mark-up arrangement from banks	20.1	2,019,425	868,485
Short term borrowing under Money Market Scheme			
Maturing after three months		800,000	500,000
Maturing within three months		3,900,000	4,216,850
	20.2	4,700,000	4,716,850

Short term borrowing under Export Refinance Scheme	20.3	1,315,000	2,176,000
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ISLAMIC

Short term borrowing under running Musharakah	20.4	860,032	355,795
Short term borrowing under term Murabaha	20.5	-	1,308,000
Short term borrowing under Export Refinance Scheme	20.5	500,000	-
		9,394,457	9,425,130

20.1 The facilities for running finance available from various commercial banks amounted to Rs. 2,625.0 million (2019: Rs.3,342.5 million). The rates of mark-up on these finances range from 8.73% to 11.76% per annum (2019: 11.44% to 13.04% per annum). Unavailed facility as at the year end amounted to Rs. 605.6 million (2019: Rs. 2,474 million).

20.2 The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 7,875 million (2019: Rs. 5,270 million).Unavailed facility as at the year end amounted to Rs. 3,175.0 million (2019: Rs. 553.1 million). The rates of mark-up on these finances range from 7.51% to 8.76% (2019: 11.04% to 13.06%) per annum

20.3 The Company has borrowed short term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 1,315 million (2019: Rs. 2,176 million). The rate of mark-up on this facility was 3.00% per annum (2019: 2.50% to 3.00% per annum).

20.4 The facilities for running musharakah available from various banks amounted to Rs. 2,850 million (2019: Rs. 1,500 million). The rates of mark-up on these finances range from 8.90% to 9.33% per annum (2019: 13.10% per annum). Unavailed facility as at the year end amounted to Rs. 1,989.9 million (2019: Rs. 1,144.2 million).

- 20.5** The Company obtained loan from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 8 million equivalent to fixed amount of Rs.1,308 million for meeting working capital requirement. The tenor of the loan was six months i.e from 26 June 2019 to 26 December 2019. The price of loan was six months KIBOR minus 0.28%. As per the term of agreement, Standard Chartered Bank (Pakistan) has obtained forward cover on behalf of the Company to hedge foreign currency risk.
- 20.6** The Company has borrowed short term running finance under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The rate of mark-up on this facility is 3% per annum.
- 20.7** All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

	Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
21.1.1	Customs duties amounting to Rs. 40.5 million as at 30 June 2020 (2019: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.	Sindh High Court	Collector of Customs / Federation of Pakistan	2005
21.1.2	An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.	Sindh High Court	Collector of Customs / Federation of Pakistan	15 January 2010
21.1.3	The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.	Sindh High Court	Collector of Customs / Federation of Pakistan	30 August 2007

Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
21.1.4 The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice. Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 655 million (2019: Rs. 595 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 30 June 2020. As a matter of prudence, company is making provision for the balance amount, which as at 30 June 2020 amounts to Rs. 540.7 million (2019: Rs.477.6 million) as disclosed in note 19.1. Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 the Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.	Sindh High Court	Secretary Excise and Taxation / Federation of Pakistan	28 October 2002
21.1.5 The Federal Government issued Gas Infrastructure Development Cess (GIDC) Acts in the years 2011, 2014 and 2015. All GIDC Acts have been subject of thorough debate and consideration at honorable High Courts of the Country as well as the Supreme Court of Pakistan. On 12 August 2020, the Supreme Court of Pakistan issued its verdict and held that “the levy imposed under Gas Infrastructure Development Cess Act, 2015 is in accordance with the provisions of the Constitution”. The Supreme Court has also held that “the provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of ‘Cess’ levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament.”	Sindh High Court	OGRA / SSGC / Federation of Pakistan	8 January 2012

Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
The Management has recorded GIDC provision in unconsolidated financial statements, as per the act / ordinance applicable at the time of respective law being in force for the periods up to the year ended 30 June 2020. Further the Company has not recognised GIDC amounting to Rs. 142.36 million (2019: Rs. 89.65 million) pertaining to period from 01 July 2011 to 30 June 2020 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).			
21.1.6 Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement with a conflicting view.	Sindh High Court	SRB / Government of Sindh	9 Sep 2017
21.1.7 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Company has issued cheques amounting to Rs 99.5 million (2019: Rs.99.5 million) in favour of Nazir of the court upto September 2018. The Company, on a prudent basis, has also accrued this amount in these unconsolidated financial statements. OGRA has further revised the gas tariff to Rs.780 per MMBTU vide its notification dated 04 October 2018, further increasing the rate by Rs.180 per MMBTU. The Company has filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter, the Company is settling the bills at the revised rate.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19 January 2017

Description of the factual basis of the proceeding and relief sought	Name of the court	Principal parties	Date Instituted
21.1.8 The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process. On a separate application challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	1 November 2016
21.1.9 Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 287.2 million (2019: Rs. 299.42 million) as performance security for goods to be supplied by the Company. 21.1.10 Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 51.75 million (2019: Rs. 97.36 Million) as performance security for goods to be supplied by the Company. 21.1.11 Guarantee issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 107.19 million (2019: Rs.94.94 million) as a security for supply of gas. 21.1.12 Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2019: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG). 21.1.13 Guarantee issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019: Rs. 5.83 million) as a security for supply of electricity. 21.1.14 Guarantee issued in favour of Pakistan State Oil Company Limited by bank on behalf of the Company amounted to Rs. 59.00 million (2019: Rs. 59.00 million) for supply of fuel and lubricants. 21.1.15 Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2019: Rs.0.83 million) as performance security for goods to be supplied by the Company. 21.1.16 Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs. nil million (2019:Rs.2.00 million) as performance security for goods to be supplied by the Company. 21.1.17 Guarantees issued in favour of Small Industries Development Board by the bank on behalf of the Company amounted to Rs. 5.0 million (2019: Rs. Nil) as performance security for goods to be supplied by the Company.			

21.1.18 Guarantee issued in favour of Sui Northern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs. 18.40 million (2019: Rs.22.00 million) as security for holding the bids (bid bond) submitted in tenders

21.1.19 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Company amounted to Rs.Nil (2019: 0.81 million) as security for holding the bids (bid bond) submitted in tenders

21.2 Commitments

21.2.1 Capital expenditure commitments outstanding as at 30 June 2020 amounted to Rs. 8.8 million (2019: Rs. 23.6 million).

21.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2020 amounted to Rs. 873.8 million (2019: Rs. 875.7 million).

21.2.3 Commitments under purchase contracts as at 30 June 2020 amounted to Rs. 875.4 million (2019: Rs. 243.5 million).

21.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 June 2020 amounted to Rs. 7,817 million (2019: Rs. 8,311 million) and Rs. 832 million (2019: Rs. 620 million) respectively.

21.2.5 Postdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond as at 30 June 2020 amounted to Rs. 2,423.1 million (2019: 3,107.93 million)

21.2.6 Postdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery as at 30 June 2020 amounted to Rs.3.6 million (2019: Rs.14.3 million)

21.2.7 Postdated cheques issued in favour of Collector of Customs for various disputed claims as at 30 June 2020 amounted to Rs.166.83 million (2019: 166.83 million)

22 NET SALES

	2020	2019
	----- Rupees in '000 -----	
Local	20,013,451	26,480,467
Export	2,916,864	4,404,732
	22,930,315	30,885,199
Sales tax	(2,944,749)	(3,858,312)
Domestic trade discounts	(981,845)	(1,025,597)
Export commission & discounts	(39,506)	(26,183)
	(3,966,100)	(4,910,092)
	18,964,215	25,975,107

22.1 DISAGGREGATION OF REVENUE

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

	Note	2020	2019
		----- Rupees in '000 -----	
Primary geographical markets:			
Local		16,086,857	21,596,558
Asia		1,084,015	1,371,762
Europe		610,914	751,202
Australia		1,005,744	1,202,049
Africa		3,435	-
Americas		173,250	1,053,536
		18,964,215	25,975,107
Major Product Lines:			
Steel products		16,478,968	23,584,360
Polymer products		2,485,247	2,390,747
		18,964,215	25,975,107
23 COST OF SALES			
Raw material consumed			
Opening stock of raw material		5,186,733	4,384,947
Purchases		14,688,567	21,971,063
		19,875,300	26,356,010
Closing stock of raw material	9	(4,433,572)	(5,186,733)
		15,441,728	21,169,277
Manufacturing overheads			
Salaries, wages and benefits	23.1	867,150	970,252
Rent, rates and taxes		370	2,025
Electricity, gas and water		394,169	389,345
Insurance		10,413	9,255
Security and janitorial		32,805	33,895
Depreciation and amortisation	5.2 & 6.1.2]	493,787	428,041
Operational supplies and consumables		79,790	101,057
Repairs and maintenance		106,478	140,723
Postage, telephone and stationery		9,142	12,059
Vehicle, travel and conveyance		17,471	22,379
Internal material handling		31,785	34,688
Environment controlling expense		334	361
Sundries		4,474	5,601
Partial manufacturing		5,472	-
		2,053,640	2,149,681
		17,495,368	23,318,958
Work-in-process			
Opening stock		1,516,682	1,409,862
Closing stock	9	(1,648,287)	(1,516,682)
		(131,605)	(106,820)
Cost of goods manufactured		17,363,763	23,212,138
Finished goods, by-products and scrap:			
Opening stock		2,432,766	2,369,419
Closing stock	9	(2,203,621)	(2,432,766)
		229,145	(63,347)
		17,592,908	23,148,791

23.1 Salaries, wages and benefits include Rs. 55.8 million for the year ended 30 June 2020 (2019: Rs. 54.3 million) in respect of staff retirement benefits.

24	SELLING AND DISTRIBUTION EXPENSES	Note	2020	2019
			----- Rupees in '000 -----	
	Freight and forwarding		542,113	813,119
	Salaries, wages and benefits	24.1	166,209	169,411
	Rent, rates and taxes		1,841	1,757
	Electricity, gas and water		7,183	7,468
	Insurance		1,027	3,605
	Depreciation and amortisation	5.2 & 6.1.2	14,483	14,945
	Repairs and maintenance		534	979
	Advertising and sales promotion		43,709	82,887
	Postage, telephone and stationery		5,523	7,058
	Office supplies		39	135
	Vehicle, travel and conveyance		20,350	23,966
	Trade debts written off		-	994
	Certification and registration charges		2,374	3,982
	Others		7,658	11,174
			813,043	1,141,480

24.1 Salaries, wages and benefits include Rs. 10.68 million for the year ended 30 June 2020 (2019: Rs. 11.96 million) in respect of staff retirement benefits.

25	ADMINISTRATIVE EXPENSES	Note	2020	2019
			----- Rupees in '000 -----	
	Salaries, wages and benefits	25.1	192,008	207,645
	Rent, rates and taxes		116	123
	Electricity, gas and water		2,255	2,609
	Insurance		1,467	1,478
	Depreciation and amortisation	5.2 & 6.1.2	15,802	15,987
	Repairs and maintenance		2,118	1,646
	Postage, telephone and stationery		9,925	10,507
	Office supplies		537	590
	Vehicle, travel and conveyance		11,623	12,486
	Legal and professional charges		33,789	17,218
	Certification and registration charges		10,752	6,742
	Others		18,315	18,765
			298,707	295,796

25.1 Salaries, wages and benefits include Rs. 14.4 million for the year ended 30 June 2020 (2019: Rs. 15.1 million) in respect of staff retirement benefits.

26	FINANCE COST	Note	2020	2019
			----- Rupees in '000 -----	
	Conventional:			
	- Interest on long term finance		131,356	96,836
	- Interest on short term borrowings		741,331	671,892
			872,687	768,728
	Islamic:			
	- Mark-up on running musharakah		14,240	79,377
	- Mark-up on term murabaha		83,689	2,351
	- Mark-up on diminishing musharakah		73,613	61,045
			171,542	142,773
	Exchange loss and others		179,428	-
	Interest on Workers' Profit Participation Fund	19.2	600	-
	Bank charges		14,068	12,791
			1,238,325	924,292

	Note	2020	2019
		----- Rupees in '000 -----	
27 OTHER OPERATING CHARGES			
Auditors' remuneration	27.1	3,256	3,131
Donations	27.2	2,350	17,245
Workers' Profit Participation Fund		7,166	51,532
Workers' Welfare Fund		2,302	19,198
Business development expense		15,628	7,258
		30,702	98,364
27.1 Auditors' remuneration			
Audit services			
Audit fee		1,625	1,625
Half yearly review		466	466
Out of pocket expenses		162	162
		2,253	2,253
Non-audit services			
Certifications for regulatory purposes		1,003	878
		3,256	3,131
27.2 Donations			
27.2.1 Donation to the following organization exceed 10% of total amount of donations made or Rs. 1 million, whichever is higher			
	Note	2020	2019
		----- Rupees in '000 -----	
SINA Health, Education and Welfare Trust (IIL Clinic)		-	6,000
The Citizen Foundation (IIL Campus)	27.2.2	-	5,100
Amir Sultan Chinoy Foundation		-	2,320
Indus Earth Trust		1,000	-
		1,000	13,420
27.2.2 Mr. Riyaz T. Chinoy's interest in The Citizen Foundation is limited to the extent of his involvement as a director.			
28 OTHER INCOME	Note	2020	2019
		----- Rupees in '000 -----	
Income / return on financial assets			
Income on bank deposits - conventional		1,344	1,827
Exchange gain		86,257	472,531
Government grant		705	-
Income from non-financial assets			
Loss from power generation	28.1	(4,172)	(12,172)
Rental income from subsidiary company		47,265	27,082
Dividend income from associated company	28.2	6,092	30,462
Dividend income from subsidiary company	28.2	370,259	1,102,750
Gain on disposal of property, plant and equipment		72,270	109,877
Others		306	155
		580,326	1,732,512

	2020	2019
	----- Rupees in '000 -----	
28.1 Loss from power generation		
Net sales	122,785	102,191
Cost of electricity produced:		
Salaries, wages and benefits	6,301	6,164
Electricity, gas and water	104,450	93,585
Insurance	59	60
Depreciation	11,814	8,884
Operational supplies & consumables	1,908	3,348
Repairs and maintenance	2,425	2,322
	126,957	114,363
Loss from power generation	(4,172)	(12,172)

28.1.1 Salaries, wages and benefits include Rs. 0.550 million (2019: Rs. 0.539 million) in respect of staff retirement benefits.

28.1.2 The Company has 4MW electricity power generation facility at its premises generating electricity in excess of its requirements which is supplied to K-Electric Limited under an agreement.

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

	2020	2019
	----- Rupees in '000 -----	
29 TAXATION		
Current		
- for the year	329,526	502,766
- for prior years	(24,000)	-
	305,526	502,766
- Deferred	(41,129)	15,650
	264,397	518,416

	2020	2019	2020	2019
	(Effective tax rate %)		----- Rupees in '000 -----	
29.1 Relationship between income tax expense and accounting profit				
(Loss) / Profit before taxation			(429,808)	2,093,129
Tax at the enacted tax rate	29.00	29.00	(124,644)	607,007
Tax effect of:				
Income subject to final tax regime	(5.06)	(7.19)	21,748	(150,581)
Income taxed as separate block of income	12.35	(7.58)	(53,091)	(158,650)
Tax credits	0.00	(2.03)	-	(42,523)
Minimum tax	(95.92)	11.98	412,281	250,777
Tax effect of permanent differences	(4.84)	0.90	20,791	18,893
Change in tax rate on opening deferred tax	(2.63)	(1.66)	11,312	(34,683)
Super tax	0.00	1.35	-	28,176
Prior year	5.58	0.00	(24,000)	-
	(61.52)	24.87	264,397	518,416

30 EARNINGS PER SHARE - BASIC AND DILUTED

Note **2020** 2019
----- Rupees in '000 -----

(Loss) / Profit after taxation **(694,205)** 1,574,713

(Number)

Weighted average number of ordinary shares
in issue during the year

15 **131,881,881** (Restated)
131,881,881

(Rupees)

(Loss) / Earnings per share - basic and diluted

(5.26) (Restated)
11.94

30.1 There is no dilutive impact on Earnings per share.

31 CHANGES IN WORKING CAPITAL

(Increase) / decrease in current assets:

Stores and spares

2,157 (63,229)

Stock-in-trade

2,451,923 (1,853,178)

Trade debts

(571,300) (674,974)

Advances, trade deposits and short-term prepayments

22,858 1,014,443

Receivable from K-Electric Limited

11,118 (10,159)

Other receivables

(5,477) (4,818)

Sales tax receivables

61,706 238,929

1,972,985 (1,352,986)

Increase / (decrease) in current liabilities:

Trade and other payables

(911,285) 694,767

Contract liabilities

(50,709) (7,696)

1,010,991 (665,915)

32 STAFF RETIREMENT BENEFITS

32.1 Defined contribution plan

Staff Provident Fund

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

32.2 Defined benefit schemes

Staff Gratuity Fund

The actuarial valuation of gratuity was carried out at 30 June 2020 under projected unit credit method using the following significant assumptions;

	2020	2019
	% per annum	
Financial Assumptions		
Discount Rate	8.50%	14.25%
Salary increase rate		
First year - Unionized staff	16%	10.85%
First year - Management	0%	10.85%
Long term	6.50%	12.25%
Demographic Assumptions		
Mortality rate	SLIC 2001-05-1	SLIC 2001-05-1
Rates of employee turnover	Heavy	Heavy
Retirement assumption	Age 60 years	Age 60 years
The amounts recognised in statement of financial position are as follows:	2020	2019
	----- Rupees in '000 -----	
Present value of defined benefit obligation (DBO)	559,293	556,142
Fair value of plan assets	(469,741)	(437,733)
(Surplus) / Deficit	89,552	118,409
Movements in the net defined benefit liability (assets)		
Balance Sheet (prepaid) / accrued as at the beginning of the period	118,409	146,253
Net the periodic benefit cost / (income) for the period ended	49,608	47,533
Actual Contribution by the Employer to the Fund	(17,800)	(47,533)
Total amount of Remeasurements recognised in OCI	(60,665)	(27,844)
Balance Sheet (prepaid) / accrued as at the end of the period	89,552	118,409
Defined Benefit Cost for the period		
Cost recognised in P&L for the period		
Service cost		
Current service cost	33,646	34,856
Interest Cost on DBO	77,720	49,563
Interest income on plan assets	(61,758)	(36,886)
	15,962	12,677
Cost recognised in P&L for the period	49,608	47,533

	2020	2019
	----- Rupees in '000 -----	
Re-measurements recognised in OCI during the period		
Actuarial (gain) / loss on obligation	(81,320)	(67,470)
Actuarial (gain) / loss on plan assets	20,655	39,626
Total re-measurements recognised in OCI	(60,665)	(27,844)
Total defined benefit cost recognised in P&L and OCI	(11,057)	19,689
Movements in the present value of defined benefit obligation		
Present value of DBO at beginning of the period	556,142	563,010
Service cost	33,646	34,856
Interest cost on DBO	77,720	49,563
Actual benefits paid/payable during the year	(26,895)	(23,817)
Re-measurements : Actuarial (gain) / loss on obligation	(81,320)	(67,470)
Present value of DBO at end of the period	559,293	556,142
Movements in the fair value of plan assets		
Fair value of plan assets at beginning of the period	437,733	416,757
Interest income on plan assets	61,758	36,886
Actual contribution by the employer to the Fund	17,800	47,533
Actual benefit paid / payable from the Fund during the year	(26,895)	(23,817)
Re-measurements : Actuarial gain / (loss) on plan assets	(20,655)	(39,626)
Fair value of plan assets at end of the period	469,741	437,733
Component of defined benefit costs recognised in profit and loss account		
Analysis of Present value of DBO		
Vested / Non-Vested		
Vested Benefits	557,451	552,976
Non-Vested benefits	1,842	3,166
	559,293	556,142
Type of Benefits earned to date		
Accumulated Benefit Obligation	375,632	278,308
Amounts attributed to future salary increases	183,661	277,834
	559,293	556,142
Disaggregation of fair value of plan assets		
Cash and cash equivalents (after adjusting current liabilities)	2,079	13,286
Equity instruments	75,659	118,712
Debt instruments		
Pakistan Investment Bonds	154,122	109,538
National Saving Bonds	-	196,197
Market Treasury Bills	7,097	-
Defence Saving Certificates	168,235	-
Regular Income Certificates	62,549	-
	469,741	437,733
Remeasurements recognised in Other Comprehensive Expense/(Income) for the period		
Re-measurements : Actuarial (gain) / loss on obligation		
i) (Gain) / Loss due to change in financial assumptions	(12,948)	(19,937)
ii) (Gain) / Loss due to change in experience adjustments	(68,372)	(47,533)
Total actuarial (gain) / loss on obligation	(81,320)	(67,470)
Re-measurements: Actuarial (gain) / loss on plan assets		
i) Actual return on plan assets	49,483	(5,400)
ii) Interest income on plan assets	61,758	36,886
iii) Opening difference	(8,380)	2,660
Total actuarial (gain) / loss on plan assets = (ii) - (i) - (iii)	20,655	39,626
	(60,665)	(27,844)

Maturity profile of the defined benefit obligation (DBO)

	2020	2019
	----- Years -----	
Weighted average duration of the DBO	6.03	5.97
	----- Rupees in '000 -----	
Distribution of timing of benefit payments (time in the periods)		
1	51,809	55,864
2	69,018	59,460
3	89,663	79,436
4	66,587	110,438
5	178,526	91,250
6-10	330,390	643,631

Sensitivity analysis of significant actuarial assumptions : Actuarial Liability

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

	2020	2019
	----- Rupees in '000 -----	
Discount rate + 1%	527,440	524,948
Discount rate - 1%	595,100	591,001
Long Term Salary increases + 1%	614,565	588,710
Long Term Salary increases - 1%	543,402	526,503

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	-----Rupees in '000)-----					
Managerial remuneration	36,332	36,332	-	-	155,432	183,777
Bonus	12,111	16,111	-	-	54,469	61,259
Retirement benefits	3,026	3,026	-	-	10,227	12,227
Rent, utilities allowance etc.	18,907	18,945	-	-	83,804	94,622
Directors' fees	-	-	7,050	6,825	-	-
	70,376	74,414	7,050	6,825	303,932	351,885
Number of persons	1	1	8	8	51	55

- 33.1** In addition to the above, the Chief Executive, Directors and certain executives are provided with free use of Company maintained vehicles & Chief Executive is provided with security guards in accordance with the Company's policy.
- 33.2** Fees paid to non-executive directors was Rs. 7.050 million (2019: Rs. 6.825 million) on account of meetings attended by them.
- 33.3** Reimbursement of chairman expense was Rs. 5.9 million (2019: Rs. 7.2 million).

Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

34.1 Credit risk

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

Exposure to credit risk

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

	Note	2020	2019
		----- Rupees in '000 -----	
- Long term deposits		3,519	3,519
- Trade debts - net of provision	10	3,558,719	2,988,083
- Trade deposits		7,906	4,352
- Receivable from K-Electric Limited		19,006	30,124
- Other receivables	12	15,000	9,523
- Bank balances	14	299,469	250,700
		3,903,619	3,286,301

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. 15 million (2019: Rs. 9.5 million). Receivable from K - Electric Limited amounting to Rs. 19.01 million (2019: Rs. 30.10 million) is on account of electricity provided to it from the 4 MW plant located at the factory site under an agreement. The Company does not expect to incur credit loss against these receivables.

Analysis of gross amounts receivable from local and foreign trade debtors and receivable from K Electric are as follows:

	2020	2019
	----- Rupees in '000 -----	
Domestic	2,586,325	2,006,463
Export	1,137,831	1,157,511
	<u>3,724,156</u>	<u>3,163,974</u>

The majority of export debtors of the Company are situated in Australia, Americas and Asia.

34.1.1 Impairment losses

The ageing of trade debtors and receivable from K-electric as per above at the reporting date was as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
0-30 Days	2,833,286	5,950	2,496,299	5,839
31-60 Days	113,100	582	351,163	2,851
61-90 Days	300,541	2,770	79,002	992
91-120 Days	176,349	2,989	23,357	426
121-150 Days	134,538	3,648	19,383	598
151-180 Days	10,758	590	8,991	430
181-210 Days	4,624	464	31,839	2,483
211-240 Days	10,854	1,320	18,691	1,986
241-270 Days	6,576	1,492	2,841	400
271-300 Days	3,664	1,614	3,124	1,250
301-330 Days	3,400	1,991	962	539
331-360 Days	35,412	31,967	1,067	718
Over 1 year	91,054	91,054	127,255	127,255
	<u>3,724,156</u>	<u>146,431</u>	<u>3,163,974</u>	<u>145,767</u>

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

Bank Balances

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

Bank	Rating Agency	Rating	
		Short term	Long term
Habib Bank Limited	VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
Faysal Bank Limited	PACRA / VIS	A-1+	AA
Bank AL Habib Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
Bank Alfalah Limited	PACRA / VIS	A-1+	AA+
Allied Bank Limited	PACRA	A-1+	AAA
Askari Bank Limited	PACRA	A-1+	AA+
Samba Bank Limited	VIS	A-1	AA
Soneri Bank Limited	PACRA	A-1+	AA-
Industrial & Commercial Bank of China	S&P	-	A
Industrial & Commercial Bank of China	Moody's	P-1*	A1
Habib Metropolitan Bank Limited	PACRA	A-1+	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.

34.2 Liquidity risk

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

2020						
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	1,988,138	-	(2,399,727)	(245,983)	(282,625)	(1,706,015)
Trade and other payables	1,151,741	-	(1,151,741)	(1,151,741)	-	-
Accrued mark-up	75,830	-	(75,830)	(75,830)	-	-
Short-term borrowings	9,394,457	(9,394,457)	-	-	-	-
Contract liability	184,462	(184,462)	-	-	-	-
Unpaid dividend	2,438	(2,438)	-	-	-	-
Unclaimed dividend	39,044	(39,044)	-	-	-	-
	12,836,110	(9,620,401)	(3,627,298)	(1,473,554)	(282,625)	(1,706,015)
						(165,104)
2019						
Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
(Rupees in '000)						
Non-derivative financial liabilities						
Long term financing	1,993,087	-	(2,635,328)	(210,132)	(281,967)	(1,805,397)
Trade and payables	2,134,250	-	(2,134,250)	(2,134,250)	-	-
Accrued mark-up	143,466	-	(143,466)	(143,466)	-	-
Short-term borrowings	9,425,130	(9,425,130)	-	-	-	-
Contract liability	235,171	(235,171)	-	-	-	-
Unpaid dividend	4,257	(4,257)	-	-	-	-
Unclaimed dividend	36,596	(36,596)	-	-	-	-
	13,971,957	(9,701,154)	(4,913,044)	(2,487,848)	(281,967)	(1,805,397)
						(337,832)

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

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

34.3 Market risk

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

34.3.1 Currency risk

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

Exposure to currency risk

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

	2020			2019		
	Rupees	US Dollars	AUD	Rupees	US Dollars	AUD
	----- (In '000) -----			----- (In '000) -----		
Financial assets						
Bank Balance	295,389	1,758	-	250,395	1,537	-
Trade debts	1,137,831	1,508	7,674	1,156,897	3,535	5,088
Financial liabilities						
Trade and other payables	(1,278)	(8)	-	(1,003,235)	(6,146)	-
Net exposure	1,431,942	3,258	7,674	404,057	(1,074)	5,088

The following significant exchange rates were applicable during the year:

	Reporting date rate	
	2020	2019
	Buying/Selling	Buying/Selling
US Dollars to Pakistan Rupee	167.98 / 168.35	162.87 / 163.24
AUD to Pakistan Rupee	115.26 / 115.50	114.20 / 114.47

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar and Australian Dollar at 30 June would have (decreased) / increased the equity / profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for both the years. However, prior year amount is net of corporate tax while there is no impact of corporate tax on current year as company is subject to minimum tax.

	Effect on statement of profit or loss account	
	2020	2019
	----- Rupees in '000 -----	
As at 30 June		
Effect in US Dollars	50,897	(16,692)
Effect in AUD	82,259	54,038

34.3.2 Interest rate risk

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

At the reporting date, the interest rate profile of the Company's interest-bearing financial instrument is:

	Note	Carrying amount	
		2020	2019
		----- Rupees in '000 -----	
Fixed rate instruments			
Financial liabilities	17 & 20	(2,121,320)	(2,778,179)
Variable rate instruments			
Financial liabilities	17 & 20	(9,261,275)	8,640,038

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 loss after tax by Rs. 113.82 million (2019: Rs. 86.40 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for both the years. However, prior year amount is net of corporate tax while there is no impact of corporate tax on current year as company is subject to minimum tax.

Fair value sensitivity analysis for fixed rate instruments

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

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

	2020				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July 2019	5,441,130	4,121,376	1,999,177	3,599,089	15,160,772
Changes from financing cash flows					
Repayment of long term loan	-	-	(136,364)	-	(136,364)
Proceeds from long term loan	-	-	131,415	-	131,415
Dividend paid	-	-	-	(359,049)	(359,049)
Total changes from financing activities	-	-	(4,949)	(359,049)	(363,998)
Other changes - interest cost					
Interest expense	-	1,033,356	204,264	-	1,237,620
Interest paid	-	(1,102,863)	(202,393)	-	(1,305,256)
Changes in short term borrowings	1,338,327	(1,369,000)	-	-	(30,673)
Total loan related other changes	1,338,327	(1,438,507)	1,871	-	(98,309)
Total equity related other changes	-	-	-	(685,670)	(685,670)
Balance as at 30 June	6,779,457	2,682,869	1,996,099	2,554,370	14,012,795

	2019				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July 2018	6,365,057	2,016,863	2,155,762	3,037,210	13,574,892
Changes from financing cash flows					
Repayment of long term loan	-	-	(180,919)	-	(180,919)
Proceeds from long term loan	-	-	24,553	-	24,553
Dividend paid	-	-	-	(1,076,253)	(1,076,253)
Total changes from financing activities	-	-	(156,366)	(1,076,253)	(1,232,619)
Other changes - interest cost					
Interest expense	-	766,411	157,881	-	924,292
Interest paid	-	(701,398)	(158,100)	-	(859,498)
Changes in short term borrowings	(923,927)	2,039,500	-	-	1,115,573
Total loan related other changes	(923,927)	2,104,513	(219)	-	1,180,367
Total equity related other changes	-	-	-	1,638,132	1,638,132
Balance as at 30 June	5,441,130	4,121,376	1,999,177	3,599,089	15,160,772

Other price risk

At present, the company is not exposed to any other price risk.

34.5 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the statement of financial position approximate their fair values.

34.6 Financial instruments by categories

Note	2020	2019
	----- Rupees in '000 -----	
10	3,519	3,519
	3,558,719	2,988,083
	7,906	4,352
	19,006	30,124
12	15,000	9,523
14	299,469	250,700
	<u>3,903,619</u>	<u>3,286,301</u>
	1,988,138	1,993,087
	1,151,741	2,134,250
	75,830	143,466
20	9,394,457	9,425,130
	184,462	235,171
	2,438	4,257
	39,044	36,596
	<u>12,836,110</u>	<u>13,971,957</u>

35 CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Company intends to manage its capital structure by monitoring return on capital, as well as the level of dividends to ordinary shareholders.

36 MEASUREMENT OF FAIR VALUES

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

For assets and liabilities that are recognised in the unconsolidated 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 2020						
Carrying amount			Fair Value			
Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Long term deposits	-	3,519	-	-	-	
Trade debts - net of provision	-	3,558,719	-	-	-	
Trade deposits	-	7,906	-	-	-	
Receivable from K-Electric Limited	-	19,006	-	-	-	
Other receivables	-	15,000	-	-	-	
Cash and bank balances	-	299,469	-	-	-	
Total	-	3,903,619	-	-	-	
Financial liabilities not measured at fair value						
- Long term financing	- 1,988,138	1,988,138	-	-	-	
- Trade and other payables	- 1,151,741	1,151,741	-	-	-	
- Accrued mark-up	- 75,830	75,830	-	-	-	
- Short term borrowings	- 9,394,457	9,394,457	-	-	-	
- Contract Liabilities	- 184,462	184,462	-	-	-	
- Unpaid dividend	- 2,438	2,438	-	-	-	
- Unclaimed dividend	- 39,044	39,044	-	-	-	
	- 12,836,110	12,836,110	-	-	-	
30 June 2019						
Carrying amount			Fair Value			
Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Long term deposits	-	3,519	-	-	-	
Trade debts - net of provision	-	2,988,083	-	-	-	
Trade deposits	-	4,352	-	-	-	
Receivable from K-Electric Limited	-	30,124	-	-	-	
Other receivables	-	9,523	-	-	-	
Cash and bank balances	-	250,700	-	-	-	
Total	-	3,286,301	-	-	-	
Financial liabilities not measured at fair value						
- Long term financing	- 1,993,087	1,993,087	-	-	-	
- Trade and other payables	- 2,134,250	2,134,250	-	-	-	
- Accrued mark-up	- 143,466	143,466	-	-	-	
- Short term borrowings	- 9,425,130	9,425,130	-	-	-	
- Contract Liabilities	- 235,171	235,171	-	-	-	
- Unpaid dividend	- 4,257	4,257	-	-	-	
- Unclaimed dividend	- 36,596	36,596	-	-	-	
	- 13,971,957	13,971,957	-	-	-	

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

Assets measured at fair value	Dates of valuation	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment		
- Land and Building	30 June 2019	The fair value are subject to change owing to changes in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair values of investment in quoted subsidiary and associate are disclosed in note 7.4 to these unconsolidated financial statements.

37 TRANSACTIONS WITH RELATED PARTIES

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

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

37.1 Transactions with related parties

Subsidiaries

Sales	1,295,844	1,249,821
Purchases	1,572,505	9,484,967
Investments in Subsidiary Company	17,966	-
Partial manufacturing - purchases (inclusive of sales tax)	6,431	54
Cost of shared resources	65,178	78,010
Rental income	47,265	27,080
Dividend received	370,259	1,102,750
Reimbursement of expenses incurred on behalf of the Company	35,106	8,788

Associated companies

Sales	56,476	12,861
Purchases	10,459	23,290
Purchase of vehicles	2,530	-
Insurance premium	2,979	3,469
Insurance claim	623	6,247
Bonus shares issued	576	-
Dividend paid	1,728	5,184
Dividend received	6,092	30,463
Registration and training	273	3,380
Subscription	2,177	-
Reimbursement of expenses	669	2,025
Donation	-	5,100

Key management personnel

Remuneration	276,273	287,829
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Non-executive directors

Directors' fee	7,050	6,825
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Reimbursement of Chairman's expenses

	5,903	7,200
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Staff retirement funds

Contributions paid	66,620	101,101
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37.2 Name of the Related Party

Relationship and percentage of Shareholding

International Steels Limited	Subsidiary Company holds 56.3346% (2019:56.3346%)
IIL Australia Pty Limited	Wholly owned Subsidiary Company
IIL Americas Inc.	Wholly owned Subsidiary Company
Pakistan Cables Limited	Associated Company holds 17.124% (2019:17.124%)
Jubilee Life Insurance Company Limited	Associated Company by nature of common directorship
Pakistan Institute of Corporate Governance	Associated Company by nature of common directorship
Cherat Cement Company Limited	Associated Company by nature of common directorship
Bulleh Shah Packaging (Pvt.) Ltd.	Associated Company by nature of common directorship
ICI Pakistan Limited	Associated Company by nature of common directorship
Gul Ahmed Textile Mills Limited	Associated Company by nature of common directorship
The Pakistan Business Council	Associated Company by nature of common directorship
Management Association of Pakistan	Associated Company by nature of common directorship
Indus Motor Company Limited	Associated Company by nature of common directorship

37.3 Outstanding balances with related parties have been separately disclosed in trade debts. These are settled in ordinary course of business.

38 ANNUAL PRODUCTION CAPACITY

Name-plate production capacity at the year end was as follows:

	2020	2019
	----- Metric Tones -----	
Steel pipe	585,000	585,000
Galvanizing	120,000	150,000
Cold rolled steel strip	50,000	50,000
Polymer pipes & fittings	30,000	30,000
Stainless steel - pipe	2,400	2,400

The actual production for the year was:

Steel pipe	116,660	192,936
Galvanizing	50,167	75,454
Polymer pipes & fittings	10,361	10,071
Stainless steel - pipe	981	771

Actual production during the year was sufficient to meet the market demand.

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

39 SEGMENT REPORTING

Performance is measured based on respective segment results. Information regarding the Company's reportable segments specified in note 4.16 is presented below.

39.1 Segment revenue and results

	Steel segment	Polymer segment	Investments segment	Total
For the year ended 30 June 2020	----- (Rupees in '000) -----			
Sales	16,478,968	2,485,247	-	18,964,215
Cost of sales	(15,453,725)	(2,139,183)	-	(17,592,908)
Gross profit	1,025,243	346,064	-	1,371,307
Selling and distribution expenses	(740,030)	(73,013)	-	(813,043)
Administrative expenses	(278,752)	(19,955)	-	(298,707)
Net impairment loss on trade debts	(14,851)	14,187	-	(664)
	(1,033,633)	(78,781)	-	(1,112,414)
Finance cost	(1,114,537)	(123,788)	-	(1,238,325)
Other operating charges	(20,489)	(10,213)	-	(30,702)
	(1,135,026)	(134,001)	-	(1,269,027)
Other income	203,975	-	376,351	580,326
(Loss) / profit before taxation	(939,441)	133,282	376,351	(429,808)
Taxation				(264,397)
Loss after taxation				(694,205)

	Steel segment	Polymer segment	Investments segment	Total
For the year ended 30 June 2019	----- (Rupees in '000) -----			
Sales	23,584,360	2,390,747	-	25,975,107
Cost of sales	(20,978,049)	(2,170,742)	-	(23,148,791)
Gross profit	2,606,311	220,005	-	2,826,316
Selling and distribution expenses	(1,049,804)	(91,676)	-	(1,141,480)
Administrative expenses	(277,178)	(18,618)	-	(295,796)
Impairment loss on trade debts	(4,862)	(905)	-	(5,767)
	(1,331,844)	(111,199)	-	(1,443,043)
Finance cost	(834,884)	(89,408)	-	(924,292)
Other operating charges	(96,609)	(1,755)	-	(98,364)
	(931,493)	(91,163)	-	(1,022,656)
Other income	599,300	-	1,133,212	1,732,512
Profit before taxation	942,274	17,643	1,133,212	2,093,129
Taxation				(518,416)
Profit after taxation				1,574,713

39.2 Segment assets and liabilities

	Steel segment	Polymer segment	Investment segment	Total
	----- (Rupees in '000) -----			
As at 30 June 2020				
Segment assets	16,753,164	1,904,264	3,295,242	21,952,670
Segment liabilities	10,396,496	1,114,031	-	11,510,527
As at 30 June 2019				
Segment assets	18,725,225	2,139,907	3,277,276	24,142,408
Segment liabilities	11,699,298	1,226,029	-	12,925,327

Reconciliation of segment assets and liabilities with total assets and liabilities in the statement of financial position is as follows:

	2020	2019
	----- Rupees in '000 -----	
Total for reportable segments assets	21,952,670	24,142,408
Unallocated assets	1,186,846	1,184,763
Total assets as per statement of financial position	23,139,516	25,327,171
Total for reportable segments liabilities	11,510,527	12,925,327
Unallocated liabilities	2,683,460	2,452,900
Total liabilities as per statement of financial position	14,193,987	15,378,227

39.3 Segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customers of the Polymer segment was Rs. 1,159 million (2019: Rs. 1,112 million), where as in the Steel segment was Rs. Nil (2019: Rs. Nil), whose revenue accounts for more than 10% of the Segment's revenue.

39.6 Geographical information

The Company's net revenue from external customers by geographical location is disclosed in note no.22.1

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

39.8 As at 30 June 2020, 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 & IIL Americas Inc. which is domiciled in Ontario Canada.

40 NUMBER OF EMPLOYEES

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

The detail of number of employees are as follows:

Total employees of the Company at the year end	992	1,054
Average employees of the Company during the year	1,031	1,090

41 GENERAL

41.1 Non-adjusting events after reporting date

The Board of Directors of the Company in their meeting held on 27 August 2020 has not proposed any dividend (2019: Rs.3.00 per share amounting to Rs. 358.68 million and 10% bonus shares i.e. one ordinary share for each 10 ordinary shares held, amounting to Rs. 119.89 million) for the year ended 30 June 2020.

41.2 Corresponding figures have been reclassified for the purpose of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity.

42 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on 27 August 2020 by the Board of Directors of the Company.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


Muhammad Akhtar
Chief Financial
Officer


Riyaz T. Chinoy
Chief Executive
Officer

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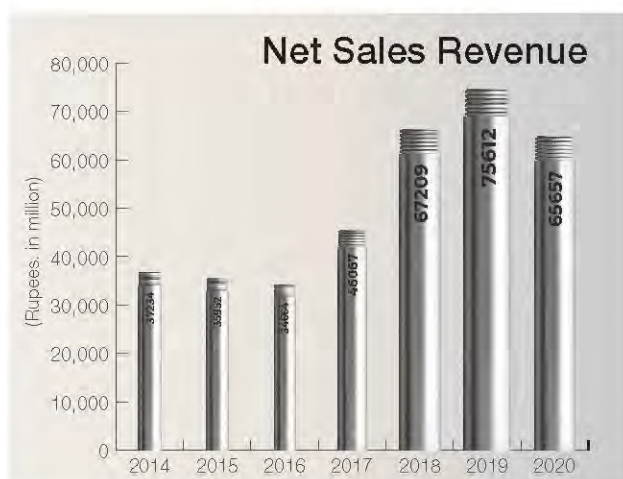


CONSOLIDATED
FINANCIAL STATEMENTS

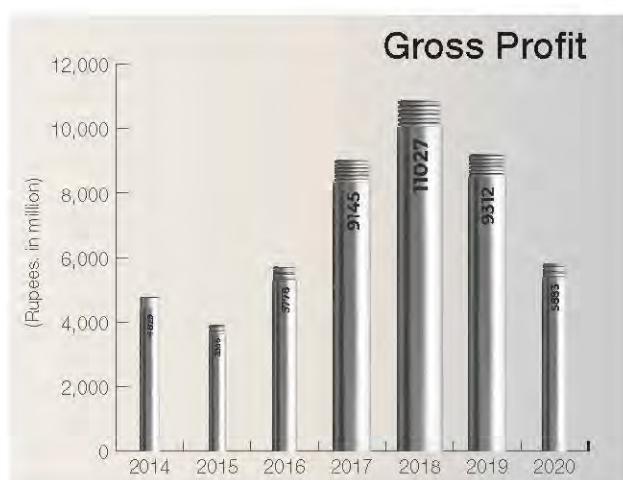
Consolidated Financial Highlights

	2020	2019	%
	----- Rupees in million -----		
Net Sales Revenue	65,657	75,612	-13.2%
Gross Profit	5,883	9,312	-36.8%
Property, Plant & Equipment	27,720	27,224	1.8%
Shareholders equity	14,342	15,163	-5.4%
Non - controlling interest	5,467	5,463	0.1%

BUSINESS GROWTH



SHAREHOLDER VALUE ACCRETION



Analysis of Consolidated Financial Statements

Consolidated Statement of Financial Position

	2020	2019	2018	2017	2016	2015	2014
	Rs. in million						
Property, plant and equipment	27,720	27,224	24,032	18,814	17,565	16,050	13,272
Investments	1,113	1,015	1,004	300	270	260	183
Other non current assets	21	10	74	71	60	22	22
Current assets	35,115	34,440	30,391	23,368	14,677	13,546	17,178
Total assets	63,968	62,688	55,501	42,553	32,571	29,877	30,655
Shareholders' equity	14,342	15,163	13,709	10,810	9,338	7,293	7,030
Non - controlling interest	5,467	5,463	4,655	3,305	2,690	2,170	2,271
Non current liabilities	8,543	10,779	10,833	6,608	6,221	6,598	3,952
Current portion of long term financing	1,898	1,201	1,383	1,307	857	1,000	900
Short term borrowings	20,915	19,616	16,772	10,939	6,767	8,780	11,154
Other Current liabilities	12,803	10,466	8,149	9,583	6,697	4,035	5,349
Total equity & liabilities	63,968	62,688	55,501	42,553	32,571	29,877	30,655

Vertical Analysis

	Percentage						
Property, plant and equipment	43.3	43.4	43.3	44.2	53.9	53.7	43.3
Investments	1.7	1.6	1.8	0.7	0.8	0.9	0.6
Other non current assets	0.0	0.0	0.1	0.2	0.2	0.1	0.1
Current assets	54.9	54.9	54.8	54.9	45.1	45.3	56.0
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders' equity	22.4	24.2	24.7	25.4	28.7	24.4	22.9
Non - controlling interest	8.5	8.7	8.4	7.8	8.3	7.3	7.4
Non current liabilities	13.4	17.2	19.5	15.5	19.1	22.1	12.9
Current portion of long term financing	3.0	1.9	2.5	3.1	2.6	3.3	2.9
Short term borrowings	32.7	31.3	30.2	25.7	20.8	29.4	36.4
Other Current liabilities	20.0	16.7	14.7	22.5	20.6	13.5	17.4
Total equity & liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Horizontal Analysis

	Percentage						
Property, plant and equipment	1.8	13.3	27.7	7.1	9.4	20.9	(1.1)
Investments	9.7	1.1	235.3	10.9	3.9	42.2	3.4
Other non current assets	112.4	-86.9	4.0	19.7	176.9	(3.2)	(13.6)
Current assets	2.0	13.3	30.1	59.2	8.4	(21.1)	29.8
Total assets	2.0	13.0	30.4	30.6	9.0	(2.5)	14.1
Shareholders' equity	(5.4)	10.6	26.8	15.8	28.0	3.7	6.8
Non - controlling interest	0.1	17.3	40.8	22.9	24.0	(4.4)	15.4
Non current liabilities	(20.7)	(0.5)	63.9	6.2	(5.7)	67.0	(9.3)
Current portion of long term financing	58.1	(13.1)	5.8	52.4	(14.3)	11.1	14.9
Short term borrowings	6.6	17.0	53.3	61.6	(22.9)	(21.3)	(1.1)
Other Current liabilities	22.3	28.4	(15.0)	43.1	66.0	(24.6)	183.8
Total equity & liabilities	2.0	13.0	30.4	30.6	9.0	(2.5)	14.1

Analysis of Consolidated Financial Statements

Consolidated Statement of Profit or Loss

	2020	2019	2018	2017	2016	2015	2014
	----- Rs. in million -----						
Net Sales	65,657	75,612	67,209	46,067	34,664	35,952	37,234
Cost of Sales	(59,773)	(66,300)	(56,183)	(36,922)	(28,886)	(31,996)	(32,405)
Gross Profit	5,883	9,312	11,027	9,145	5,778	3,956	4,829
Administrative, Selling and Distribution expenses	(2,282)	(2,464)	(2,394)	(1,997)	(1,801)	(1,679)	(1,498)
Other operating expenses	(365)	(632)	(834)	(605)	(381)	(101)	(185)
Share of profit in equity accounted investee	(7)	50	35	36	18	20	16
Other operating income	208	618	338	176	204	246	196
Operating profit before financing cost	3,439	6,884	8,172	6,755	3,818	2,442	3,357
Finance cost	(3,547)	(2,214)	(981)	(680)	(1,069)	(1,517)	(1,832)
(Loss) / Profit before Taxation	(109)	4,670	7,191	6,076	2,750	925	1,525
Taxation	(211)	(1,381)	(1,922)	(2,011)	(795)	(239)	(333)
(Loss) / Profit after Taxation	(320)	3,289	5,268	4,065	1,955	686	1,191

Vertical Analysis

	Percentage						
Net Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of Sales	(91.0)	(87.7)	(83.6)	(80.1)	(83.3)	(89.0)	(87.0)
Gross Profit	9.0	12.3	16.4	19.9	16.7	11.0	13.0
Administrative, Selling and Distribution expenses	(3.5)	(3.3)	(3.6)	(4.3)	(5.2)	(4.7)	(4.0)
Other operating expenses	(0.6)	(0.8)	(1.2)	(1.3)	(1.1)	(0.3)	(0.5)
Share of profit in equity accounted investee	(0.0)	0.1	0.1	0.1	0.1	0.1	0.0
Other operating income	0.3	0.8	0.5	0.4	0.6	0.7	0.5
Operating profit before financing cost	5.2	9.1	12.2	14.7	11.0	6.8	9.0
Finance cost	(5.4)	(2.9)	(1.5)	(1.5)	(3.1)	(4.2)	(4.9)
(Loss) / Profit before Taxation	(0.2)	6.2	10.7	13.2	7.9	2.6	4.1
Taxation	(0.3)	(1.8)	(2.9)	(4.4)	(2.3)	(0.7)	(0.9)
(Loss) / Profit after Taxation	(0.5)	4.3	7.8	8.8	5.6	1.9	3.2

Horizontal Analysis

	Percentage						
Net Sales	(13.2)	12.5	45.9	32.9	(3.6)	(3.4)	10.2
Cost of Sales	(9.8)	18.0	52.2	27.8	(9.7)	(1.3)	8.6
Gross Profit	(36.8)	(15.5)	20.6	58.3	46.1	(18.1)	22.2
Administrative, Selling and Distribution expenses	(7.4)	2.9	19.9	10.9	7.2	12.1	24.9
Other operating expenses	(42.3)	(24.2)	37.9	58.8	278.1	(45.6)	61.0
Share of profit in equity accounted investee	(113.0)	41.7	(1.5)	100.8	(10.5)	26.7	(0.7)
Other operating income	(66.3)	82.8	91.7	(13.5)	(17.0)	25.5	5.5
Operating profit before financing cost	(50.0)	(15.8)	21.0	76.9	56.4	(27.3)	18.2
Finance cost	60.3	125.7	44.3	(36.4)	(29.5)	(17.2)	8.3
(Loss) / Profit before Taxation	(102.3)	(35.1)	18.4	121.0	197.2	(39.3)	32.8
Taxation	(84.7)	(28.2)	(4.4)	152.9	232.4	(28.3)	48.8
(Loss) / Profit after Taxation	(109.7)	(37.6)	29.6	108.0	184.9	(42.4)	29.0

Analysis of Consolidated Financial Statements

Consolidated Statement of Cash Flows

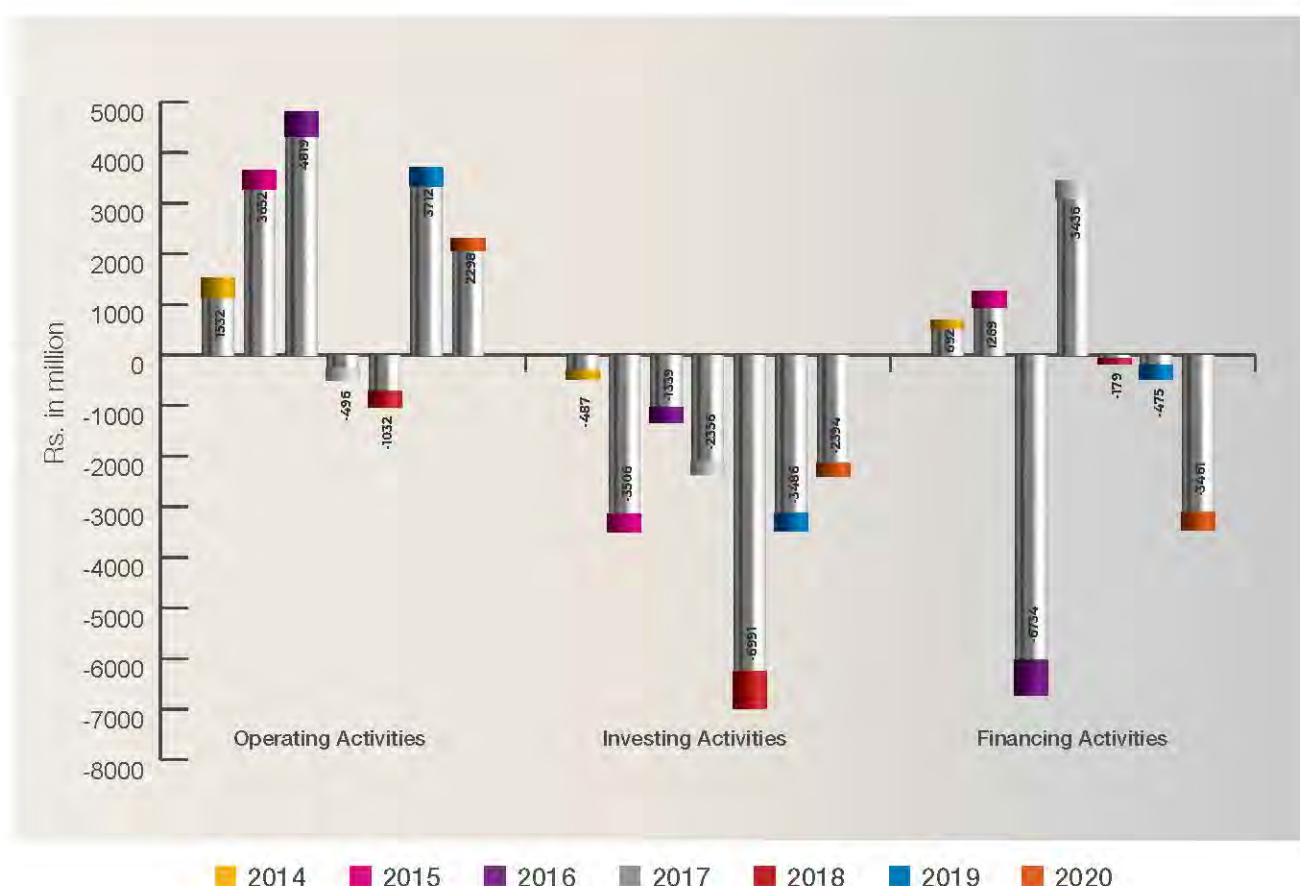
	2020	2019	2018	2017	2016	2015	2014
	Rs. in million						
Net cash generated from/(used in) operating activities	2,298	3,712	(1,032)	(496)	4,819	3,652	1,532
Net cash inflows/(outflows) from investing activities	(2,394)	(3,486)	(6,991)	(2,356)	(1,339)	(3,506)	(487)
Net cash (outflows)/inflows from financing activities	(3,461)	(475)	(179)	3,436	(6,734)	1,269	692
Net increase/(decrease) in cash and cash equivalents	(3,557)	(250)	(8,202)	584	(3,255)	1,414	1,737

Vertical Analysis

	Percentage						
Net cash generated from/(used in) operating activities	64.6	1,486.6	(12.6)	(84.9)	148.0	258.3	88.2
Net cash inflows/(outflows) from investing activities	(67.3)	(1,396.4)	(85.2)	(403.3)	(41.1)	(248.0)	(28.1)
Net cash (outflows)/inflows from financing activities	(97.3)	(190.2)	(2.2)	588.2	(206.9)	89.7	39.8
Net increase/(decrease) in cash and cash equivalents	(100.0)	(100.0)	(100.0)	100.0	(100.0)	100.0	100.0

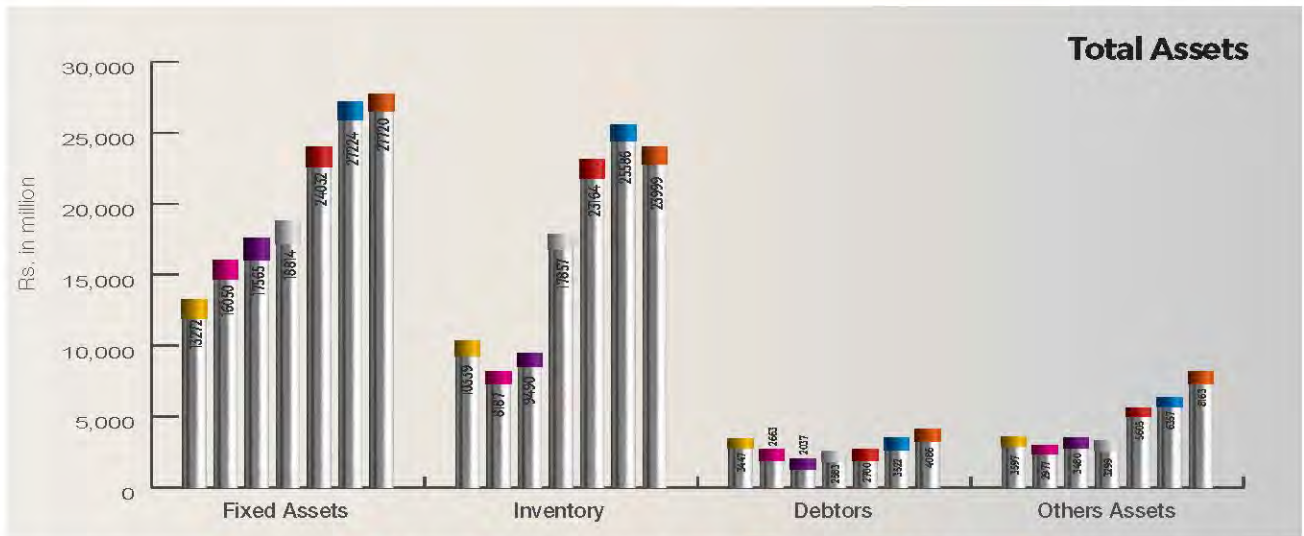
Horizontal Analysis

	Percentage						
Net cash generated from/(used in) operating activities	(38.1)	(459.6)	108.2	(110.3)	32.0	138.3	(66.9)
Net cash inflows/(outflows) from investing activities	(31.3)	(50.1)	196.7	75.9	(61.8)	619.5	(47.2)
Net cash (outflows)/inflows from financing activities	628.7	165.0	(105.2)	(151.0)	(630.8)	83.3	(130.7)
Net increase/(decrease) in cash and cash equivalents	1,324.6	(97.0)	(1,503.8)	(118.0)	(330.2)	(18.6)	19.9

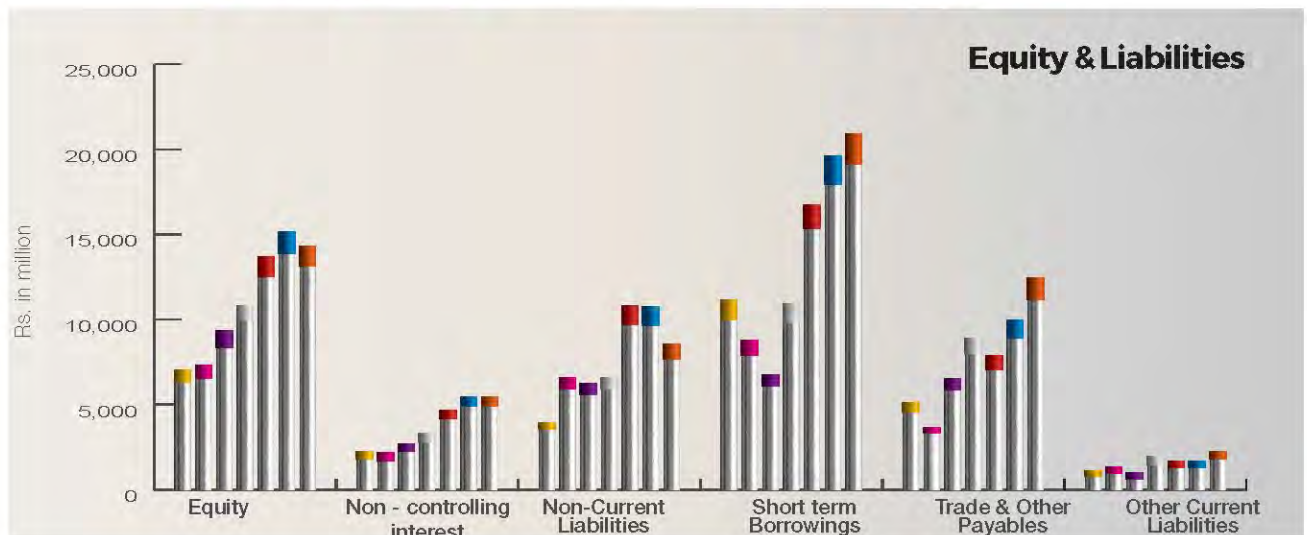


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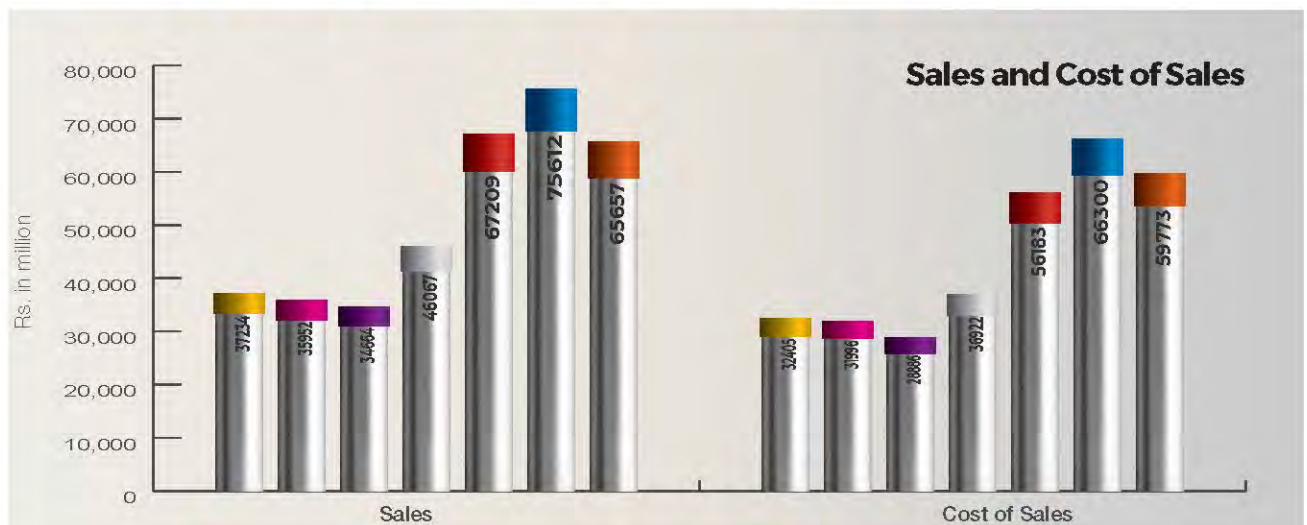
Consolidated Statement of Financial Position and Profit or Loss Account



2014 2015 2016 2017 2018 2019 2020



2014 2015 2016 2017 2018 2019 2020



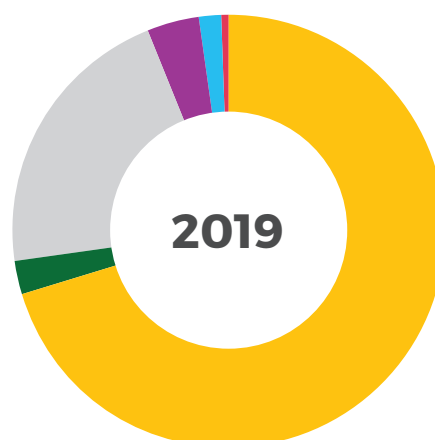
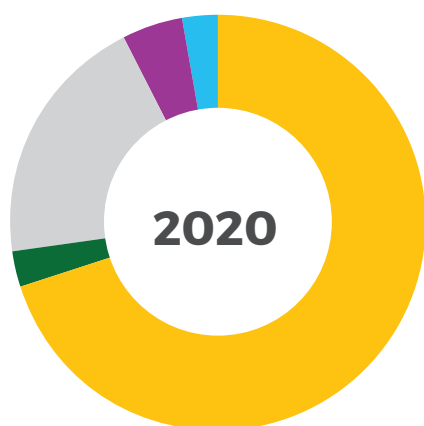
2014 2015 2016 2017 2018 2019 2020

Consolidated Key Financial Indicators

		2020	2019	2018	2017	2016	2015	2014
Profitability Ratios								
Gross profit ratio	%	8.96	12.32	16.41	19.85	16.67	11.00	12.97
Net profit to Sales	%	(0.49)	4.35	7.84	8.82	5.64	1.91	3.20
Cost to Income Ratio	Times	2.31	1.15	0.82	0.86	1.42	1.97	1.25
EBITDA Margin to Sales	%	8.18	11.15	14.02	17.17	13.87	8.99	11.03
Operating Leverage	%	2.75	(0.84)	0.42	1.96	(13.60)	6.18	1.75
Return on Equity with Surplus on revaluation of fixed assets	%	(1.62)	15.95	28.69	28.80	16.25	7.25	12.81
Return on Equity without Surplus on revaluation of fixed assets	%	(1.98)	19.34	35.09	38.02	22.94	9.90	17.52
Return on Capital Employed	%	(1.21)	11.46	19.44	21.49	11.42	4.44	9.45
Return on Total Assets	%	(0.50)	5.25	9.49	9.55	6.00	2.30	3.89
Liquidity Ratios								
Current ratio	Times	0.99	1.10	1.16	1.07	1.02	0.98	0.99
Quick / Acid test ratio	Times	0.29	0.26	0.25	0.22	0.32	0.35	0.37
Cash to Current Liabilities	Times	(0.42)	(0.36)	(0.42)	(0.13)	(0.24)	(0.01)	(0.09)
Cash flow from Operations to Sales	Times	0.04	0.05	(0.02)	(0.01)	0.14	0.10	0.04
Activity / Turnover Ratios								
Inventory turnover ratio	Times	2.4	2.7	2.7	2.7	3.3	3.5	3.5
Inventory turnover in days	days	151	134	133	135	112	106	103
Debtor turnover ratio	Times	20.2	28.7	29.8	22.5	16.7	13.1	13.7
Debtor turnover in days	days	18	13	12	16	22	28	27
Creditor turnover ratio	Times	12.7	20.7	14.8	8.3	8.0	8.8	13.5
Creditor turnover in days	days	29	18	25	44	46	41	27
Total assets turnover ratio	Times	1.0	1.2	1.2	1.1	1.1	1.2	1.2
Fixed assets turnover ratio	Times	2.4	2.8	2.8	2.4	2.0	2.2	2.8
Operating cycle in days	days	141	129	121	108	88	92	103
Capital employed turnover ratio	Times	2.5	2.6	2.5	2.4	2.0	2.3	3.0
Investment / Market Ratios								
Earnings per share - basic and diluted	Rs.	(4.60)	18.26	28.75	22.91	11.99	4.99	7.45
Price earning ratio	Times	(19.93)	4.22	8.07	16.09	5.88	13.42	6.64
Dividend Yield ratio	%	-	8.43	3.66	2.44	6.38	5.97	6.57
Dividend Payout ratio	%	-	30.12	29.56	39.29	37.53	80.09	43.64
Dividend per share - Cash	Rs.	0.00	5.50	8.50	9.00	4.50	4.00	3.25
Bonus shares	Rs.	-	1	-	-	-	-	-
Dividend Cover	Times	-	3.32	3.38	2.55	2.66	1.25	2.29
Market value per share at the end of the year	Rs.	92	77	232	369	71	67	49
Market value per share high during the year	Rs.	121	248	377	406	94	87	61
Market value per share low during the year	Rs.	64	71	203	86	60	45	40
Price to book ratio	Times	0.19	0.15	0.5	1.04	0.26	0.27	0.19
Break-up value per share with revaluation of fixed assets	Rs.	109	126	114	90	78	61	59
Break-up value per share without revaluation of fixed assets	Rs.	81	96	86	62	49	40	38
Capital Structure Ratios								
Financial leverage ratio	Times	2.2	2.0	2.0	2.0	1.7	2.2	2.3
Net assets per share	Rs.	150	172	153	118	100	79	78
Total Debt : Equity ratio	Times	69 : 31	67 : 33	67 : 33	67 : 33	63 : 37	68 : 32	70 : 30
Interest cover	Times	1.0	3.1	8.8	10.5	3.7	1.5	1.8

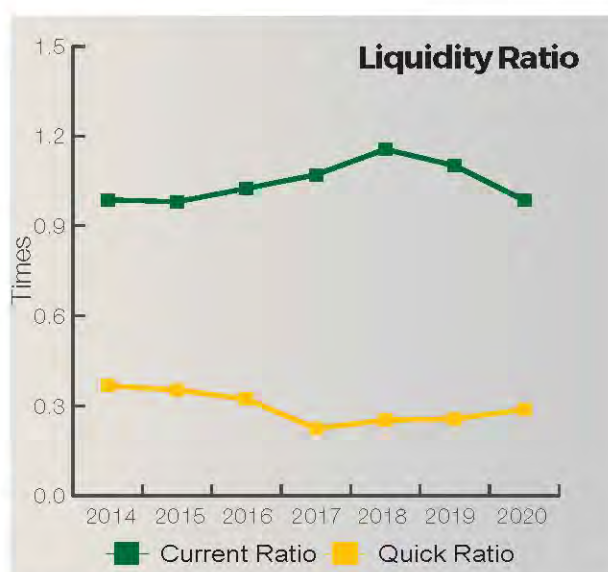
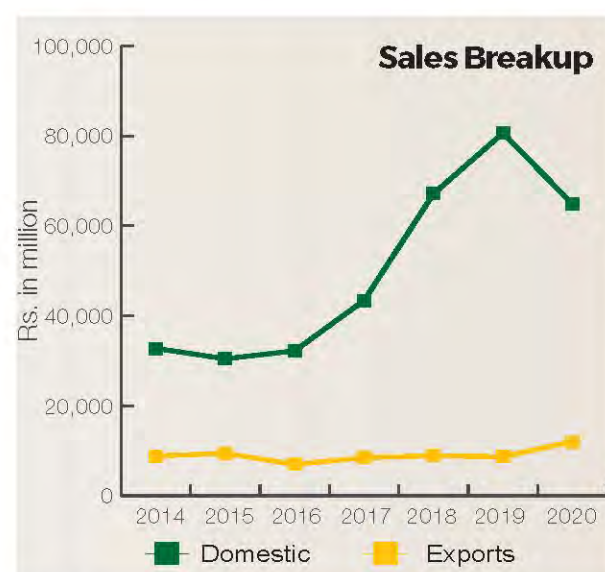
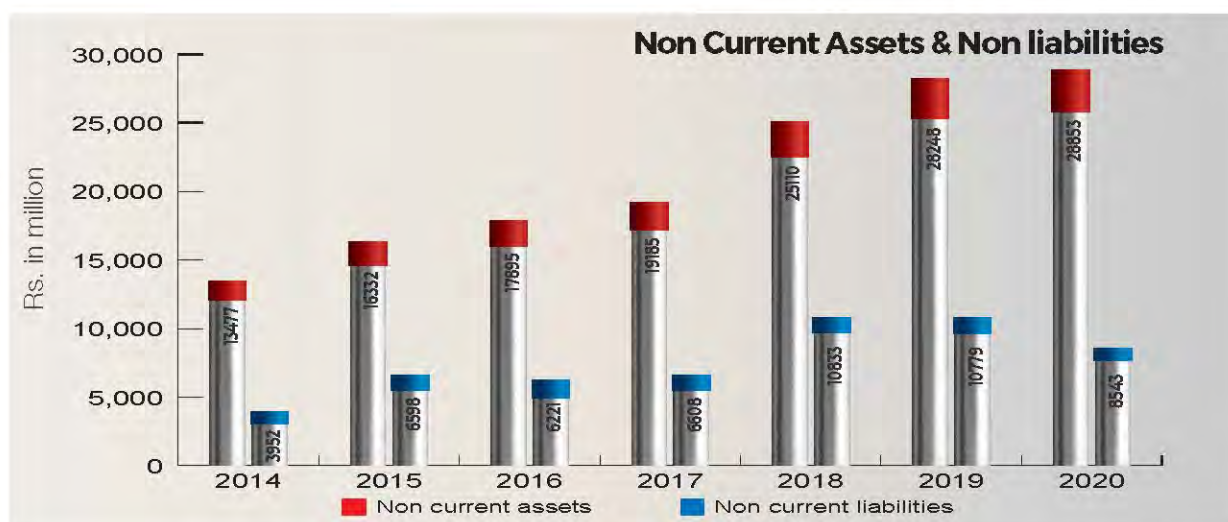
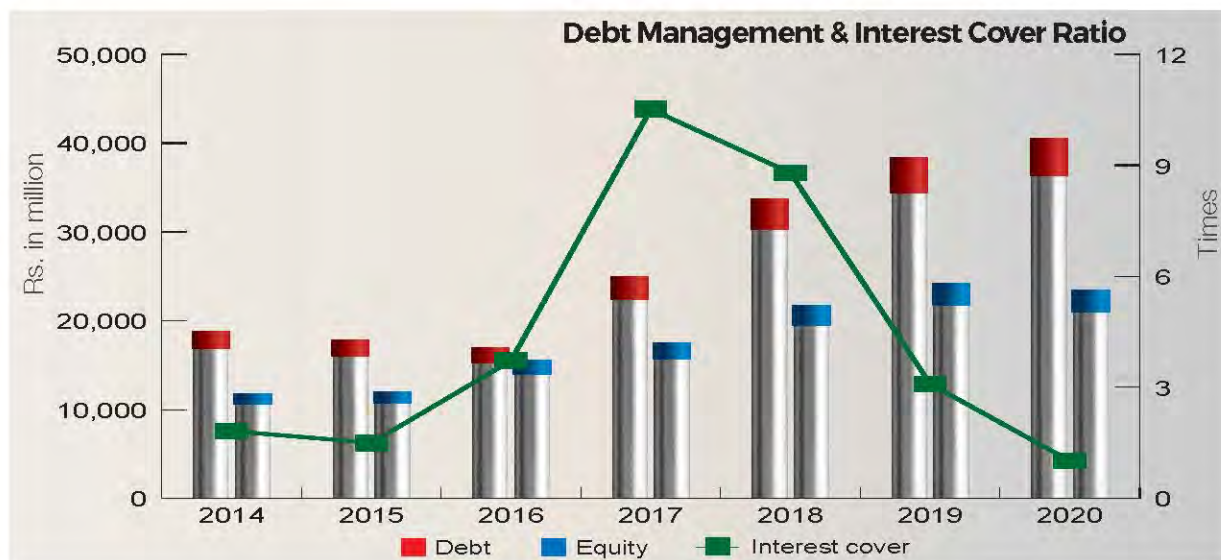
Consolidated Statement of Value Addition

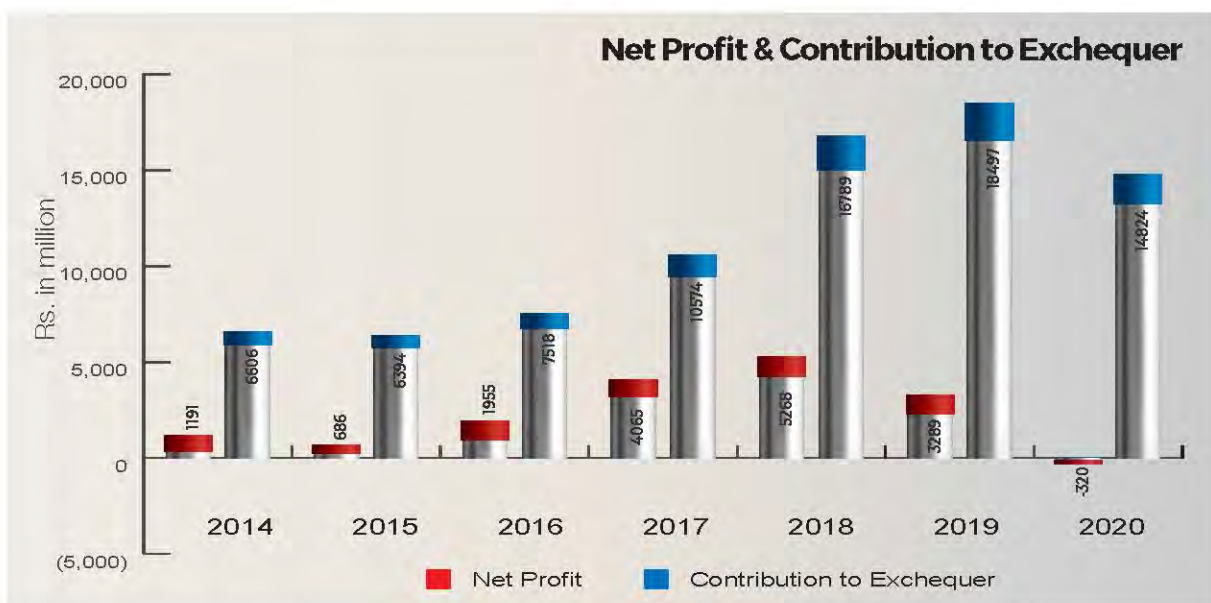
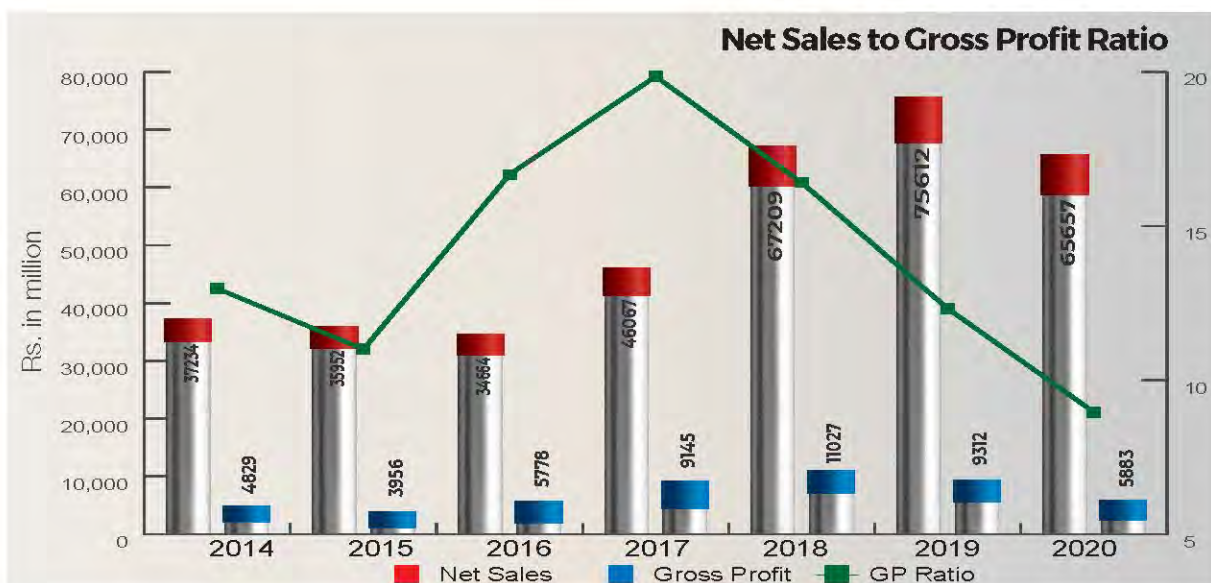
	2020		2019	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Sales including sales tax	75,003,319	99.7%	87,524,794	99.3%
Other operating income	208,429	0.3%	617,688	0.7%
	75,211,748	100%	88,142,482	100%
Wealth Distributed				
Cost of material & services	52,775,025	70.2%	61,860,692	70.2%
To Employees				
Salaries & other related cost	2,108,648	3%	2,191,887	2%
To Government				
Taxes & Duties	14,815,084	19.7%	18,165,727	20.6%
Worker Profit Participation Fund	29,230	0.0%	248,556	0.3%
Worker Welfare Fund	(20,645)	0.0%	82,485	0.1%
	14,823,669	19.7%	18,496,768	21.0%
To Providers of Capital				
Dividend to shareholders	-	0.0%	1,229,245	1.4%
Finance cost	3,547,458	4.7%	2,213,650	2.5%
	3,547,458	4.7%	3,442,895	3.9%
To Society				
Donation	21,550	0.0%	62,722	0.1%
Retained in Business				
For replacement of fixed assets				
Depreciation & Amortisation	1,935,398	2.6%	1,547,101	1.8%
To provide for growth: Retained Profit	-	0.0%	315,777	0.4%
	1,935,398	2.6%	1,862,878	2.1%
	75,211,748	100%	87,917,842	100%



	2020	2019
Cost of material & services	70.2%	70.2%
To Employees	2.8%	2.5%
To Government	19.7%	21.0%
To Providers of Capital	4.7%	3.9%
To Society	0.0%	0.1%
Depreciation & Amortisation	2.6%	1.8%
Retained Profit	0.0%	0.4%

Consolidated Performance at a Glance







INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERNATIONAL INDUSTRIES LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 2020, 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 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 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, 22 and 37 to the consolidated financial statements. The Group generates revenue from sale of goods to domestic as well as export customers. Sales to domestic and export customers represent 84% and 16% of total sales respectively. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not being recognised in the appropriate period.	Our key audit procedures, amongst others, included the following: • We obtained an understanding of and assessed the design and operating effectiveness of controls designed to ensure that revenue is recognised in the appropriate accounting period; • We assessed the appropriateness of the Group's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards; • We compared on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognised in the appropriate accounting period; and • We inspected credit notes issued to record sales returns subsequent to year end, if any.
2	Valuation of Trade Debts Refer notes 4.4.2, 4.12 and 10 to the consolidated financial statements. The Group has a significant balance of trade debts. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECLs). We identified recoverability of trade debts as a key audit matter as it involves significant management judgment in determining the recoverable amount of trade debts	Our key audit procedures amongst others, included the following: • We obtained an understanding of the management's basis for the determination of the provision required at the year end and the receivables collection process; • We assessed the method used by the Group for the recognition of the impact of the application of IFRS 9 regarding provision for doubtful debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL; and • We tested the accuracy of the data on a sample basis extracted from the Group's accounting system which has been used to calculate the provision required including the subsequent recoveries.

S. No.	Key audit matters	How the matters were addressed in our audit
3	Valuation of Stock-in-trade Refer notes 4.6, 9, 23 and 37 to the consolidated financial statements. Inventory forms a significant part of the Group's assets. We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Group.	Our key audit procedures, amongst others, included the following: • We obtained an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • We compared on a sample basis specific purchases with underlying supporting documents / agreements, if any; • We compared calculations of the allocation of directly attributable costs with the underlying supporting documents; • We obtained an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • We compared the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.

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

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

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

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

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 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.

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

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

KPMG Taseer Hadi & Co.

Date: September 6th, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi



Promising Reliability, For Now and Tomorrow

THANK YOU

DOCTORS AND NURSES



Thank you, doctors, nurses, and other medical personnel who are on the front lines of this pandemic. You are true heroes and deserve an extra dose of appreciation as we battle this new enemy.

Consolidated

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	2020	2019
		----- Rupees in '000 -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	27,719,526	27,223,797
Right-of-use assets		14,093	-
Intangible assets	6	2,907	6,087
Investment in equity accounted investee	7	1,113,256	1,014,685
Long term deposits		3,619	3,619
		28,853,401	28,248,188
Current assets			
Stores and spares	8	882,331	826,502
Stock-in-trade	9	23,999,119	25,585,569
Trade debts	10	4,085,937	3,521,626
Advances, trade deposits and short-term prepayments	11	164,411	168,153
Receivable from K-Electric (KE) - unsecured, considered good		58,399	69,121
Other receivables	12	23,271	17,771
Sales tax receivable		4,246,047	2,596,098
Taxation - net	13	1,073,966	895,642
Cash and bank balances	14	581,074	759,543
		35,114,555	34,440,025
Total assets		63,967,956	62,688,213
EQUITY AND LIABILITIES			
Share capital and Reserves			
Authorised capital			
200,000,000 (2018: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital	15	1,318,819	1,198,926
Revenue reserve			
General reserve		2,991,258	2,991,258
Un-appropriated profit		6,411,432	7,343,772
Exchange translation reserve		4,565	4,658
Capital reserve			
Revaluation surplus on property, plant and equipment	16	3,616,039	3,624,344
Total Shareholders' equity		14,342,113	15,162,958
Non - controlling interest			
		5,466,668	5,462,651
		19,808,781	20,625,609
LIABILITIES			
Non-current liabilities			
Long term financing - secured	17	6,619,457	8,069,315
Staff retirement benefits	32	82,314	118,409
Deferred taxation	18	1,829,413	2,591,517
Lease Liabilities		11,949	-
		8,543,133	10,779,241
Current liabilities			
Trade and other payables	19	10,887,408	8,473,948
Contract Liabilities		1,561,899	1,494,346
Short term borrowings - secured	20	20,914,861	19,616,349
Unpaid dividend		3,246	6,642
Unclaimed dividend		39,044	36,596
Unclaimed dividend attributable to non-controlling interest		7,625	6,453
Current portion of long term financing - secured	17	1,898,497	1,200,856
Current portion of lease liabilities		3,854	-
Accrued mark-up		299,608	448,173
		35,616,042	31,283,363
Total liabilities		44,159,175	42,062,604
Total equity and liabilities		63,967,956	62,688,213
Contingencies and commitments			
	21		

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

Consolidated

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	Note	2020	2019
		----- Rupees in '000 -----	
Net sales	22	65,656,669	75,612,084
Cost of sales	23	(59,773,426)	(66,300,102)
Gross profit		5,883,243	9,311,982
Selling and distribution expenses	24	(1,711,034)	(1,853,103)
Administrative expenses	25	(584,405)	(605,104)
Net Impairment gain / (loss) on trade debts	10.3	13,785	(5,618)
		(2,281,654)	(2,463,825)
Finance cost	26	(3,547,458)	(2,213,650)
Other operating charges	27	(364,959)	(632,165)
		(3,912,417)	(2,845,815)
Other income	28	208,429	617,688
Share of profit in equity accounted investee		(6,502)	49,906
Profit before taxation		(108,901)	4,669,936
Taxation	29	(211,477)	(1,381,044)
(Loss) / profit after taxation for the year		(320,378)	3,288,892
(Loss) / profit attributable to:		(607,044)	2,189,614
- Owners of the Holding Company		286,666	1,099,278
- Non controlling interest		(320,378)	3,288,892
		(Rupees)	
			Restated
(Loss) / Earnings per share - basic and diluted	30	(4.60)	16.60

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	2020	2019
	----- Rupees in '000 -----	
(Loss) / profit for the year	(320,378)	3,288,892
Other comprehensive income		
<i>Item that will never be reclassified to profit or loss account</i>		
Gain / (loss) on remeasurements of net defined benefit liability	67,981	(542)
Adjustment to related opening deferred tax balance	595	(2,933)
Related deferred tax charge for the year	(9,229)	1,514
	59,347	(1,961)
Gain due to addition to Surplus on revaluation during the year		
Freehold Land	5.1 -	234,885
Leasehold Land	5.1 -	197,316
Building	5.1 -	645,881
Adjustment to related opening deferred tax balance	(3,685)	(685)
Related deferred tax charge for the year	-	(170,165)
	(3,685)	475,031
<i>Item that will be classified to profit or loss account</i>		
Foreign operations- foreign currency translation difference	(93)	4,353
Proportionate share of other comprehensive income of equity accounted investee	3,183	(3,461)
	58,752	906,163
Total comprehensive income for the year	(261,626)	4,195,055
Total comprehensive income attributable to:		
- Owners of the Holding Company	(550,560)	2,944,525
- Non controlling interest	288,934	1,250,530
	(261,626)	4,195,055

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

Consolidated STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020	2019
		----- Rupees in '000 -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(108,901)	4,669,936
Adjustments for:			
Depreciation of property, plant and equipment	5.2	1,931,551	1,540,427
Amortisation of intangible assets	6.1	3,847	6,674
Net Impairment gain / (loss) on trade debts	10.3	(13,785)	5,618
Provision for stores and spares		38,583	15,278
Provision for staff gratuity	32.2	73,304	66,681
Provision for compensated absences		6,476	8,323
Income on bank deposits	28	(7,877)	(10,483)
Gain on disposal of property, plant and equipment	28	(59,541)	(79,516)
Government grant income		(1,423)	-
Share of Loss / (profit) from associated company		6,502	(49,906)
Finance cost	26	3,547,458	2,213,650
		5,416,194	8,386,682
Changes in:			
Working capital	31	1,793,870	(1,038,040)
Net cash generated from operations		7,210,064	7,348,642
Translation reserve		(4,979)	1,462
Finance cost paid		(3,694,608)	(2,000,638)
Income on bank deposits received		7,877	10,484
Employee defined benefits paid	32.2	(41,418)	(95,067)
Payment of compensated absences		(13,828)	(11,490)
Income taxes paid		(1,164,848)	(1,541,692)
Net cash generated (used in) / generated from operating activities		2,298,260	3,711,701
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment		(2,476,404)	(3,739,018)
Right-of-use assets		(18,627)	-
Investments in wholly owned subsidiary company		(17,966)	-
Dividend income received		6,092	30,462
Long term deposits		-	59,475
Proceeds from disposal of property, plant and equipment		112,439	162,634
Net cash used in investing activities		(2,394,466)	(3,486,447)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		131,415	624,553
Repayment of long term financing		(883,632)	(1,473,795)
Proceeds from / (repayment of) short term borrowing - net		(2,079,781)	2,308,937
Lease liabilities		15,803	-
Dividends paid to non controlling interest		(285,312)	(858,369)
Dividends paid to shareholders of the Holding Company		(359,049)	(1,076,253)
Net cash used in financing activities		(3,460,556)	(474,927)
Net (decrease) / increase in cash and cash equivalents		(3,556,762)	(249,673)
Cash and cash equivalents at beginning of the year		(11,316,541)	(11,066,868)
Cash and cash equivalents at end of the year		(14,873,303)	(11,316,541)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	14	581,074	759,543
Short term borrowings - running finance (secured)	20	(15,454,377)	(12,076,084)
		(14,873,303)	(11,316,541)

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

Consolidated STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Attributable to owners of the Holding Company							Non-Controlling interest	Total Equity
	Issued, subscribed and paid up capital	Capital reserve Revaluation surplus on property, plant & equipment	Revenue reserves		Exchange translation reserves	Total reserves	Total		
			General reserves	Un-appropriated profit					
	(Rupees in '000)								
Balance as at 1 July 2018	1,198,926	3,348,391	2,991,258	6,170,136	305	9,161,699	13,709,016	4,655,410	18,364,426
Total comprehensive income for the year ended 30 June 2019									
- Profit for the year	-	-	-	2,189,614	-	2,189,614	2,189,614	1,099,278	3,288,892
- Other comprehensive income for the year	-	747,180	-	3,378	4,353	7,731	754,911	151,252	906,163
Total comprehensive income for the year	-	747,180	-	2,192,992	4,353	2,197,345	2,944,525	1,250,530	4,195,055
Transactions with owners recorded directly in equity:									
Distributions to owners of the Holding Company									
- Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	-	(779,302)	-	(779,302)	(779,302)	-	(779,302)
- Interim dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2019	-	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)
Total transactions with owners of the Holding Company	-	-	-	(1,079,034)	-	(1,079,034)	(1,079,034)	-	(1,079,034)
Dividend to non-controlling interest	-	-	-	-	-	-	-	(854,750)	(854,750)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of deferred tax	-	(7,139)	-	7,139	-	7,139	-	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax	-	(61,585)	-	52,539	-	52,539	(9,046)	9,046	-
Proportionate share / reclassification of surplus on revaluation property, plant and equipments - NCI	-	(402,415)	-	-	-	-	-	402,415	-
Proportionate share of surplus on revaluation property, plant and equipments - PCL	-	(88)	-	-	-	-	(88)	-	(88)
Balance as at 30 June 2019	1,198,926	3,624,344	2,991,258	7,343,772	4,658	10,339,688	15,565,373	5,462,651	20,625,609
Total comprehensive income for the year ended 30 June 2020									
- Loss for the year	-	-	-	(607,044)	-	(607,044)	(607,044)	286,666	(320,378)
- Other comprehensive income for the year	-	(3,685)	-	60,262	(93)	60,169	56,484	2,268	58,752
Total comprehensive income for the year		(3,685)		(546,782)	(93)	(546,875)	(550,560)	288,934	(261,626)
Transactions with owners recorded directly in equity:									
Distributions to owners of the Holding Company									
- Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2019	-	-	-	(359,678)	-	(359,678)	-	-	(359,678)
- Bonus share @ 10% (1 share for every 10 share held) for the year ended 30 June 2019	119,893	-	-	(119,893)	-	(119,893)	-	-	-
Total transactions with owners of the Holding Company	119,893	-	-	(479,571)	-	(479,571)	-	-	(359,678)
Dividend to non-controlling interest	-	-	-	-	-	-	-	(284,917)	(284,917)
Transferred from revaluation surplus on disposal of property, plant and equipment - net of deferred tax	-	(8,772)	-	8,772	-	8,772	-	-	-
Transferred from revaluation surplus on property, plant and equipment on account of incremental depreciation - net of deferred tax	-	(100,053)	-	85,241	-	85,241	(14,812)	14,812	-
Proportionate share / reclassification of surplus on revaluation property, plant and equipments - NCI	-	14,812	-	-	-	-	14,812	(14,812)	-
Proportionate share of surplus on revaluation property, plant and equipments	-	89,393	-	-	-	-	89,393	-	89,393
Balance as at 30 June 2020	1,318,819	3,616,039	2,991,258	6,411,432	4,565	9,407,255	15,104,206	5,466,668	19,808,781

The annexed notes from 1 to 43 form an integral part of these consolidated financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

Muhammad Akhtar
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited, (the Holding Company) and its 56.33% owned subsidiary International Steels Limited and its wholly owned foreign subsidiary IIL Australia PTY Limited [together referred to as “the Group” and individually as “Group entities”] and the Holding Company’s 17.124% interest in equity accounted investee namely Pakistan Cables Limited (PCL).

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

The manufacturing facilities of the Holding Company are situated as follows:

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

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

1.3 International Steels Limited (“the Subsidiary Company”) was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.

The manufacturing facilities of the Subsidiary Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

1.4 IIL Australia Pty. Limited (“the foreign Subsidiary”) was incorporated in Australia on 02 May 2014. It is engaged in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office and sales office of the foreign Subsidiary Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia. IIL Australia Pty. Limited is a wholly owned foreign subsidiary of the Holding Company.

1.5 IIL Americas Inc., (“the foreign subsidiary”) was incorporated in Canada on 08 October 2019. It is engaged in the business of distribution and marketing of galvanized steel pipes. Precision steel tubes and pre-galvanized pipes. The registered office and sales office of the foreign Subsidiary Company is situated at 36 Gerigs St. Scarborough Ontario, Canada MIL 0B9.

1.6 Detail of equity accounted investee is given in note 7 to these consolidated financial statement.

1.7 Impact of COVID-19

As in the rest of the world, COVID-19 adversely affected lifestyles and business operation in Pakistan. The Group complied with the SOPs prescribed by Federal Government and Provincial Government. Sales and production activities were affected during lockdown, however, the factories reopened after necessary permission to produce orders for exports and essential services. The Group remained up to date in all its financial commitments. The management believes that the going concern assumption of the Group remains valid.

The Holding Company and the Subsidiary Company availed employee refinance facility for payment of salaries and wages under SBP’s infrastructure, Housing & SME Finance department (IH&SMEFD) Circular No. 6 of 2020 dated Apr 10, 2020.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company, the Subsidiary Company and the foreign Subsidiary Company for the year ended 30 June 2020. Details regarding the financial information of equity accounted investee used in the preparation of these consolidated financial statements are given in note 7 to these consolidated financial statements.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for these financial reporting 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.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Holding Company's functional and presentation currency and have been rounded to the nearest thousand Rupee, unless otherwise indicated.

2.4 Use of estimates and judgments

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

The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 recognised 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 4.4.2)
- Derivative financial instruments (note 4.4.7 and 4.4.8)
- 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 New or Amendments / interpretations to existing standards and Forthcoming Requirements yet effective

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 July 2019 other than those disclosed in note 4.2, are considered not to be relevant or do not have any significant effect on the Consolidated financial statements and are therefore not stated in these Consolidated financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

ANNUAL IMPROVEMENTS TO IFRS STANDARDS 2018-2020 CYCLE

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

IFRS 9- The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph 83.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.

IFRS 16 - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

IAS 41 - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 IFRS 16 'Leases'

IFRS 16 has introduced a single on-balance sheet accounting model for lessees. As a result, the entity, as a lessee has recognised right-of-use asset representing its rights to use the underlined assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach. Under this approach the cumulative effect of initial application has been recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The entity mainly leases properties for its operations. The entity recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method over the shorter of the lease term and the asset's useful life. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The lease payments associated with these leases are recognised as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented as separate line item in the statement of financial position.

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 group entities and the cost of such item can be measured reliably.

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

Measurement

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

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

(c) Borrowing costs, if any.

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

Subsequent expenditure

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

Depreciation

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

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

Gains and losses on disposal

Gains and losses on disposal of assets are taken to the consolidated statement of profit or loss, 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 group entities and the cost of such asset can be measured reliably.

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

Infinite Intangible

These are stated at cost less impairment, if any.

Definite Intangible

- a) These are stated at cost less accumulated amortisation and impairment, if any.
- b) Intangible assets are amortised on straight line basis over its estimated useful life(s) (refer note 6).
- c) Amortisation on additions during the financial year is charged from month in which the asset is put to use, whereas no amortisation is charged from the month the asset is disposed-off.

4.4 Financial Instruments

Initial measurement of financial asset

Financial assets are classified into following three categories:

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

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

Subsequent measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss.
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in the consolidated statement of profit or loss.
Financial assets measured at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss.

4.4.1 Non-derivative Financial assets

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

4.4.2 Trade debts, advances and other receivables

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

4.4.3 Cash and cash equivalents

For the purpose of presentation in statement of cash flow, cash and cash equivalents includes cash in hand, balances with banks and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value and short term borrowings availed by group entities, which are repayable on demand and form an integral part of the group entities' cash management.

4.4.4 Financial Liabilities

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

4.4.5 Mark-up bearing borrowings and borrowing costs

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

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

4.4.6 Trade and other payables

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

4.4.7 Derivative financial instruments - other than hedging

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

4.4.8 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in the consolidated statement of profit or loss. 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.

4.4.9 Offsetting of financial assets and financial liabilities

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

4.5 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 recognised in the consolidated statement of profit or loss.

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 consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by an group entities, the current income tax law and the decisions of appellate authorities on certain issues in the past are considered.

Current

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

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

Deferred tax

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

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

4.8 Staff retirement benefits

Defined benefit plan

The Holding Company and Subsidiary Company (herein after referred to as “Companies” in this note) provide gratuity benefit to all their respective permanent employees who have completed their minimum qualifying period of service i.e. three years (except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at 1 month’s basic salary (eligible salary) for each completed year of service. For executives and officers having total service of less than twenty years, the benefit is available at half month’s basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at 1 month’s gross salary less conditional allowances (eligible salary) for each completed year of service.

Companies’ obligations are determined through actuarial valuations carried out under the “Projected Unit Credit Method”. Remeasurements which comprise actuarial gains or losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income in the consolidated financial statements.

Companies determine their respective net interest expenses (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognised in the consolidated statement of profit or loss account. The latest actuarial valuations were conducted at the balance sheet date by qualified professional firms of actuaries.

Defined contribution plan

Companies provide provident fund to all its officers. Equal contributions are made, both by the Companies and their employees, at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the consolidated statement of profit or loss account.

Compensated absences

The liability for accumulated compensated absences of employees is 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 consolidated statement of profit or loss currently.

4.10 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of control of goods, which coincides with delivery.
- Export sales are recognised as revenue when invoiced with the transfer of control of goods, which coincides either with the date of bill of lading or upon delivery to customer or its representative, based on terms of arrangement.
- Revenue from power generation plant on account of sales of surplus electricity is recognised on transmission of electricity to K-Electric Limited (KE).
- Toll manufacturing / Partial manufacturing income is recognised when related services are rendered.
- Dividend income is recognised when the right to receive payment is established.
- Gains / losses arising on sale of investments are included in the consolidated statement of profit or loss in the period in which they arise.
- Service income is recognised when services are rendered.
- Rental income is recognised on straight line basis over the term of the respective lease agreement.

4.11 Income on bank deposits and finance cost

Finance income and finance cost includes interest income and interest expense. Interest income or expense is recognised using the effective interest method.

4.13 Impairment

4.13.1 Financial assets

Loss allowances for Expected Credit Loss (ECL) are recognised in respect of financial assets measured at amortised cost.

Loss allowances are measured at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

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

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

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

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

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

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

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

4.12.2 Non-Financial assets

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

4.13 Provisions

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

4.14 Contingent liabilities

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

4.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The operating results are monitored separately for each product category (i.e. Steel Coils and Sheets, Steel Pipes and Plastic Pipes) for the purposes of making decisions regarding resource allocation and performance assessment.

Sale of electricity to KE is not considered as separate reportable segment as the power plants of the entities are installed primarily to supply power to their production facilities and currently any excess electricity is sold to KE.

4.16 Dividend and appropriation to / from reserves

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

5. PROPERTY, PLANT AND EQUIPMENT

Note 2020 2019
----- Rupees in '000 -----

Operating assets	5.1	27,583,787	26,510,066
Capital work-in-progress (CWIP)	5.6	111,499	682,778
Store and spares held for capital expenditure - at cost		24,240	30,953
		<u>27,719,526</u>	<u>27,223,797</u>

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery**	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
----- (Rupees in '000) -----								
Balance as at 1 July 2019								
Cost / revalued amount	2,223,926	2,028,395	2,813,841	1,414,772	25,056,208	237,624	299,243	34,074,009
Accumulated depreciation	-	-	-	-	(7,284,775)	(146,429)	(132,739)	(7,563,943)
Net Book value (NBV)	2,223,926	2,028,395	2,813,841	1,414,772	17,771,433	91,195	166,504	26,510,066
Additions / transfer from CWIP	618,941	13,274	949,201	61,922	1,349,179	22,377	58,371	3,073,265
Surplus on revaluation	-	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	(94)	-	(94)
Disposals								
- Cost	-	-	(4,573)	(15,911)	(137,792)	(1,571)	(41,487)	(201,334)
- Accumulated depreciation	-	-	3,074	2,376	102,647	1,475	23,863	133,435
	-	-	(1,499)	(13,535)	(35,145)	(96)	(17,624)	(67,899)
Depreciation charge	-	-	(194,433)	(138,331)	(1,514,342)	(27,185)	(57,260)	(1,931,551)
Balance as at 30 June 2020 (NBV)	<u>2,842,867</u>	<u>2,041,669</u>	<u>3,567,110</u>	<u>1,324,828</u>	<u>17,571,125</u>	<u>86,197</u>	<u>149,991</u>	<u>27,583,787</u>
Gross carrying value as at 30 June 2020								
Cost / revalued amount	2,842,867	2,041,669	3,567,110	1,324,828	26,267,595	258,336	316,127	36,618,532
Accumulated depreciation	-	-	-	-	(8,696,470)	(172,139)	(166,136)	(9,034,745)
Net book value	<u>2,842,867</u>	<u>2,041,669</u>	<u>3,567,110</u>	<u>1,324,828</u>	<u>17,571,125</u>	<u>86,197</u>	<u>149,991</u>	<u>27,583,787</u>
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2018								
Cost / revalued amount	1,989,041	1,782,743	1,744,747	1,130,212	20,022,489	192,269	272,424	27,133,925
Accumulated depreciation	-	-	(201,405)	(193,386)	(6,165,222)	(136,071)	(122,599)	(6,818,683)
Net Book value (NBV)	1,989,041	1,782,743	1,543,342	936,826	13,857,267	56,198	149,825	20,315,242
Additions / transfer from CWIP	-	48,336	1,011,132	310,010	5,228,265	53,091	88,505	6,739,339
Surplus on revaluation	234,885	197,316	371,913	273,968	-	-	-	1,078,082
Translation reserve	-	-	-	-	-	197	-	197
Disposals								
- Cost	-	-	-	(24,664)	(194,546)	(7,933)	(61,686)	(288,829)
- Accumulated depreciation	-	-	-	12,763	140,619	7,534	45,546	206,462
	-	-	-	(11,901)	(53,927)	(399)	(16,140)	(82,367)
Depreciation charge	-	-	(112,546)	(94,131)	(1,260,172)	(17,892)	(55,686)	(1,540,427)
Balance as at 30 June 2019 (NBV)	<u>2,223,926</u>	<u>2,028,395</u>	<u>2,813,841</u>	<u>1,414,772</u>	<u>17,771,433</u>	<u>91,195</u>	<u>166,504</u>	<u>26,510,066</u>
Gross carrying value as at 30 June 2019								
Cost / revalued amount	2,223,926	2,028,395	2,813,841	1,414,772	25,056,208	237,624	299,243	34,074,009
Accumulated depreciation *	-	-	-	-	(7,284,775)	(146,429)	(132,739)	(7,563,943)
Net book value	<u>2,223,926</u>	<u>2,028,395</u>	<u>2,813,841</u>	<u>1,414,772</u>	<u>17,771,433</u>	<u>91,195</u>	<u>166,504</u>	<u>26,510,066</u>
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 722 million (2019: Rs 522 million) and net book value of Rs.639 million (2019: Rs.449 million).

5.1.1 Addition to plant & machinery include interest and other charges capitalized by the Subsidiary Company on loan obtained for expansion project amounting to Rs.24.3 million (2019: Rs.238.2 million). Rate of markup capitalization is 6% (2019: 6.56% to 7.12%) per annum.

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

	Note	2020	2019
		----- Rupees in '000 -----	
Cost of sales	23	1,755,910	1,393,363
Selling and distribution expenses	24	26,220	23,157
Administrative expenses	25	27,495	17,760
Power generation	28.1	121,926	106,147
		1,931,551	1,540,427

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

Particulars	Location	Area of Land (acres)	Covered Area (Sq Ft)
Leasehold Land (Manufacturing plant)	Plot no.LX15-16, HX-7/4 Landhi Industrial Estate Karachi	25.59	791,614
Leasehold Land (Manufacturing plant)	22 KM Sheikhpura Road, Mouza Khanpur Nabipur Tehsil Ferozpur District Sheikhpura.	31.45	370,664
Freehold Land (Manufacturing plant)	Survey Nos.399-405-406, Deh Sharabi, Landhi Town, City District Government, Karachi	42.45	377,538
Office Premises	Office No.101-105, 1st Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	Not applicable	13,676
Office Premises	Office No.203,2nd Floor, Beaumont Plaza, 10 Beaumont Road, Karachi	Not applicable	1,794
Sales Office Premises	Chinoy House, 2nd and 3rd Floor Off Thornton Road, Hadbast Mouza Khas District Lahore	Not applicable	4,906
Sales Godown	Plot bearing No.NEIR-61 Khasra No.3303 - 3308, Hadbast Mouza Naulakha GT Road Lahore	0.17	6,295
Sales Godown	Plot bearing No.47, Khasra Nos.298/1, 2978/1 Ghoray Shah Road, Hadbast Mouza Khoi Meran District Lahore	0.18	6,215
Service Center	Plot No. LE-73-79,102-103, 112-118, 125-129 Survey # NC.98, near Arabian Country Club, NIP, Bin Qasim Industrial Park, Karachi	Not applicable	653,400
Multan warehouse	Khewat No.(B) 38, 114, 302, Khatooni No.127,475, 1114, Mouza Laar Bahawalpur Road, Multan	Not applicable	365,904
		99.84	1,572,702

5.3 The revaluation of the freehold land, leasehold land and buildings thereon of the Holding Company and Subsidiary Company was carried out as of 30 June 2019 by MYK Associates (Private) Limited (an independent valuer) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation. The revaluation resulted in a surplus amounting to Rs.1,078 million which was incorporated in the books of the Holding and Subsidiary Company as at 30 June 2019.

The Holding Company has carried out valuation of freehold land, leasehold land and buildings during the years ended / periods 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007, 30 June 2013, 30 June 2016 and 30 June 2019.

The resulting revaluation surplus has been disclosed in notes 5 and 16 to the consolidated financial statements and has been credited to revaluation surplus account net of related tax effect.

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

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	1,242,835	-	1,242,835
Leasehold land	724,456	-	724,456
Buildings	4,480,783	(1,032,562)	3,448,221
As at 30 June 2020	6,448,074	(1,032,562)	5,415,512
As at 30 June 2019	4,829,754	(856,940)	3,972,814

5.4 Details of property, plant and equipment disposed off / scrapped having book value of five hundred thousand rupees or more 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								
Buildings	15,177	2,295	12,882	12,907	25	Negotiation	Arshad Brothers	None
Metal Roof	4,573	3,074	1,499	3,749	2,250	Negotiation	Al-Faris Corporation	None
Plant and Machinery								
Nitrogen PSA Generator	12,720	11,220	1,500	173	(1,327)	Negotiation	Rahim Shah	None
Accumulator	10,256	7,256	3,000	3,146	146	Negotiation	Nazim Khan	None
Crane runner	2,254	1,710	544	3,225	2,681	Negotiation	Rahim Shah	None
Plant	25,000	23,534	1,466	15,000	13,534	Insurance claim	Jubilee General Ins.,	None
Inner Shell	21,200	5,744	15,456	1,205	(14,251)	Negotiation	Saifullah Brothers	None
GP-2 equipments	23,196	11,909	11,287	1,648	(9,639)	Negotiation	Rahim Shah	None
Vehicles								
Honda Civic	2,353	980	1,373	-	(1,373)	As per policy	Anwer Imam	Company Employee
Toyota Grande	2,804	841	1,963	3,165	1,202	Negotiation	Hanif Idress	Company Employee
Toyota Corolla	2,619	917	1,702	-	(1,702)	As per policy	Muhammad Munaf	Company Employee
Toyota Corolla	2,049	205	1,844	2,225	381	Negotiation	Ittehad Motors	None
Toyota Corolla	2,029	710	1,319	2,410	1,091	Negotiation	Ittehad Motors	None
Suzuki Cultus	1,440	168	1,272	1,305	33	Negotiation	Farhat Khan	None
Honda City	1,563	599	964	1,800	836	Negotiation	Ittehad Motors	None
Suzuki Cultus	1,250	354	896	1,150	254	Negotiation	Farhat Khan	None
Toyota Corolla	1,864	1,025	839	2,000	1,161	As per policy	Mustafa Khan	Company Employee
Toyota Corolla	2,382	1,707	675	-	(675)	As per policy	Kamal Shoaib	Ex-Chairman
Suzuki Mehran	795	132	663	690	27	As per policy	Jamal Hasan	Company Employee
Suzuki Mehran	860	215	645	790	145	Negotiation	Yaseen Motors	None
Suzuki Mehran	795	172	623	680	57	As per policy	Rafiq Ahmed	None
	137,179	74,767	62,412	57,268	(5,144)			

5.5 Capital work-in-progress (CWIP)

	Cost		
	As at 01 July 2019	Additions / Adjustments	(Transfers) / Adjustments
	(Rupees in '000)		
Freehold land	463,830	155,111	(618,941)
Leasehold land	-	13,274	(13,274)
Buildings on freehold land	51,446	965,620	(1,017,066)
Buildings on leasehold land	4,884	53,106	(57,387)
Plant and machinery	138,726	1,209,397	(1,269,410)
Furniture, fixtures and office equipments	23,892	24,904	(22,219)
Vehicles	-	63,977	(58,371)
	682,778	2,485,389	(3,056,668)

	Cost		
	As at 1 July 2018	Additions / Adjustments	(Transfers) / Adjustments
	(Rupees in '000)		
Freehold land	61,250	463,830	(61,250)
Leasehold land	-	48,336	(48,336)
Buildings on freehold land	708,486	354,092	(1,011,132)
Buildings on leasehold land	74,804	240,090	(310,010)
Plant and machinery	2,840,549	2,411,074	(5,112,897)
Furniture, fixtures and office equipment	8,885	65,076	(50,069)
Vehicles	3,453	85,052	(88,505)
	3,697,427	3,667,550	(6,682,199)

5.6 LEASES

5.6.1 Right-of-use assets

	2020 (Rupees in '000)
As at July 1, 2019	-
Additions	18,628
Disposals	-
Depreciation expense	(4,535)
As at June 30, 2020	14,093
As at June 30, 2019	-

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

	2020 (Rupees in '000)
Cost of sales	-
Selling and distribution expenses	2,428
Administrative expenses	2,107
	4,535

5.6.2 Lease liabilities

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

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

	2020 (Rupees in '000)
As at July 01, 2019	-
Additions	18,628
Disposal	-
Interest expense	2,259
Payments	(5,084)
As at June 30, 2020	15,803
Current	3,854
Non - current	11,949
	15,803

2019

-

Lease liabilities are payable as follows:

	Minimum lease payments	Interest	Present value of minimum lease payment
Less than one year	6,569	1,742	4,827
Between one and five years	13,047	2,071	10,976
More than five years	-	-	-

6. INTANGIBLE ASSETS

Note 2020 2019
----- Rupees in '000 -----

Operating intangible assets	6.1	1,827	5,007
Capital work-in-progress (CWIP)	6.2	1,080	1,080
		2,907	6,087
6.1 Net book value as at 01 July		5,007	10,120
Additions / Adjustments		667	1,561
Amortisation	6.1.2	(3,847)	(6,674)
Net book value as at 30 June		1,827	5,007
Gross carrying value as at 30 June			
Cost		98,874	98,207
Accumulated amortisation		(97,047)	(93,200)
Net book value		1,827	5,007

(Percent)

Amortisation rate (per annum)	20 - 33.33	33.33
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6.1.1 Intangible assets comprise of computer software and licenses.

6.1.2 The amortisation expense for the year has been allocated as follows: ----- Rupees in '000 -----

Cost of sales	23	2,675	1,390
Selling and distribution expenses	24	718	-
Administrative expenses	25	454	5,284
		3,847	6,674

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

7. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

2020 (Number of shares)	2019		2020 ----- Rupees in '000 -----	2019
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associated company	1,095,290	1,014,685
		IIL Americas Inc., - Foreign subsidiary	17,966	-
			1,113,256	1,014,685

7.1 This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 17.124% of effective share of interest in PCL due to crossholding.

7.2 The Chief Executive Officer of PCL is Mr. Fahd K. Chinoy. The market value as at 30 June 2020 was Rs. 651.224 million (30 June 2019 Rs. 856.114 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 2020 as the latest financial statements as at 30 June 2020 were not presently available.

The summarized financial information of the associate and reconciliation with the carrying amount of the investment in these consolidated financial statements are set out below:

7.3 Movement during the year	Note	2020 ----- Rupees in '000 -----	2019
Investment at the beginning of the year		1,014,685	1,004,132
Share of profit from associate - before tax		(6,502)	49,906
Related tax	29	623	(5,341)
Share of profit from associate - net of tax		(5,879)	44,565
Share of OCI		3,183	(3,461)
Surplus on revaluation on land and buildings		89,393	(88)
Dividends received		(6,092)	(30,462)
Closing balance		1,095,290	1,014,685

(Number)

Number of shares held	6,092,470	6,092,470
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----- Rupees in '000 -----

Cost of investment	817,553	817,553
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Ownership interest	17.12%	17.12%
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7.4 Summarized statement of financial position of associate

----- Rupees in '000 -----

Current assets	4,250,829	4,638,945
Non-current assets	4,123,047	2,741,781
Total assets	8,373,876	7,380,726
Current liabilities	(2,666,013)	(2,174,928)
Non-current liabilities	(842,256)	(810,908)
Total liabilities	(3,508,269)	(2,985,836)
Net assets	4,865,607	4,394,890

	For the period from April 1, 2019 to March 31, 2020	For the period from April 1, 2018 to March 31, 2019
	----- Rupees in '000 -----	
7.5 Summarized statement of profit or loss account of associate		
Turnover - net	9,838,709	9,983,358
Cost of sales	(8,841,683)	(8,830,353)
Gross profit	997,026	1,153,005
General and administration expenses	(1,072,834)	(931,364)
Other income	37,839	69,794
(Loss) / Profit before tax for the period	(37,969)	291,435
Taxation	3,638	(31,193)
(Loss) / Profit after tax for the period	(34,331)	260,242
Other comprehensive income for the period	547,073	(30,764)
Direct adjustment in equity	(6,447)	(14,542)
Total comprehensive income for the period	506,295	214,936

7.6 Reconciliation of the above summarized financial information to the carrying amount of the interest in associate recognised in these consolidated financial statements is as follows:

	For the period from April 1, 2019 to March 31, 2020	For the period from April 1, 2018 to March 31, 2019
	----- Rupees in '000 -----	
Opening net assets	4,394,890	3,209,076
Issuance of shares at premium	-	1,148,768
Total comprehensive income for the period	506,295	214,936
Dividend distributed during the period	(35,578)	(177,890)
Net assets of the associate	4,865,607	4,394,890
Proportion of Company's interest in associate	17.12%	17.12%
Share of net assets of associate	833,187	752,581
Goodwill & Others	262,104	262,104
Carrying amount of the Company's interest in associate	1,095,290	1,014,685

7.7 The market value of PCL shares as at 30 June 2020 was Rs. 106.89 per share (2019: Rs. 140.52 per share).

7.8 This represents advance against shares paid by International Industries limited for issuance of 100 % ownership interest (150,000 shares) in IIL Americas Inc. The Chief Executive Officer of IIL Americas Inc, is Mr. Mohsin Safdar.

8. STORES AND SPARES	2020	2019
	----- Rupees in '000 -----	
Stores	297,118	316,868
Spares	572,114	497,889
Loose tools	13,099	11,745
	882,331	826,502

9. STOCK-IN-TRADE

	2020	2019
	----- Rupees in '000 -----	
Raw material - in hand	11,089,377	6,948,424
- in transit	552,374	6,532,832
	11,641,751	13,481,256
Work-in-process	4,180,318	3,458,783
Finished goods	7,875,199	8,446,608
By-products	42,961	51,394
Scrap material	258,890	147,528
	23,999,119	25,585,569

9.1 Raw material of Holding Company amounting to Rs. 2.3 million (2019: Rs. 4.9 million) is held at a vendor's premises for the production of pipe caps.

10. TRADE DEBTS

	Note	2020	2019
		----- Rupees in '000 -----	
Considered good - secured	10.1	564,528	238,086
- unsecured		3,521,409	3,283,540
		4,085,937	3,521,626
Considered doubtful		144,482	158,267
		4,230,419	3,679,893
Provision for impairment on trade debts	10.3	(144,482)	(158,267)
		4,085,937	3,521,626

10.1 This represents trade debts arising on account of export sales of Rs.498.51 million (2019: Rs.132.27 million) which are secured by way of Export Letters of Credit and Rs.69.98 million (2019: Rs.105.82 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

10.2 Related parties from whom trade debts are due are as under:

	2020	2019
	----- Rupees in '000 -----	
Sumitomo Corporation	94,670	-
Pakistan Cables Limited	702	9,695
ILL Americas Inc.	70,042	-
	165,414	9,695

10.3 Provision for impairment on trade debts

Balance as at 01 July	158,267	152,649
Impairment (loss) / reversal on trade debts	32,337	38,774
Recoveries during the year	(46,122)	(33,156)
	(13,785)	5,618
Balance as at 30 June	144,482	158,267

10.4 The maximum aggregate amount due from the related parties at any time during the year calculated by reference to month-end balances is Rs.410 million(2019: 692 million)

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

	2020	2019
	----- Rupees in '000 -----	
Not yet due	-	1,331
Past due 1-60 days	70,744	8,364
Past due 61 days - 180 days	94,670	-
Past due over 1 year	-	-
Total	165,414	9,695

11.	ADVANCES, TRADE DEPOSITS AND SHORT - TERM PREPAYMENTS	2020	2019
		----- Rupees in '000 -----	
	Considered good		
	- Suppliers	93,624	105,521
	- Employees for business related expenses	703	440
	Trade deposits	22,942	18,969
	Margin against shipping guarantee	6,807	16,255
	Short term prepayments	40,335	26,968
		164,411	168,153

11.1 These advances and trade deposits are non interest bearing.

12.	OTHER RECEIVABLES	2020	2019
		----- Rupees in '000 -----	
	Considered good		
	Insurance claim	15,000	9,341
	Others	8,271	8,430
		23,271	17,771
	<i>Considered doubtful</i>		
	Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
		49,211	43,711
	Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Welfare Fund in earlier periods	(25,940)	(25,940)
		23,271	17,771

13.	TAXATION - NET		
	Tax receivable as at 1 July	895,642	260,145
	Tax payments / adjustment made during the year	1,164,848	1,541,692
		2,060,490	1,801,837
	Less: Provision for tax	29	(986,524)
		1,073,966	895,642

14.	CASH AND BANK BALANCES		
	Cash in hand	269	-
	Current accounts	391,110	301,700
	Profit and loss sharing accounts	14.1	189,695
		581,074	759,543

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

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
(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
125,112,156	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,251,122	1,131,229
131,881,881	119,892,619		1,318,819	1,198,926

15.1 Associated companies, due to common directors, held 633,600 (2019 : 576,600) ordinary shares of Rs. 10 each at the year end.

16. REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT

Note **2020** 2019
----- Rupees in '000 -----

Freehold land

Balance as at 01 July		1,600,033	1,365,148
Surplus on revaluation of freehold land	5.1	-	234,885
Balance as at 30 June		1,600,033	1,600,033

Leasehold land

Balance as at 01 July		1,317,213	1,119,897
Surplus on revaluation of leasehold land	5.1	-	197,316
Balance as at 30 June		1,317,213	1,317,213

Buildings

Balance as at 01 July		1,034,532	1,043,642
Surplus on revaluation of buildings		-	83,414
Disposal of buildings		(11,638)	(9,420)
Transferred to retained earnings (Un-appropriated Profit) in respect of incremental depreciation charged during the year		(120,706)	(83,104)
		902,187	1,034,532

Related deferred tax liability	16.2	(385,907)	(420,554)
Balance as at 30 June - net of deferred tax		516,280	613,978
		3,433,526	3,531,224

Proportionate share of surplus on revaluation of property, plant and equipment of equity accounted investee		182,513	93,120
		3,616,039	3,624,344

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

16.2 Movement in related deferred tax liability

2020 2019
----- Rupees in '000 -----

Balance as at 01 July		420,554	273,504
Surplus on revaluation of buildings		-	86,721
Effect of change in tax rate		3,685	84,129
Tax effect on disposal		(2,866)	(2,281)
Tax effect on incremental depreciation transferred to retained earnings		(35,465)	(21,519)
Deferred tax liability as at 30 June		385,907	420,554

17. LONG TERM FINANCING - secured

2020 2019
----- Rupees in '000 -----

CONVENTIONAL

Long Term Finance Facility	17.1	3,147,966	3,129,263
Deferred Income - Government Grant	17.3	36,978	-

ISLAMIC

Diminishing Musharakah	17.2	5,333,010	6,140,908
		8,517,954	9,270,171

Current portion of long term finances shown under current liabilities:

CONVENTIONAL

Long Term Finance Facility	17.1	(512,788)	(614,492)
Deferred Income - Government Grant	17.3	(22,810)	-

ISLAMIC

Diminishing Musharakah	17.2	(1,362,899)	(586,364)
		(1,898,497)	(1,200,856)
		6,619,457	8,069,315

17.1 Long term finances utilised under mark-up arrangements

	Sale price (Rupees in '000)	Purchase price	Number of installments and commencement date	Date of maturity / repayment	Rate of mark-up per annum	2020 ----- Rupees in '000 -----	2019
CONVENTIONAL							
i) MCB Bank Limited Financing under Long term finance facility (note 17.1.1)	550,000	906,963	34 quarterly 29-Oct-16	28-Mar-24 to 20 Nov 25	SBP+0.70% (fixed rate)	346,690	411,134
ii) MCB Bank Limited Financing under Long term finance facility (note 17.1.1)	800,000	1,164,316	11 half yearly 30 June 2019	28 Dec 2024	0.1 % over 6 months KIBOR	727,272	800,000
iii) MCB Bank Limited Financing under Long term finance facility (note 17.1.1)	100,000	149,976	34 quarterly 31 May 2019	31 Aug 2027	SBP+0.50% (fixed rate)	86,492	98,422
iv) MCB Bank Limited Financing under Long term finance facility (note 17.1.1)	100,000	147,862	34 quarterly 30 Jan 2020	30 June 2028	SBP+0.50% (fixed rate)	87,175	92,623
v) Bank Al-Habib assistance for plant and machinery (note 17.1.2)	1,000,000	4,675,000	32 quarterly 16-Oct-16	11-Nov-26	1.00% over SBP Refinance rate (fixed rate)	615,440	740,441
vi) United Bank Limited assistance for plant and machinery (note 17.1.2)	1,000,000	2,501,562	16 half yearly 12-Dec-16	28-Nov-26	1.00% over SBP Refinance rate (fixed rate)	590,500	719,977
vii) MCB Bank Limited assistance for plant and machinery (note 17.1.2)	800,000	1,112,512	18 quarterly 30-Jun-16	7-Jan-20	0.15% over 6 months KIBOR	-	266,666
viii) Habib Metropolitan Bank Limited Financing under Long term finance facility (note 17.1.4)	275,000	330,000	8 quarterly 31-Mar-21	30-Dec-22	SBP+0.75% (fixed rate)	167,097	-
ISLAMIC							
i) Meezan Bank Limited Diminishing Musharakah of Rs.500 million (Refer note 17.1.3)	500,000	950,361	10 half yearly 30-Jun-18	30-Jun-23	0.1 % over 6 months KIBOR	272,728	363,635
ii) Meezan Bank Limited Diminishing Musharakah of Rs.250 million (Refer note 17.1.3)	250,000	279,978	11 half yearly 30-Jun-19	30-Jun-24	0.1 % over 6 months KIBOR	181,818	227,273
iii) Meezan Bank Limited Diminishing Musharakah of Rs.750 million for plant and machinery (Refer note 17.1.2)	1,000,000	1,098,867	36 equal monthly 31-Oct-16	1-Sep-19	0.20 % over 1 months KIBOR	-	250,000
iv) Habib Bank Limited Diminishing Musharakah of Rs.4,300 million for plant and machinery (Refer note 17.1.2)	4,300,000	5,640,228	10 half yearly 28-Feb-20	24-Feb-25	0.10 % over 6 months KIBOR	4,410,000	4,900,000
v) Meezan Bank Limited Diminishing Musharakah of Rs.4,300 million for plant and machinery (Refer note 17.1.2)	500,000	575,512	30 equal monthly 28-Dec-18	28-Jun-21	0.15 % over 3 months KIBOR	200,000	400,000
vi) Habib Bank Limited Diminishing Musharakah of Rs.250 million (Refer note 17.1.2)	150,000	187,500	16 half yearly 30-Jun-22	31-May-30	SBP+0.50% (fixed rate)	118,866	-
vii) Meezan Bank Limited assistance for plant and machinery (note 17.1.2)	700,000		36 quarterly 17-Oct-20	2-Jun-30	3.00% over 6 months Refinance rate	545,909	-
viii) Faysal Bank Limited SBP Payroll finance facility	200,000	167,968	8 quarterly 1-Apr-21	31-Dec-22	1.00% over SBP Refinance rate	167,968	-
						8,517,955	9,270,171

17.1.1 The Holding Company has an approved financing facility under Long Term Finance Facility of an amount aggregating Rs. 1,550 million. As at 30 June 2020 the Holding Company has withdrawn Rs. 1,414.7 million (2019: Rs. 1,402.179 million) from a commercial bank. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.

17.1.2 These finances 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.13,577 million

The above long term financing utilised under mark-up arrangement is secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey no. 405, 405-406, Dehsharabi, Landhi Town, Karachi.

17.1.3 In addition to above, the Holding Company and Subsidiary Company have also obtained long term loans of Rs.335.064 million for financing its salaries and wages under SBP Refinance Scheme for payment of wages and salaries, earmarked from running finance limit, which is secured against first joint Pari Passu Hypothecation charge over stock and book debts. The rate of markup for Holding Company on these loans are at 0.75% per annum and for Subsidiary Company are at 1%. These loans are for two and half years and are repayables in eight equally quarterly instalments of Rs.41.882 million commencing from 31 March 2021. The facility available under the above arrangement amounted to Rs.425 million of which the amount remained unutilised as at 30 June 2020 was Rs.89.933 million (2019: nil).

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

The Holding Company has obtained the said borrowing from Habib Metropolitan Bank Limited ("HMB") at subsidized rate in three tranches on 05 May 2020, 29 May 2020 and 15 June 2020 at 0.75% while Subsidiary Company has obtained the said borrowing from Faysal Bank Limited ("FBL") at subsidized rate in three tranches on 20 May 2020, 4 June 2020 and 25 June 2020 at 1% concessional rate which is repayable by Dec 2022 in 8 quarterly instalment to HMB and FBL under the SBP scheme.

Government grant amounting to Rs. 36.978 million has been recorded during the year ended 30 June 2020 and Rs. 1.423 million has been amortised during the year. In accordance with the terms of the grant, the Holding Company and Subsidiary Company are prohibited to lay-off the employees atleast for three months from the period April 2020 to June 2020 of the grant.

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

18. DEFERRED TAXATION - NET

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

	Note	2020	2019
		----- Rupees in '000 -----	
Taxable temporary differences			
Accelerated tax depreciation		2,382,466	2,564,679
Share of profit from equity accounted investee		25,120	25,120
Surplus on revaluation of buildings	16.2	385,907	420,554
Deductible temporary differences			
Provision for infrastructure cess		(377,363)	(323,204)
Provision for impairment on trade receivables		(42,465)	(40,551)
Unrealised exchange losses		(17,070)	(17,517)
Provision for obsolescence against stores and spares		(17,329)	(4,112)
Staff retirement benefits		(22,055)	-
Provision for compensated absences		(2,711)	(4,885)
Provision for lease liability		(12,947)	-
Alternate Corporate Taxation		(472,140)	(28,567)
		1,829,413	2,591,517
19. TRADE AND OTHER PAYABLES			
Trade creditors	19.1	5,449,018	2,734,738
Bills payable		1,278	1,003,235
Accrued expenses		3,237,184	2,752,115
Provision for Infrastructure Cess	19.2 & 21.1.2	1,860,728	1,535,752
Provision for Government Levies	19.3	2,047	329
Short term compensated absences		11,485	18,837
Workers' Profit Participation Fund	19.4	2,145	22,195
Workers' Welfare Fund		272,735	340,421
Others		50,788	66,326
		10,887,408	8,473,948

19.1 This includes an amount of Rs. 2.6 million payable to related parties by Subsidiary Company (ISL) (2019: Rs. Nil).

19.2 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 21.1.2).

Provision for Infrastructure Cess	Note	2020	2019
		----- Rupees in '000 -----	
Balance as at 01 July		1,535,752	1,176,189
Charge for the year		324,976	359,563
Balance as at 30 June		1,860,728	1,535,752
19.3 Provision for Government levies			
Opening balance as at 01 July		329	230
Provided during the year		6,951	350
Payment during the year		(5,233)	(251)
Closing balance as at 30 June		2,047	329

19.4	Workers' Profit Participation Fund	Note	2020	2019
			----- Rupees in '000 -----	
	Balance as at 01 July		22,195	23,860
	Interest on funds utilised in the Company's business	26	1,071	1,053
			23,266	24,913
	Allocation for the year	27	29,230	248,556
			52,496	273,469
	Payments made during the year		(50,351)	(251,274)
	Balance as at 30 June		2,145	22,195
19.5	Advance from customers includes Rs. Nil million received from a related party by the Subsidiary Company (ISL) (2019: Rs. 0.17 million).			
20.	SHORT TERM BORROWINGS - secured	Note	2020	2019
			----- Rupees in '000 -----	
	CONVENTIONAL			
	Running finance under mark-up arrangement from banks	20.1	2,183,647	7,249,569
	Short term borrowing under Money Market Scheme			
	- maturing after 3 months		1,550,000	500,000
	- maturing within 3 months		10,000,000	4,216,850
		20.2	11,550,000	4,716,850
	Short term borrowing under Export Refinance Scheme	20.3	2,490,628	4,160,265
	ISLAMIC			
	Short term borrowing under running Musharakah	20.4	3,270,730	609,665
	Short term finance under term Murabaha	20.5	-	2,880,000
	Short term borrowing under Export Refinance Scheme	20.6	1,419,856	-
			20,914,861	19,616,349
20.1	The facilities for running finance available from various commercial banks amounted to Rs. 9,149 million (2019: Rs. 16,507 million). The rates of mark-up on these finances obtained by the Holding Company ranges from 8.73 % to 11.76% per annum (2019: 11.44% to 13.04% per annum). The rates of mark-up on these finances obtained by the Subsidiary Company ranges from 8.83% to 11.72% (2019: 7.12% to 13.90%) per annum. Unavailed facility as at the year end amounted to Rs. 6,965 million (2019: Rs. 8,959 million)			

- 20.2** The facilities for short term borrowing under Money Market Scheme financing available to the Holding Company from various commercial banks under mark-up arrangement amounted to Rs. 14,725 million (2019: Rs. 5,270 million). Unavailed facilities as at year-end amounted to Rs. 3,175.0 million (2019: Rs.553.1 million). The rate of mark-up on these finances range from 7.51% to 8.76 % per annum (2019: 11.04% to 13.06% per annum).
- 20.3** The Holding Company and the Subsidiary Company have 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. 2,490.6 million (2019: Rs. 4,160.2 million). The rates of mark-up on these facilities were 3.00% per annum (2019: 2.1% to 3.00% per annum).
- 20.4** The facilities for running musharikah available from various banks amounted to Rs.6,030 (2019: Rs.6,728 million). The rate of profit on these finances availed by the Holding Company range from 8.9% to 9.33% per annum (2019: 13.10%) per annum and for facilities availed by the Subsidiary Company range from 8.46% to 11.84% (2019: 7.12% to 13.10%) per annum. Unavailed facilities as at year end amounted to Rs. 2,759 million (2019: Rs.6,118 million).
- 20.5** The Holding Company & the Subsidiary Company obtained loan from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 18 million equivalent to fixed amount of Rs.2,880 million for meeting working capital requirement. The tenor of the loan was six months i.e. from 26 June 2019 to 26 December 2019 for the Holding Company and from 20 June 2019 to 19 December 2019 for Subsidiary Company. The price of loan was six months KIBOR minus 0.28% for Holding Company and six month KIBOR minus 0.08% for Subsidiary Company. As per the terms of agreement, Standard Chartered Bank (Pakistan) has obtained forward cover on behalf of the Holding Company & Subsidiary Company to hedge foreign currency risk.
- 20.6** The Holding Company and the Subsidiary Company have obtained short term running finance under Islamic Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The facility availed is for an amount of Rs. 1,419.8 million (2019: Nil). The rates of mark-up on these facilities were 3.00% per annum.
- 20.7** All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

	Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
	Holding Company and the Subsidiary Company (collectively referred as “Companies”)			
21.1.1	The Federal Government issued Gas Infrastructure Development Cess (GIDC) Acts in the years 2011, 2014 and 2015. All GIDC Acts have been subject of thorough debate and consideration at honourable High Courts of the Country as well as the Supreme Court of Pakistan. On 12 August 2020, the Supreme Court of Pakistan issued its verdict and held that “the levy imposed under Gas Infrastructure Development Cess Act, 2015 is in accordance with the provisions of the Constitution”. The Supreme Court has also held that “the provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of ‘Cess’ levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament.”	Sindh High Court	OGRA / SSGC / Federation of Pakistan	01-Aug-2012

Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
The Management has recorded GIDC provision in financial statements, as per the act / ordinance applicable at the time of respective law being in force for the periods up to the year ended 30 June 2020. Further, the Companies have not recognised GIDC amounting to Rs. 897.65 million (2019: Rs. 1,024.65 million) pertaining to period from 01 July 2011 to 30 June 2020 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA). 21.1.2 The Holding Company filed a Suit before Honourable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Holding Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Holding Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The Court decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honourable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice. Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Subsidiary Company, also joined the proceedings subsequent to its incorporation. Bank guarantees amounting to Rs. 1,985 million (2019: Rs. 1,707 million) issued on behalf of the Companies which includes afore-mentioned bank guarantees of Rs. 115 million issued by the Holding Company are outstanding as at 30 June 2019. As a matter of prudence, the Companies are making provisions for the balance amount, which as at 30 June 2019 amounts to Rs. 1,860.8 million (2019: 1,535.82million) as disclosed in note 19.2.	Sindh High Court	Secretary Excise & Taxation / Federation of Pakistan	28-Oct-2002

Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
Subsequently, vide Sindh Finance Act 2015 & 2016 the levy has been doubled from 2017. On 24 October 2017 the Companies have obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.			
21.1.3 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- per MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Companies have filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Companies have issued cheques amounting to Rs.524.3 million (2019: Rs. 524.3) in favour of Nazir of the court upto 30 September 2018. The Companies, on a prudent basis, have also accrued this amount in these consolidated financial statements. OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Companies have filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Companies are settling the bills at the revised rate.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19-Jan-2017
21.1.4 Sindh Revenue Board (SRB) issued notices to the Companies for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Companies filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Companies are trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favour of the Companies by declaring exemption on the basis that the Companies being a trans-provincial establishment are paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement with a conflicting view.	Sindh High Court	SRB / Government of Sindh	09-Jun-2017
21.1.5 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Companies amounted to Rs. 511.8 million (2019: Rs.499.6 million) as a security for supply of gas.			
21.1.6 Guarantee issued in favour of Pakistan State Oil Company Limited by banks on behalf of the Companies amounted to Rs. 83 million (2019: Rs.112 million) for supply of fuel and lubricants.			

Description of factual basis and relief sought		Name of court	Principal parties	Date instituted
<i>Holding Company</i>				
21.1.7	Customs duties amounting to Rs. 40.5 million as at 30 June 2020 (2019: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.	Sindh High Court	Collector of Customs / Federation of Pakistan	2005
21.1.8	An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.	Sindh High Court	Collector of Customs / Federation of Pakistan	15-Jan-2010
21.1.9	The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.	Sindh High Court	Collector of Customs / Federation of Pakistan	30-Aug-2007
21.1.10	The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay order against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court of Pakistan in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process.	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	01-Nov-2016

Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
On a separate application challenging the chargeability of tax on inter corporate dividend, stay order is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.			

- 21.1.11** The Holding Company's share of contingent liabilities of its associated company is Rs. 106.1 million (2019: Rs. 66.9 million).
- 21.1.12** Guarantees issued in favour of Sui Nothern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 287.2 million (2019: Rs. 299.42 million) as performance security for goods to be supplied by the Company.
- 21.1.13** Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 51.75 million (2019: Rs. 97.36 Million) as performance security for goods to be supplied by the Company.
- 21.1.14** Standby letter of credit issued in favour of Sui Nothern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2019: Rs.59.57 million) as a security for supply of Regasified Liquified Natural Gas (RLNG).
- 21.1.15** Guarantees issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019: Rs. 5.83 million) as a security for supply of electricity.
- 21.1.16** Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs. nil million (2019: Rs.2.00 million) as performance security for goods to be supplied by the Company.
- 21.1.17** Guarantee issued in favour of Small Industries Development Board by bank on behalf of the Company amounted to Rs. 5.00 million (2019: Rs. nil million) as performance security for goods to be supplied by the Company.
- 21.1.18** Guarantees issued in favour of Sui Nothern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs.18.40 million (2019: 22.0 million) as security for holding the bids (bid bond) submitted in tenders
- 21.1.19** Guarantees issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. nil million (2019: 0.81 million) as security for holding the bids (bid bond) submitted in tenders
- 21.1.20** Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2019:Rs.0.83 million) as performance security for goods to be supplied by the Company.
- 21.1.21** Guarantee issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019:Rs.5.83 million) as security for supply of electricity.

Description of factual basis and relief sought	Name of court	Principal parties	Date instituted
<i>Subsidiary Company</i>			
21.1.22 A petition was filed before the Sindh High Court seeking order for the issuance of quota for concessionary import under SRO 565; release of 85,000 tons of HRC arrived at the Port in November 2019 and for future shipments. SHC granted release of 85,000 tons of HRC against submission of bank guarantee for the differential amount of duty & taxes amounting to Rs. 1,651 million. In a separate order SHC instructed the authorities to allow provisional quota subject to submission of bank guarantee for the difference of duty & taxes. As ordered, the Input-Output Coefficient Organisation (IOCO) is issuing quota equivalent to ordered/shipped quantity of raw material on case to case basis.	Sindh High Court	Federation of Pakistan / Director IOCO / The Chief Collector (South)	04-Nov-2019

21.1.23 Guarantees issued in favour of Wah Industries by bank on behalf of the Company amounted to Rs. Nil million (2019: Rs. 59.11 million)

21.1.24 Guarantees issued in favour of Collector of Custom by bank on behalf of the Company amounted to Rs. 3,394 million (2019: Rs. 4.39 million)

21.1.25 Guarantees issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 8.67 million (2019: Rs.8.67 million)

21.2 Commitments

Holding Company and the Subsidiary Company

21.2.1 Capital expenditure commitments outstanding as at 30 June 2020 amounted to Rs. 87 million (2019: Rs. 470 million).

21.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2020 amounted to Rs. 9,293 million (2019: Rs. 12,719 million).

21.2.3 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 June 2020 amounted to Rs. 24,870 million (2019: Rs. 19,258 million) and Rs. 1,061 million (2019: Rs. 1,846 million) respectively.

Holding Company

21.2.4 Commitments under purchase contracts as at 30 June 2020 amounted to Rs. 875.4 million (2019: Rs.243.5 million).

21.2.5 Post dated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 2,423.1 million (2019:Rs. 3,107.93 million).

21.2.6 Post dated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs. 3.6 million (2019:Rs. 14.3 million).

21.2.7 Post dated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs. 166.83 million (2019: Rs. 166.83 million).

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22. NET SALES

	2020	2019
	----- Rupees in '000 -----	
Local	64,858,972	80,642,288
Export	12,050,057	8,677,083
	76,909,029	89,319,371
Sales tax	(9,346,650)	(11,912,710)
Trade discounts	(1,373,808)	(1,110,512)
Export commission & discounts	(531,902)	(684,065)
	(11,252,360)	(13,707,287)
	65,656,669	75,612,084

22.1 DISAGGREGATION OF REVENUE

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

Primary geographical markets:

	2020	2019
	----- Rupees in '000 -----	
Local	53,646,118	66,961,184
Asia	4,984,351	3,207,394
Europe	626,582	754,460
Australia	1,259,876	1,610,217
Africas	1,334,796	446,507
Americas	3,804,946	2,632,322
	65,656,669	75,612,084

Major Product Lines:

Steel products	63,171,422	73,221,337
Polymer products	2,485,247	2,390,747
	65,656,669	75,612,084

	Note	2020	2019
		----- Rupees in '000 -----	
23. COST OF SALES			
Raw material consumed			
Opening stock of raw material		6,948,424	10,219,889
Purchases		58,135,922	62,055,988
		65,084,346	72,275,877
Closing stock of raw material	9	(11,089,377)	(6,948,424)
		53,994,969	65,327,453
Manufacturing overheads			
Salaries, wages and benefits	23.1	1,439,966	1,516,398
Rent, rates and taxes		370	2,025
Electricity, gas and water		2,104,031	1,740,599
Insurance		38,918	36,883
Security and janitorial		64,578	62,292
Depreciation and amortisation	5.2 & 6.1.2	1,758,585	1,394,753
Operational supplies and consumables		219,466	224,602
Repairs and maintenance		201,472	244,124
Postage, telephone and stationery		27,551	28,877
Vehicle, travel and conveyance		50,674	60,051
Internal material handling		44,365	73,948
Partial manufacturing		6,286	-
Environment controlling		2,943	2,586
Sundries		33,724	24,621
Provision for obsolescence against spares		38,583	15,278
		6,031,512	5,427,037
		60,026,481	70,754,490
Work-in-process			
Opening stock		3,458,783	2,597,105
Closing stock	9	(4,180,318)	(3,458,783)
Cost of goods manufactured		(721,535)	(861,678)
		59,304,946	69,892,812
Finished goods by-products and scrap			
Opening stock		8,645,530	5,052,820
Closing stock	9	(8,177,050)	(8,645,530)
		468,480	(3,592,710)
		59,773,426	66,300,102

23.1 Salaries, wages and benefits include Rs. 86.49 million (2019: Rs. 75.95 million) in respect of staff retirement benefits

24. SELLING AND DISTRIBUTION EXPENSES	Note	2020	2019
		----- Rupees in '000 -----	
Freight and forwarding		1,176,586	1,233,299
Salaries, wages and benefits	24.1	284,491	276,192
Rent, rates and taxes		8,731	8,050
Electricity, gas and water		9,956	10,222
Insurance		5,944	10,793
Depreciation and amortisation	5.2 & 6.1.2	26,938	23,157
Repairs and maintenance		534	979
Advertising and sales promotion		119,762	197,562
Postage, telephone and stationery		10,373	10,951
Office supplies		39	135
Vehicle, travel and conveyance		41,857	52,881
Trade Debts written off		-	994
Certification and registration charges		2,374	3,982
Others		23,449	23,906
		1,711,034	1,853,103

24.1 Salaries, wages and benefits include Rs.16.11 million (2019: Rs. 17.29 million) in respect of staff retirement benefits.

25. ADMINISTRATIVE EXPENSES	Note	2020	2019
		----- Rupees in '000 -----	
Salaries, wages and benefits	25.1	355,327	371,943
Rent, rates and taxes		1,448	5,771
Electricity, gas and water		4,732	4,799
Insurance		3,876	4,139
Depreciation and amortisation	5.2 & 6.1.2	27,949	23,044
Repairs and maintenance		2,118	1,646
Postage, telephone and stationery		14,334	16,794
Office supplies		537	590
Vehicle, travel and conveyance		20,962	23,253
Legal and professional charges		94,538	101,746
Certification and registration charges		17,638	9,959
Others		40,946	41,420
		584,405	605,104

25.1 Salaries, wages and benefits include Rs. 22.33 million (2019: Rs. 25.22 million) in respect of staff retirement benefits.

26. FINANCE COST	Note	2020	2019
		----- Rupees in '000 -----	
Conventional:			
- Interest on long term finance		224,007	220,291
- Interest on short term borrowings		1,801,798	1,322,209
Islamic:			
- Mark-up on running musharakah		211,671	190,356
- Mark-up on Islamic export refinancing		6,069	-
- Mark-up on term musharakah		-	102,652
- Mark-up on diminishing musharakah		763,126	340,490
- Mark-up on term murabaha		187,703	8,628
Exchange loss and others		301,073	-
Interest on Workers' Profit Participation Fund	19.4	1,071	1,053
Bank charges		48,681	27,971
Interest on lease liabilities		2,259	-
		3,547,458	2,213,650

27. OTHER OPERATING CHARGES

Note **2020** 2019
----- Rupees in '000 -----

Auditors' remuneration	27.1	5,803	5,917
Donations	27.2	21,550	62,722
Exchange loss - net		313,393	225,227
Workers' Profit Participation Fund	19.4	29,230	248,556
Workers' Welfare Fund		(20,645)	82,485
Business development expenses		15,628	7,258
		364,959	632,165

27.1 Auditors' remuneration

Audit fee	3,254	3,254
Half yearly review	909	909
Out of pocket expenses	403	293
	4,566	4,456
Non-audit services		
Certifications for regulatory purposes	1,237	1,461
	5,803	5,917

27.1.1 These amounts are inclusive of sales tax.

27.2 Donations

27.2.1 Donations to the following organization exceed 10 % of total donations by the Group or Rs. 1 million which ever is higher.

2020 2019
----- Rupees in '000 -----

SINA Health, Education and Welfare Trust (IIL Clinic)	-	12,000
The Citizen Foundation (IIL Campus)	5,600	15,100
Amir Sultan Chinoy Foundation	-	8,320
Sindh Institute of Urology and Transplantation (SIUT)	-	10,000
Indus Earth Trust	1,000	-
Karachi Relief Trust	10,000	-
	16,600	45,420

27.3 None of the other donations were made to any donee in which a director or his spouse had any interest at any time during the year. Mr. Riyaz T. Chinoy's interest in The Citizen Foundation is limited to the extent of his involvement as a director.

28. OTHER INCOME

Note **2020** 2019
----- Rupees in '000 -----

Income / return on financial assets

Income on bank deposits - conventional	7,877	10,483
Exchange gain	86,257	472,531
Government grant	1,423	

Income from non-financial assets

Income from power generation	28.1	16,343	8,656
Rental income		2,526	1,948
Gain on disposal of property, plant and equipment		59,541	79,516
Others		34,462	44,554
		208,429	617,688

28.1 Income from power generation

Notes	2020	2019
	----- Rupees in '000 -----	
Net sales	723,856	509,222
<i>Cost of electricity produced:</i>		
Salaries, wages and benefits	(28,864)	(27,354)
Electricity, gas and water	(1,443,959)	(1,097,115)
Depreciation	(121,926)	(106,147)
Stores and spares consumed	(22,891)	(28,278)
Repairs and maintenance	(65,831)	(52,156)
Sundries	(1,452)	(4,167)
	(1,684,923)	(1,315,217)
Self consumption	977,410	814,651
Income from power generation	16,343	8,656

28.1.1 Salaries, wages and benefits include Rs. 2.05 million (2019: Rs. 1.37 million) in respect of staff retirement benefits.

28.1.2 The Holding Company has 4MW electricity power generation facility at its premises and power generated in excess of its requirements was supplied to K-Electric Limited under an agreement.

28.1.3 The Subsidiary Company (ISL) has 18MW electricity power generation facility at its premises and power generated in excess of its requirements was supplied to K-Electric Limited under an agreement.

29. TAXATION

Notes	2020	2019
	----- Rupees in '000 -----	
Current		
- for the year	1,010,524	906,195
- for prior years	(24,000)	-
	986,524	906,195
- for the year related to share of profit in equity accounted investee	-	5,341
	986,524	911,536
Deferred	(775,047)	469,508
	211,477	1,381,044

29.1 Relationship between income tax expense and accounting profit

	2020	2019	2020	2019
	Effective tax rate (%)		----- Rupees in '000 -----	
Profit before taxation			(108,901)	4,669,936
Tax at the enacted rate applicable in Pakistan	29.00	29.00	(31,581)	1,354,281
Tax effect of :				
Income subject to final tax regime	90.04	(4.83)	(98,056)	(225,711)
Income taxed as separate block of income	48.75	-	(53,091)	-
Minimum tax	(378.58)	5.37	412,281	250,777
Tax credits	5.11	(5.65)	(5,568)	(264,008)
Super tax	-	1.69	-	79,090
Permanent differences	-	0.40	-	18,893
Prior year	22.04	0.00	(24,000)	-
Change in tax rate on opening deferred tax	-	(0.74)	-	(34,683)
Adjustments on account of change in rates & proportionate etc,	(19.09)	4.33	20,791	202,426
Others	(10.39)	(0.19)	11,312	(8,924)
Consolidation adjustments	18.93	0.19	(20,611)	8,903
	(194.19)	29.57	211,477	1,381,044

30. EARNINGS PER SHARE - BASIC AND DILUTED

Note	2020	2019
	----- Rupees in '000 -----	
Profit after taxation for the year	(607,044)	2,189,614
	(Number)	
Weighted average number of ordinary shares in issue during the year	15 131,881,881	119,892,619
	(Rupees)	
Earnings per share	(4.60)	Restated 16.60

30.1 There is no dilutive impact on Earnings per share

31. CHANGES IN WORKING CAPITAL

Increase / (decrease) in current assets:

	2020	2019
	----- Rupees in '000 -----	
Stores and spares	(94,412)	(250,484)
Stock-in-trade	1,586,449	(2,421,461)
Trade debts	(550,526)	(830,924)
Advances, trade deposit and short term prepayments	3,742	965,400
Receivable from K-Electric Limited (KE)	10,722	(16,493)
Other receivables	(5,500)	(6,481)
Sale tax receivables	(1,649,949)	(593,833)
	(699,474)	(3,154,276)
<i>Increase / (decrease) in current liabilities:</i>		
Trade and other payables	2,425,791	1,764,746
Contract liabilities	67,553	351,490
	1,793,870	(1,038,040)

32. STAFF RETIREMENT BENEFITS

32.1 Defined Contribution Plan

32.1.1 Employees Provident Funds

The investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

32.2 Defined Benefit Schemes Employees Gratuity Funds

The actuarial valuation of gratuity was carried out at 30 June 2020 under projected unit credit method using the following significant assumptions:

a) Financial assumptions

Holding Company

	2020	2019
	(% per annum)	
Discount rate	8.50 %	14.25%
Salary increase rate		
First year - Unionized staff	16.00 %	10.85%
First year - Management	0%	10.85%
Long term	6.50 %	12.25%

Subsidiary Company

Rate of discount	9.25 %	14.25%
Expected rate of salary increase	8.25 %	13.25%

b) Demographic assumptions	2020	2019
Holding Company		
Mortality rate	SLIC 2001-05-1	SLIC 2001-05-1
Rates of employee turnover	Heavy	Heavy
Retirement assumption	Age 60 years	Age 60 years
Subsidiary Company		
Mortality rate	SLIC 2001-05	SLIC 2001-05-1
Rates of employee turnover	Moderate	Moderate
Retirement assumption	Age 60 years	Age 60 years
c) The amount recognised in the consolidated statement of financial position is as follows:		
	2020	2019
	----- Rupees in '000 -----	-----
Present value of defined benefit obligation - beginning of the year	744,907	705,547
Fair value of plan assets	(662,593)	(587,138)
Liability as at 30 June	82,314	118,409
Movement in the net defined liability / (asset)		
Opening balance	118,409	146,253
Re-measurements recognised in other comprehensive income during the year	(67,981)	541
Expense chargeable to profit & loss account	73,303	66,681
Contribution paid during the year	(41,418)	(95,066)
Closing balance	82,314	118,409
d) Defined benefits cost for the period		
Cost recognised in P&L for the period		
Service cost		
- Current service cost	59,025	55,240
- Interest cost on defined benefits obligation	98,694	61,288
- Interest income on plan assets	(84,415)	(49,847)
	14,279	11,441
Cost recognised in P&L for the period	73,304	66,681
Re-measurements recognised in OCI during the period		
Actuarial (gain) / loss on obligation	(87,022)	(59,280)
Actuarial (gain) / loss on plan assets	19,041	59,821
Total re-measurements recognised in OCI	(67,981)	541
Total defined benefit cost recognised in P&L and OCI	5,323	67,222
e) Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation - beginning of the year	705,547	688,409
Current service cost	59,025	55,240
Interest cost	98,694	61,288
Re-measurement : Actuarial losses/ (gain) on obligation	(32,597)	(15,626)
Benefits paid	(85,762)	(83,764)
Present value of defined benefit obligation - closing date	744,907	705,547
f) Movement in the fair value of plan assets		
Fair value of plan assets at beginning of the period	587,138	542,156
Interest income on plan assets	84,415	49,847
Re-measurement : actuarial gain / loss on plan assets	(19,041)	(59,821)
Actual benefits paid / payable from the Fund	(31,337)	(40,111)
Actual contribution by the employer to the Fund	41,418	95,067
Fair value of plan assets at the end of period	662,593	587,138

2020 2019
----- Rupees in '000 -----

Analysis of Present value of defined benefit obligation

Vested / Non-Vested

- Vested Benefits

- Non-Vested benefits

742,454	689,206
2,453	3,059
744,907	692,265

g) Disaggregation of fair value of plan assets

Cash and cash equivalents (after adjusting current liabilities)

Equity instruments

Debt instruments:

Pakistan Investment Bonds

National Saving Bonds

Defence Saving Certificates

Market Treasury Bills

Regular Income Certificates

3,436	37,971
103,812	154,387
225,901	146,627
-	216,390
215,636	31,763
18,214	-
95,594	-
548,785	587,138

h) Remeasurements recognised in Other Comprehensive Expense/(Income) for the period

Re-measurements : Actuarial (gain) / loss on obligation

i) (Gain) / Loss due to change in financial assumptions

ii) (Gain) / Loss due to change in experience adjustments

Total actuarial (gain) / loss on obligation

(12,948)	(19,938)
(74,074)	(39,342)
(87,022)	(59,280)

Re-measurements: Actuarial (gain) / loss on plan assets

i) Actual return on plan assets

ii) Interest income on plan assets

iii) Opening difference

Total actuarial (gain) / loss on plan assets = (ii) - (i) - (iii)

49,483	(5,400)
60,144	57,082
(8,380)	2,661
19,041	59,821
(67,981)	541

i) Maturity profile of the defined benefit obligation

2020 2019
----- Years -----

Weighted average duration of the DBO

Holding Company

Subsidiary Company

6.03	5.97
12.00	11.00

Distribution of timing of benefit payments (time in the periods)

	2020			2019		
	Holding Company	Subsidiary Company	Total	Holding Company	Subsidiary Company	Total
	----- (Rupees in '000) -----					
1	51,809	11,239	63,048	55,864	9,853	65,717
2	69,018	11,874	80,892	59,460	12,395	71,855
3	89,663	13,247	102,910	79,436	12,314	91,750
4	66,587	14,871	81,458	110,438	14,327	124,765
5	178,526	19,857	198,383	91,250	17,137	108,387
6-10	330,390	139,383	469,773	643,631	137,187	780,818

j) Sensitivity analysis of significant actuarial assumptions on present value of DBO

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

	2020			2019		
	Holding Company	Subsidiary Company	Total	Holding Company	Subsidiary Company	Total
	(Rupees in '000)					
Discount rate + 1%	527,440	165,510	692,950	524,948	133,914	658,862
Discount rate - 1%	595,100	209,618	804,718	591,001	167,787	758,788
Long Term Salary increase + 1%	614,565	209,973	824,538	588,710	168,074	756,784
Long Term Salary increase - 1%	543,402	164,854	708,256	526,503	133,406	659,909

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

33. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

	Chief Executives		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Managerial Remuneration	36,332	36,332	-	-	328,630	343,904
Bonus	12,111	16,111	-	-	104,036	100,925
Retirement benefits	3,026	3,026	-	-	28,857	27,356
Rent, utilities etc	18,907	18,945	-	-	170,292	175,130
Directors' fee	-	-	7,050	6,825	-	-
	70,376	74,414	7,050	6,825	631,815	647,315
Number of persons	1	1	8	8	96	94

33.1 In addition to the above, the Chief Executives, directors and certain executives are provided with free use of Company maintained vehicles & Chief Executive of Holding Company is provided with security guards in accordance with the respective policies.

33.2 Reimbursement of Holding Company's chairman expense was Rs. 5.9 million (2019: Rs. 7.2 million).

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a) Financial risk management

The Boards of respective group entities have overall responsibility for the establishment and oversight of the risk management framework for the respective group entity. Each group entity has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

b) Risk management framework

The Boards of respective group entities meet frequently throughout the year for developing and monitoring the risk management of the respective group entity. The risk management policies are established for each group entity to identify and analyse the risks faced by the respective entity, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the respective group entity's activities. Each group entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee ("the Committee") oversees how management monitors compliance with the respective group entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the respective group entity.

34.1 Credit risk

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

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:

	2020	2019
	----- Rupees in '000 -----	
- Long term deposit	3,619	3,619
- Trade debts - net of provision	4,085,937	3,521,626
- Trade deposits	22,942	18,969
- Other receivable	23,271	17,771
- Receivable from K-Electric Limited	58,399	69,121
- Bank balances	580,805	759,543
	4,774,973	4,390,649

The group entities do not take into consideration the value of collateral while testing financial assets for impairment. The group entities consider the credit worthiness of counter parties as part of their risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. No credit exposure is foreseen there against as the amounts are paid to counter parties as per the agreement and are refundable on termination of agreement with respective counterparties.

Trade debts- net of provision

The exposure to credit risk of each group entity arising from trade debtors is mainly influenced by the individual characteristics of each customer. None of the group entity has major concentration of credit risk with any single customer. The majority of the customers of respective group entity have been transacting with them for several years. The Holding Company has computed allowance for impairment on the basis of expected loss model estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

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 Receivable & Receivable from K-Electric Limited

This represents receivable from KE on account of electricity provided to it from the 4 MW and 18 MW plant located at factory sites of the Holding Company and Subsidiary Company respectively under an agreement. The Group does not expect to incur credit loss there against.

Analysis of amounts receivable from KE and from local and foreign trade debtors are as follows:

	2020	2019
	----- Rupees in '000 -----	
Domestic	2,714,026	2,129,446
Export	1,578,834	1,669,423
	4,292,860	3,798,869

The majority of export debtors of the Group are situated in Americas, Australia & Asia.

34.1.1 Impairment losses

The aging of trade debtors and amounts receivable from K-Electric Limited at the reporting date was as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
0-30 Days	3,038,931	22,492	3,221,231	18,339
31-60 Days	391,084	582	248,167	2,851
61-90 Days	385,616	2,770	50,527	992
91-120 Days	176,349	2,989	14,599	426
121-150 Days	134,538	3,648	19,475	598
151-180 Days	10,758	590	8,991	430
181-210 Days	4,624	464	31,839	2,483
211-240 Days	10,854	1,320	18,691	1,986
241-270 Days	6,576	1,492	3,085	400
271-300 Days	3,664	1,614	3,124	1,250
301-330 Days	3,400	1,991	962	539
331-360 Days	35,411	31,966	1,067	718
Over 1 year	91,055	91,055	127,255	127,255
Total	4,292,860	162,973	3,749,014	158,266

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 recognised 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.

Balances with bank

The group entities places their surplus funds with banks carrying good credit standing assessed by reputable credit agencies. Funds as at 30 June 2019 are placed with banks having credit ratings as follows:

Bank	Rating Agency	Short term	Long term
Habib Bank Limited	VIS	A-1+	AAA
United Bank Limited	VIS	A-1+	AAA
Faysal Bank Limited	PACRA / VIS	A-1+	AA
Bank AL Habib Limited	PACRA	A-1+	AA+
MCB Bank Limited	PACRA	A-1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA
Meezan Bank Limited	VIS	A-1+	AA+
Bank Al Falah Limited	PACRA / VIS	A-1+	AA+
Allied Bank Limited	PACRA	A-1+	AA+
Askari Bank Limited	PACRA	A-1+	AA+
Samba Bank Limited	VIS	A-1	AA
Soneri Bank Limited	PACRA	A-1+	AA-
Dubai Islamic Bank Limited	VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
MCB Islamic Bank Limited	PACRA	A1	AAA
Industrial & Commercial Bank of China	S&P	-	A
Industrial & Commercial Bank of China	Moody's	P-1	A-1
Commonwealth Bank of Australia	Fitch	F1+	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 an group entities' performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

34.2 Liquidity risk

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

2020						
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	8,517,954	-	(10,186,383)	(1,202,197)	(1,263,746)	(7,233,553)
Trade and other payables	8,788,183	-	(8,788,183)	(8,788,183)	-	-
Accrued mark-up	299,608	-	(299,608)	(299,608)	-	-
Short-term borrowings	20,914,861	(20,914,861)	-	-	-	-
Contract Liabilities	1,561,899	(1,561,899)	-	-	-	-
Unpaid dividend	3,246	(3,246)	-	-	-	-
Unclaimed dividend	46,669	(46,669)	-	-	-	-
	40,132,420	(22,526,675)	(19,274,174)	(10,289,988)	(1,263,746)	(7,233,553)
			(486,887)			
2019						
Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
(Rupees in '000)						
Non-derivative financial liabilities						
Long term financing	9,270,171	-	(12,071,436)	(1,011,528)	(1,059,852)	(8,428,826)
Trade and other payables	6,606,105	-	(6,606,105)	(6,606,105)	-	-
Accrued mark-up	448,173	-	(448,173)	(448,173)	-	-
Short-term borrowings	19,616,349	(19,616,349)	-	-	-	-
Contract liability	1,494,346	(1,494,346)	-	-	-	-
Unpaid dividend	6,642	(6,642)	-	-	-	-
Unclaimed dividend	43,049	(43,049)	-	-	-	-
	37,484,835	(21,160,386)	(19,125,714)	(8,065,806)	(1,059,852)	(8,428,826)
						(1,571,231)

34.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in notes 17.1 and 20 to these consolidated financial statements.

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

34.3 Market risk

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

34.3.1 Currency risk

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

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:

	2020			2019		
	Rupees	US Dollars	AUD	Rupees	US Dollars	AUD
	(In '000)					
Financial assets						
Bank Balance	485,084	2,888	1,522	702,946	4,316	922
Trade debts	1,578,834	12,471	2,846	1,618,954	11,917	2,436
Financial liabilities						
Running finance under FE-25 Export and Import Scheme	-	-	-	-	-	-
Trade and other payable	(5,201,481)	(19,668)	(2,438)	(3,317,176)	(9,194)	(53)
Net exposure	(3,137,563)	(4,309)	1,930	(995,276)	7,039	3,305

The following significant exchange rates applied during the year:

	Rate as at reporting date	
	2020	2019
	Buying/Selling	Buying/Selling
US Dollars to PKR	167.98 / 168.35	162.87 / 163.24
Australian Dollars to PKR	115.25 / 115.50	114.20 / 114.47

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased equity / profit and loss after tax as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for both the years by applying the corporate tax rates enacted in Pakistan on Consolidated amounts

	Effect on profit and loss (net of tax)	
	2020	2019
	----- Rupees in '000 -----	
As at 30 June		
Effect - US Dollars	(48,278)	75,475
Effect - Australian Dollars	14,649	24,917

34.3.2 Interest rate risk

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

At the reporting date the interest rate profile of the Group's interest-bearing financial instrument is:

	Carrying amount	
	2020	2019
	----- Rupees in '000 -----	
Fixed rate instruments		
Financial liabilities	(4,502,888)	(5,578,506)
Variable rate instruments		
Financial liabilities	(24,929,928)	(23,308,014)

Fair value sensitivity analysis for fixed rate instruments

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

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 by Rs. 230 million (2019: Rs. 200 million) with corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for both the years by applying corporate tax rates enacted in Pakistan on consolidated amounts.

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

	2020				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July	12,076,084	7,793,919	9,464,690	7,343,772	36,678,465
Changes from financing cash flows					
Repayment of long term loan	-	-	(883,632)	-	(883,632)
Proceeds from long term loan	-	-	131,415	-	131,415
Dividend paid	-	-	-	(359,049)	(359,049)
Total changes from financing activities	-	-	(752,217)	(359,049)	35,567,199
Other changes - interest cost					
Interest expense	-	2,560,325	987,133	-	3,547,458
Interest paid	-	(2,590,549)	(1,105,473)	-	(3,696,022)
Changes in short term borrowings	5,783,150	-	-	-	5,783,150
Total equity related other changes	3,378,293	(2,110,005)	(118,340)	-	1,149,948
Total equity related other changes	-	-	-	(573,291)	(573,291)
Balance as at 30 June	15,454,377	5,683,914	8,594,133	6,411,432	72,822,321
	2019				
	Short term borrowings used for cash management purpose	Other Short term borrowing	Long term Borrowings	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at 1 July	11,540,539	5,346,081	10,239,821	6,170,136	33,296,577
Changes from financing cash flows					
Repayment of long term loan	-	-	(1,473,795)	-	(1,473,795)
Proceeds from long term loan	-	-	624,553	-	624,553
Dividend paid	-	-	-	(1,934,622)	(1,934,622)
Total changes from financing activities	-	-	(849,242)	(1,934,622)	(2,783,864)
Other changes - interest cost					
Interest expense	-	1,652,869	560,781	-	2,213,650
Interest paid	-	(1,513,968)	(486,670)	-	(2,000,638)
Changes in short term borrowings	535,545	2,308,937	-	-	2,844,482
Total equity related other changes	535,545	2,447,838	74,111	-	3,057,494
Total equity related other changes	-	-	-	3,108,258	3,108,258
Balance as at 30 June	12,076,084	7,793,919	9,464,690	7,343,772	36,678,465

34.4.1 During the year, Rs. 24.3 million (2019: Rs. 238.2 million) has been capitalized as borrowing cost as disclosed in note 5.1.1 to these consolidated financial statements and the related amount is not yet due for payment.

34.5 Other price risks

At present the Group is not exposed to any other price risks.

34.6 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the balance sheet approximate their fair values.

34.7 Financial instruments by categories

Note **2020** 2019
----- Rupees in '000 -----

Financial assets

Held at amortised cost

Loans and receivables

- Long term deposit		3,619	3,619
- Trade debts - net of provision	10	4,085,937	3,521,626
- Trade deposits		22,942	18,969
- Receivable from K-Electric Limited		58,399	69,121
- Other receivable	12	23,271	17,771
- Bank balances	14	580,805	759,543
		4,774,973	4,390,649

Financial liabilities

Held at amortised cost

- Long term financing	17	8,517,955	9,270,171
- Trade and other payables	19	8,788,183	6,606,105
- Accrued mark-up		299,608	448,173
- Short-term borrowings	20	20,914,861	19,616,349
- Contract liabilities		1,561,899	1,494,346
- Unpaid dividend		3,246	6,642
- Unclaimed dividend		46,669	43,049
		40,132,421	37,484,835

34.8 None of the financial assets and liabilities are offset in the consolidated statement of financial position.

35. CAPITAL MANAGEMENT

The objective of group entities when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The group entities manage respective capital structure by monitoring return on net assets and making adjustments to it in the light of changes in economic conditions.

36. MEASUREMENT OF FAIR VALUES

A number of the accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

An independent external expert / valuer is engaged with sufficient regularity to carry out valuation of group entities non-financial assets (i.e. Land and Building) and rates are obtained from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by managements of the group entities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, an entity 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 2020							
Carrying amount				Fair Value			
Amortised cost	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	3,619	-	-	3,619	-	-	-
Trade debts - net of provision	4,085,937	-	-	4,085,937	-	-	-
Trade deposits	22,942	-	-	22,942	-	-	-
Receivable from K-Electric Limited	58,399	-	-	58,399	-	-	-
Other receivables	23,271	-	-	23,271	-	-	-
Cash and bank balances	580,805	269	-	581,074	-	-	-
Total	4,774,973	269	-	4,775,242	-	-	-
Financial liabilities not measured at fair value							
- Long term financing	-	-	8,517,955	8,517,955	-	-	-
- Trade and other payables	-	-	8,788,183	8,788,183	-	-	-
- Accrued mark-up	-	-	299,608	299,608	-	-	-
- Short term borrowings	-	-	20,914,861	20,914,861	-	-	-
- Contract Liabilities	-	-	1,561,899	1,561,899	-	-	-
- Unpaid dividend	-	-	3,246	3,246	-	-	-
- Unclaimed dividend	-	-	46,669	46,669	-	-	-
Total	-	-	40,132,421	40,132,421	-	-	-

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

30 June 2019							
Carrying amount				Fair Value			
Amortised cost	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	3,619	-	-	3,619	-	-	-
Trade debts - net of provision	3,521,626	-	-	3,521,626	-	-	-
Trade deposits	18,969	-	-	18,969	-	-	-
Receivable from K-Electric Limited	69,121	-	-	69,121	-	-	-
Other receivables	17,771	-	-	17,771	-	-	-
Cash and bank balances	759,543	-	-	759,543	-	-	-
Total	4,390,649	-	-	4,390,649	-	-	-
Financial liabilities not measured at fair value							
- Long term financing	-	-	9,270,171	9,270,171	-	-	-
- Trade and other payables	-	-	6,606,105	6,606,105	-	-	-
- Accrued mark-up	-	-	448,173	448,173	-	-	-
- Short term borrowings	-	-	19,616,349	19,616,349	-	-	-
- Contract Liabilities	-	-	1,494,346	1,494,346	-	-	-
- Unpaid dividend	-	-	6,642	6,642	-	-	-
- Unclaimed dividend	-	-	43,049	43,049	-	-	-
Total	-	-	37,484,835	37,484,835	-	-	-

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

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

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair value of investment in equity accounted investee is disclosed in note 7.2 to these financial statements.

37. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the group entities , key management employees and staff retirement funds. The group entities continue to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contribution to Provident Fund of the group entities, wherever applicable, are made as per the terms of employment and contribution to the group entities defined benefit plan (Gratuity Fund), wherever applicable are in accordance with actuarial advice. Remuneration of key management personnel are in accordance with their terms of employment and policy of respective group entities.

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements, are as follows:

	2020	2019
	----- Rupees in '000 -----	
Associated companies		
Sales	1,010,398	472,890
Purchases	21,562,716	35,808,119
Purchase of vehicles	2,530	-
Insurance premium expense	2,979	3,469
Insurance claim	623	6,247
Rent income	2,525	1,948
Bonus shares issued	576	-
Dividend paid	60,944	182,833
Dividend received	6,092	30,463
Registration and training	273	3,380
Services	133,760	57,784
Reimbursement of expenses	4,582	5,092
Subscription	2,177	-
Donation	-	5,100
Key management personnel		
Remuneration	516,283	539,887
Non executive directors		
Directors' fee	14,575	11,775
Reimbursement of Chairman's expenses	8,362	7,200
Staff retirement funds		
Contributions paid	116,842	148,358

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
ILL Australia Pty. Limited	Wholly owned Subsidiary Company
ILL Americas Inc.	Wholly owned Subsidiary Company
Pakistan Cables Limited	Associated Company holds 17.124% (2019:17.124%)
Sumitomo Corporation	Associated Company holds 9% (2019:9%)
Jubilee Life Insurance Company Limited	Associated Company by nature of common directorship
Jubilee General Insurance Company Limited	Associated Company by nature of common directorship
Pakistan Institute of Corporate Governance	Associated Company by nature of common directorship
Cherat Cement Company Limited	Associated Company by nature of common directorship
Bulleh Shah Packaging (Pvt) Ltd	Associated Company by nature of common directorship
The Pakistan Business Council	Associated Company by nature of common directorship
Gul Ahmed Textile Mills Limited	Associated Company by nature of common directorship
ICI Pakistan Limited	Associated Company by nature of common directorship
Management Association of Pakistan	Associated Company by nature of common directorship
Indus Motor Company Limited	Associated Company by nature of common directorship
German Pakistan Chamber of Commerce & Industry	Associated Company by nature of common directorship
Standard Chartered Bank (Pakistan) Limited	Associated Company by nature of common directorship
Beaumont Plaza Owners / Occupants Welfare Association	Associated Company by nature of common directorship
Karachi Relief Trust	Associated Company by nature of common directorship
Al-Rehmat Benevolent Trust	Associated Company by nature of common directorship
Faysal Bank Limited	Associated Company by nature of common directorship
Intermark (Private) Limited	Associated Company by nature of common directorship

- 37.1** 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.

37. ANNUAL PRODUCTION CAPACITY

Note **2020** 2019
(Metric tonnes)

Actual production capacity at the year end was as follows:

Holding company

Steel pipe	585,000	585,000
GI pipe	120,000	150,000
Cold rolled steel strip	50,000	50,000
Polymer pipes & fittings	30,000	25,000
Stainless steel - pipe	2,400	2,400

Subsidiary company - International Steels Limited

Galvanizing	462,000	462,000
Cold rolled steel strip	1,000,000	1,000,000
Colour coated	84,000	84,000

The actual production for the year was:

Holding company

Steel pipe	116,660	192,936
GI pipe	50,167	75,454
Polymer pipes & fittings	10,361	10,071
Stainless steel - pipe	981	771

Subsidiary company - International Steels Limited

Galvanizing	230,023	330,350
Cold rolled steel strip	424,355	584,408
Colour coated	21,166	15,789

Actual production during the year was sufficient to meet the market demand.

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

39. SEGMENT REPORTING

Performance is measured based on respective segment results. Information regarding the reportable segments specified in note 4.16 is presented below.

39.1 Segment revenue and results

For the year ended 30 June 2020

	Steel coils & sheets segment	Steel pipes segment	Polymer segment	Investment segment	Total
----- (Rupees in '000) -----					
Sales	46,732,419	16,439,003	2,485,247	-	65,656,669
Cost of sales	(42,415,017)	(15,219,226)	(2,139,183)	-	(59,773,426)
Gross profit	4,317,402	1,219,777	346,064	-	5,883,243
Selling and distribution expenses	(852,005)	(786,016)	(73,013)	-	(1,711,034)
Administrative expenses	(259,921)	(304,529)	(19,955)	-	(584,405)
Impairment loss on trade debts	(4,042)	3,640	14,187	-	13,785
	(1,115,968)	(1,086,905)	(78,781)	-	(2,281,654)
Finance cost	(2,308,995)	(1,114,675)	(123,788)	-	(3,547,458)
Other operating charges	(334,257)	(20,489)	(10,213)	-	(364,959)
	(2,643,252)	(1,135,164)	(134,001)	-	(3,912,417)
Other income	35,523	172,906	-	-	208,429
Share of loss in equity accounted investee - net of tax	-	-	-	(6,502)	(6,502)
Profit / (loss) before taxation	593,706	(829,386)	133,282	(6,502)	(108,901)
Taxation					(211,477)
Loss after taxation					(320,378)

	Steel coils & sheets segment	Steel pipes segment	Polymer segment	Investment segment	Total
----- (Rupees in '000) -----					
For the year ended 30 June 2019					
Sales	46,955,070	26,266,267	2,390,747	-	75,612,084
Cost of sales	(41,455,520)	(22,673,840)	(2,170,742)	-	(66,300,102)
Gross profit	5,499,550	3,592,427	220,005	-	9,311,982
Selling and distribution expenses	(898,480)	(862,947)	(91,676)	-	(1,853,103)
Administrative expenses	(284,404)	(302,082)	(18,618)	-	(605,104)
Impairment reversal on trade debts	-	(4,713)	(905)	-	(5,618)
	(1,182,884)	(1,169,742)	(111,199)	-	(2,463,825)
Finance cost	(1,289,315)	(834,927)	(89,408)	-	(2,213,650)
Other operating charges	(533,801)	(96,609)	(1,755)	-	(632,165)
	(1,823,116)	(931,536)	(91,163)	-	(2,845,815)
Other income	27,241	590,447	-	-	617,688
Share of profit in equity accounted investee - net of tax	-	-	-	49,906	49,906
Profit before taxation	2,520,791	2,081,596	17,643	49,906	4,669,936
Taxation					(1,381,044)
Profit after taxation					3,288,892

39.2 Segment assets and liabilities	Steel coils & sheets segment	Steel pipes segment	Polymer segment	Investment segment	Total
	----- (Rupees in '000) -----				
As at 30 June 2020					
Segment assets	36,758,671	16,753,164	1,904,264	1,113,256	56,529,355
Segment liabilities	29,161,322	10,396,496	1,114,031	-	40,671,849
As at 30 June 2019					
Segment assets	35,124,694	18,725,225	2,139,907	1,014,685	57,004,511
Segment liabilities	24,604,478	11,699,298	1,226,029	-	37,529,805

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance Sheet is as follows:

	2020	2019
	----- Rupees in '000 -----	
Total for reportable segments assets	56,529,355	57,004,511
Unallocated assets	7,438,601	5,683,702
Total assets as per balance sheet	63,967,956	62,688,213
Total for reportable segments liabilities	40,671,849	37,529,805
Unallocated liabilities	3,487,326	4,532,799
Total liabilities as per balance sheet	44,159,175	42,062,604

39.3 Segment revenues reported above are revenues generated from external customers.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 1,159 million (2019: Rs. 1,112 million), where as in the Steel segment was Rs. Nil (2019: Nil) whose revenue accounts for more than 10% of segment's revenue.

39.6 Geographical information

The consolidated net revenue is from external customers by geographical location is disclosed in note no. 22.1

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

39.8 As at 30 June 2020, all consolidated non current assets are located in Pakistan with an exception of assets of wholly owned foreign subsidiary which are not material for the consolidated financial statements and therefore have not been disclosed.

40. INTERESTS IN OTHER ENTITIES

40.1 Non-controlling interests

Set out below is summarised financial information of Subsidiary Company (ISL) which has non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

	2020	2019
	----- Rupees in '000 -----	
NCI Percentage (%)	43.67%	43.67%
Non-current assets	20,689,028	19,865,138
Current assets	22,164,946	19,896,904
Non-current liabilities	6,572,488	8,597,759
Current Liabilities	23,555,671	18,286,013
Net assets attributable to non-controlling interests	5,556,778	5,623,348
Revenue	48,081,937	57,484,354
Expenses	47,587,085	54,819,981
Profit after taxation for the year	494,852	2,664,373
Profit attributable to non-controlling interests	216,079	1,163,409
Other comprehensive loss attributable to non-controlling interests	2,268	151,252
Total comprehensive income attributable to non-controlling interests	218,347	1,314,661
Net cash inflow from operating activities	1,968,216	3,486,111
Net cash outflow from investing activities	(2,248,797)	(2,257,935)
Net cash outflow from financing activities	(2,056,101)	(2,384,558)

40.2 Associates

Details about the Holding Company's investment in associated company and summarised financial information are disclosed in notes 7.3 to 7.6 of these consolidated financials statements.

41. NUMBER OF EMPLOYEES

	2020	2019
	(Number)	
Holding company		
Average number of employees during the year	992	1,054
Number of employees as at 30 June	1,031	1,090
Subsidiary companies		
Average number of employees during the year	702	708
Number of employees as at 30 June	692	724

42. GENERAL

42.1 Non Adjusting events after balance sheet date

The Board of Directors of the Holding Company in their meeting held on 27 August 2020 has not proposed any dividend (2019: Rs.3.00 per share amounting to Rs. 399.68 million and 10% bonus shares i.e. one ordinary share for each 10 ordinary shares) for the year ended 30 June 2020.

The Board of Directors of the Subsidiary Company (International Steels Limited) in their meeting held on 25 August 2020 has not proposed any dividend (2019: Rs.1.50 per share amounting to Rs.652.50 million) for the year ended 30 June 2020.

The Board of Directors of the equity accounted investee company (Pakistan Cables Limited) in their meeting held on 11 August 2020 has not proposed any dividend (2019: 1.00 per share amounting to Rs.35.58 million) for the year ended 30 June 2020.

- 42.2 Corresponding figures have been reclassified for the purpose of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity.

44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 27 August 2020 by the Board of Directors.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial
Officer



Riyaz T. Chinoy
Chief Executive
Officer

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STAKEHOLDERS **INFORMATION**

STAKEHOLDERS INFORMATION

OWNERSHIP

On June 30th, 2020 there were 4,045 members on the record of the Company's ordinary shares.

DIVIDEND AND/OR BONUS SHARES

The Board of Directors of the Company has not recommended dividend and/or bonus for the year ended June 30th, 2020.

FINANCIAL CALENDAR

RESULTS

First quarter ended September 30 th , 2019	Approved and Announced on October 18 th , 2019
Half year ended December 31 st , 2019	Approved and Announced on January 30 th , 2020
Third quarter ended March 31 st , 2020	Approved and Announced on April 16 th , 2020
Year ended June 30 th , 2020	Approved and Announced on August 27 th , 2020

DIVIDENDS

Final – Cash (2018-19)	Approved on September 30 th , 2019 Entitlement date September 30 th , 2019 Statutory limit up to which payable October 21 st , 2019 Paid on October 17 th , 2019
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Final Bonus (2018-19)	Approved on September 30 th , 2019 Entitlement date September 30 th , 2019 Statutory limit up to which shares to be allotted October 30 th , 2019 Allotted on October 28 th , 2019
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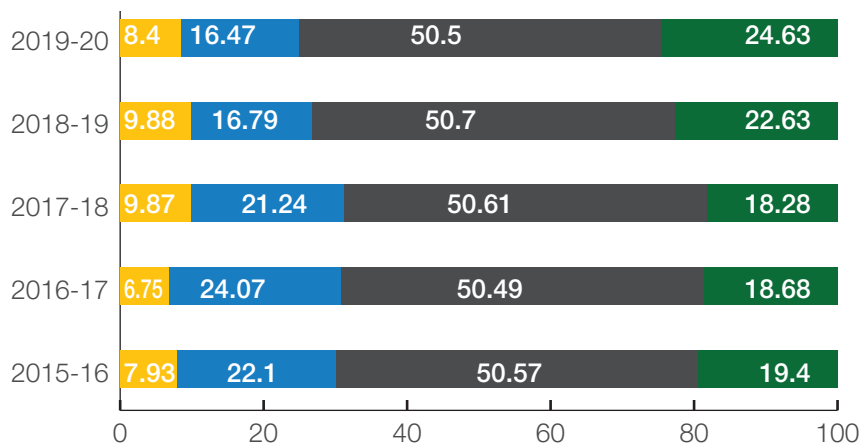
LATEST ANNUAL REPORT	Issued on September 7 th , 2020
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72 ND ANNUAL GENERAL MEETING	To be held on September 30 th , 2020
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TENTATIVE DATES OF FINANCIAL RESULTS OF 2020-21

First quarter ended September 30 th , 2020	October 22 nd , 2020
Half year ended December 31 st , 2020	February 1 st , 2021
Third quarter ended March 31 st , 2021	April 22 nd , 2021
Year ended June 30 th , 2021	August 26 th , 2021

SHAREHOLDERS COMPOSITION



PATTERN OF SHAREHOLDING

As at June 30th, 2020

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
793	1	100	23,142	0.0175
888	101	500	261,389	0.1982
524	501	1,000	411,376	0.3119
982	1,001	5,000	2,328,494	1.7656
287	5,001	10,000	2,054,460	1.5578
134	10,001	15,000	1,658,887	1.2579
81	15,001	20,000	1,437,813	1.0902
46	20,001	25,000	1,037,781	0.7869
32	25,001	30,000	867,064	0.6575
27	30,001	35,000	878,112	0.6658
17	35,001	40,000	647,318	0.4908
17	40,001	45,000	726,881	0.5512
15	45,001	50,000	728,639	0.5525
9	50,001	55,000	472,688	0.3584
12	55,001	60,000	695,938	0.5277
10	60,001	65,000	623,556	0.4728
5	65,001	70,000	339,011	0.2571
12	70,001	75,000	878,891	0.6664
7	75,001	80,000	540,742	0.4100
15	80,001	90,000	1,275,729	0.9673
13	90,001	100,000	1,247,235	0.9457
17	100,001	120,000	1,860,665	1.4109
17	120,001	150,000	2,341,598	1.7755
12	150,001	200,000	2,027,859	1.5376
17	200,001	250,000	3,845,405	2.9158
9	250,001	300,000	2,494,922	1.8918
5	300,001	400,000	1,751,100	1.3278
5	400,001	500,000	2,318,775	1.7582
4	500,001	600,000	2,195,779	1.6650
2	600,001	700,000	1,306,460	0.9906
2	700,001	800,000	1,428,810	1.0834
4	800,001	1,000,000	3,486,616	2.6437
1	1,000,001	1,100,000	1,100,000	0.8341
4	1,100,001	1,300,000	4,909,713	3.7228
1	1,300,001	1,380,000	1,366,464	1.0361
1	1,380,001	1,400,000	1,390,100	1.0540
1	1,400,001	1,500,000	1,473,500	1.1173
6	1,500,001	1,600,000	9,396,387	7.1249
2	1,600,001	2,000,000	3,438,655	2.6074
2	2,000,001	3,000,000	5,647,200	4.2820
1	3,000,001	4,000,000	3,827,316	2.9021
1	4,000,001	5,500,000	5,482,183	4.1569
2	5,500,001	6,000,000	11,914,417	9.0342
1	6,000,001	10,000,000	6,096,218	4.6225
1	10,000,001	15,000,000	14,202,600	10.7692
1	15,000,001	18,000,000	17,443,992	13.2270
4045			131,881,880	100.0000

CATEGORIES OF SHAREHOLDERS

As at June 30th, 2020

PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE
Directors, CEO, Sponsors and Family Members	22	65,112,861	49.3721%
Associated companies, undertakings and related parties	4	4,225,857	3.2043%
Government Financial Institutions and Associates	9	11,084,315	8.4047%
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	38	8,801,998	5.5360%
Mutual Funds	44	4,098,429	3.3357%
Foreign Companies	5	182,124	1.0810%
Public, Private and Other Companies	126	555,597	4.4392%
General Public	3797	37,820,699	24.6270%
TOTAL	4045	131,881,880	100.0000%

KEY SHAREHOLDING

As at June 30th, 2020

Information on shareholding required under reporting framework is as follows:

	No. of Shares	Percentage
Directors and Spouses	43,309,479	32.8396%
Associated companies, undertakings and related parties		
Jubilee General Insurance Company Limited	2,737,200	2.0755%
Pakistan Cables Limited	633,600	0.4804%
Pakistan Cables Limited Employees Provident Fund	599,197	0.4543%
Pakistan Cables Limited Management Staff Pension Fund	255,860	0.1940%
	4,225,857	3.2043%
Government Financial Institutions and Associates		
National Investment (Unit) Trust	5,997,136	4.5474%
National Bank of Pakistan	2,910,000	2.2065%
National Bank of Pakistan Employees Pension Fund	1,227,573	0.9308%
State Life Insurance Corporation of Pakistan	721,620	0.5472%
National Investment Trust Limited - Administration Fund	176,025	0.1335%
National Bank of Pakistan Employees Benevolent Fund Trust	43,074	0.0327%
National Bank of Pakistan	7,540	0.0057%
IDBL (ICP UNIT)	885	0.0007%
Investment Corporation of Pakistan	462	0.0004%
	11,084,315	8.4047%

MEMBERS HAVING 5%

or more of voting rights

Name of Shareholder	Shares Held	Percentage
Mr. Mustapha A. Chinoy	17,444,592	13.2274%
Mr. Kamal A. Chinoy	14,202,700	10.7693%

SALE/PURCHASE OF SHARES BY DIRECTORS/EXECUTIVES

During the financial year 2019-20, 351,072 shares of IIL were sold/purchased by the directors/executives.

NOTICE OF ANNUAL GENERAL MEETING

For the year ended June 30th, 2020

Notice is hereby given to the members that the 72nd Annual General Meeting of the International Industries Limited will be held on September 30th, 2020 at 11:30 a.m. at Karachi to transact the following business. Due to the current situation caused by COVID-19 pandemic, shareholders shall be entitled to attend the meeting through video conference facility managed by the Company as per the instructions given in the notes section.

Ordinary business

1. To receive, consider and adopt the Audited Accounts (consolidated and unconsolidated) of the Company for the year ended June 30th, 2020, together with the Reports of the Directors and Auditors thereon.

As required under Section 223 (7) of the Companies Act 2017, Financial Statements of the Company have been uploaded on website of the Company which can be downloaded from the following link:

<http://www.iil.com.pk/investors/financial-information>

2. To appoint Auditors for a term ending at the conclusion of the next Annual General Meeting and fix their remuneration. The retiring Auditors, KPMG Taseer Hadi & Co., Chartered Accountants, has completed the period of five years. Therefore, the Board Audit Committee and Board of Directors recommends that A. F. Ferguson & Co., Chartered Accountants (a member firm of the PwC network), who have indicated their consent to act as Auditors, be appointed as Statutory Auditors at the same statutory audit fees as currently being paid to the retiring Auditors. In addition, any Federal or Provincial taxes and reimbursements of out of pocket expenses will be paid at actuals.

Any Other Business

To consider any other business with the permission of the Chair.

By Order of the Board

September 7th, 2020
Karachi



Sunaib Barkat
Company Secretary

Notes:

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

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

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

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address investors@iil.com.pk

2. The Register of Members and the Share Transfer Books will be closed from September 16th, 2020, to September 30th, 2020 (both days inclusive) for the purpose of the Annual General Meeting.
3. Only those persons whose names appear in the Register of Members of the Company as at September 16th, 2020 are entitled to attend and vote at the Annual General Meeting.
4. A Member entitled to attend and vote at the Annual General Meeting may appoint another Member as his/her proxy to attend and vote for him/her provided that a corporation may appoint as its proxy a person who is not a Member but is duly authorized by the corporation. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Annual General Meeting.
5. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
6. Pursuant to Section 150 of the Income Tax Ordinance, 2001 and Finance Act, 2018 withholding tax on dividend income will be deducted for shareholder appearing and not appearing on Active Taxpayers List at 15% and 30% respectively. According to the Federal Board of Revenue (FBR), withholding tax in case of joint accounts will be determined separately based on the 'shareholders appearing / not appearing on Active Taxpayers List' status of the principal shareholder as well as the status of the joint holder(s) based on their shareholding proportions. Members that hold shares with joint shareholders are requested to provide the shareholding proportions of the principal shareholder and the joint holder(s) in respect of shares held by them to our Share Registrar, M/s. CDC Share Registrar Services Limited in writing. In case the required information is not provided to our Registrar it will be assumed that the shares are held in equal proportion by the principal shareholder and the joint holder(s).

A. Requirements for attending the Annual General Meeting:

- (i) In the case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the Annual General Meeting.
- (ii) In case of a corporate entity, the Board of Directors' resolution/power of attorney, with specimen signature of the nominee, shall be presented at the time of the Annual General Meeting, unless it has been provided earlier.

B. Requirements for appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder whose registration details are uploaded as per the Central Depository Company of Pakistan Limited Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of the CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.
- (iv) In case of a corporate entity, the Board of Directors' resolution/power of attorney, with specimen signature of the nominee, shall be submitted to the Company along with the proxy form unless the same has been provided earlier.
- (v) The proxy shall present his/her original CNIC or original passport at the time of the Annual General Meeting.

C. Electronic dividend mandate:

Under the Section 242 of Companies Act, 2017, it is mandatory for all listed companies to pay cash dividend to its shareholders through electronic mode directly in to the bank account designated by the entitled shareholders. In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available on the Company's website and send it duly signed along with a copy of CNIC to the Share Registrar, M/s. CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi - 74400, in case of physical shares.

In case of shares held in CDC then Electronic Dividend Mandate Form must be directly submitted to shareholder's brokers / participant / CDC account services.

In case of non-receipt of information, the Company will be constrained to withhold payment of dividend to shareholders.

D. Submission of valid CNIC (Mandatory):

As per SECP directives the dividend of shareholders whose valid CNICs, are not available with the Share Registrar could be withheld. All shareholders having physical shareholding are therefore advised to submit a photocopy of their valid CNICs immediately, if already not provided, to the Share Registrar, M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi - 74400 without any further delay.

E. Unclaimed dividend and/or bonus shares:

Shareholders, who by any reason, could not claim their dividend and/or bonus shares, if any, are advised to contact our Share Registrar to collect / enquire about their unclaimed dividend and/or bonus shares, if any.

F. Electronic voting:

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

G. Consent for Video Conference facility:

Pursuant to SECP Circular No 10 of 2014 dated May 21st, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

To avail this facility please provide the following information to the Share Registrar Office of the Company i.e. M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahrah-e-Faisal, Karachi – 74400 and email: info@cdcsrsl.com

I/We, of being a member of International Industries Limited holder of Ordinary Share(s) as per Register Folio No. _____ hereby opt for video conference facility at (Please insert name of the City).

Signature of the member

H. Electronic transmission of Financial Statements and Notices:

Pursuant to Notification vide SRO 787(I)/2014 dated September 8th, 2014, the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving annual financial statements and notice of annual/extraordinary general meeting through electronic mail system (Email). The Company is pleased to offer this facility to our valued members who desire to receive annual financial statements and notices through email in future.

In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company's website. Further, if a shareholder, in addition to above, also requests for the hard copy of Annual Financial Statements, then the same shall be provided free of cost within seven (7) days of receipt of such request.

Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of member(s) to timely update the share registrar of any changes in his/her/its/their registered email address at the address of Company's Registrar.

E. غیر کلیم شدہ نقد منافع منقسمہ اور بونس شمیر

F. الیکٹرونک ذریعہ سے دو رنگ

G. ویڈیولنک کی سہولت حاصل کرنے کیلئے رضامندی

سالانہ اجلاس عام کی تاریخ سے کم از کم 7 دن پہلے اجلاس میں ویڈیو لنک کے ذریعہ شرکت کرنے کی درخواست موصول ہو جائے تو کمپنی اس شہر میں سہولت کی دستیابی سے مشروط ویڈیو لنک کا انتظام کر سکتی ہے۔

(S.M.C.H.S) شارع فیصل کراچی 74400 کو پمپچا دیس یا ای میل کریں۔ (info@cdcsrsl.com)

نام لکھیں) پرویز یولنک کی سہولت حاصل کرنا چاہتا ہوں / چاہتے ہیں۔

H. مالیاتی انجینئرس اور نوٹس کی الیکٹرونک ذریعہ سے ترسیل

لہذا اس سہولت کے خواہشمند ممبران سے درخواست ہے کہ وہ معیاری درخواست فارم پر اپنی رضامندی سے مطلع کریں جو کتنی کی ویب سائٹ پر دستیاب ہے۔ نیز اگر کوئی ممبر درج بالا کے علاوہ سالانہ مالیاتی سٹینڈنس کے بارڈر کا کسی کی درخواست کرتا ہے تو وہ درخواست وصول ہونے کے سات (7) دن کے اندر بلا معاوضہ فراہم کر دے گا۔

نوٹس:

۱۔ ویڈیو کانفرنس کی سہولت کے ذریعہ سالانہ اجلاس عام میں شرکت:

COVID-19 کی موجودہ صورتحال کی وجہ سے، سالانہ اجلاس عام میں صرف ویڈیو کانفرنس کے ذریعہ شرکت کی جاسکتی ہے۔

اجلاس میں حصہ لینے کے خواہشمند شیئر ہولڈرز (ز) سے درخواست ہے کہ وہ اپنا نام بغیر نمبر موبائل نمبر، ان کے نام پر رکھے ہوئے حصص کی تعداد درج کریں اور CNIC کے دونوں اطراف کی درست کاپی منسلک کر کے investors@iil.com.pk پر "Registration for International Industries Limited AGM" کے عنوان کے ساتھ ای میل کریں۔ ویڈیو لنک اور فراگ ان کی تفصیلات صرف ان ممبران کے ساتھ شیئر کی جانیں گی جن کی ای میل تمام درست تفصیلات کے ساتھ سالانہ اجلاس عام سے کم از کم 48 گھنٹے پہلے موصول ہوں گی۔

شیر ہولڈر (ز) سالانہ اجلاس عام کے ایجنڈا آن لائن سے منسلک تبصرے اور سوالات investors@iil.com.pk پر بھی ای میل کر سکتے ہیں۔

۲۔ ممبران کا رجسٹر اڈیشنل سیکرٹری انسپکشن 16 ستمبر 2020 تا 30 ستمبر 2020 (بشمول دونوں ایام) سالانہ اجلاس عام کے سلسلے میں بند رہیں گے۔

۳۔ صرف وہ افراد اس لائحہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کے اہل ہوں گے جن کے نام کفایتی کے ممبران کے رجسٹر میں مورخہ 16 ستمبر 2020 کو موجود ہوں گے۔

۳۔ کہیں کا کوئی نمبر جو سانا ساجا اس عام میں شرکت کرنے، بولنے اور ووٹ دینے کا اہل ہے، وہ اپنی جگہ کسی دوسرے نمبر کو شرکت کرنے بولنے اور ووٹ دینے کیلئے اپنا ہر ایک مقرر کر سکتا ہے۔ البتہ کارپوریشن ایسے فیصلے کو بھی برائے مقرر کر سکتی ہے جو نمبر ہو مگر اسے کارپوریشن کی جانب سے اعجاز قرار دیا جائے۔ براکسیز کیلئے لازمی ہے کہ وہ اہل اس کے شروع ہونے سے کم از کم 48 گھنٹے پہلے کہیں کے رجسٹرڈ دفتر میں موصول ہو جائے۔

۵۔ CDC اکاؤنٹ ہولڈرز کو سکور شیڈیول کی تصدیق کے لیے ایڈجسٹمنٹ کیلکولیشن آف پاکستان کے جاری کردہ سرکل نمبر ۱ مورخہ 26 جنوری 2000 میں درج رہنما ہدایات پر بھی عمل کرنا ہوگا۔

۶۔ اہم نکس آر اینس، 2001 کے سیکشن 150 اور فنانس ایکٹ 2018 کے مطابق منافع محمد کی رقم سے دو ہولڈنگ نکس کی کوئی فعال نکس گز اربوں کی فہرست میں شامل اور نہ شامل شیئر ہولڈرز سے بالترتیب 15% اور 30% کے حساب سے کی جائے گی۔

فیڈرل بورڈ آف ریونیو (FBR) کی جانب سے موصول ہونے والی وضاحت کے مطابق جوائنٹ اکاؤنٹس ہونے کی صورت میں وورلڈنگ ٹیکس کی کٹوتی، فائیکر انان فائیکر ہونے کی بنیاد پر پرنسپل شیئر ہولڈر اور جوائنٹ ہولڈر (ز) کے پاس موجود شیئرز کے تناسب سے کی جائے گی۔ اس سلسلے میں جوائنٹ شیئر ہولڈنگ رکھنے والے امیران سے درخواست ہے کہ وہ پرنسپل شیئر ہولڈر اور جوائنٹ شیئر ہولڈر (ز) کے پاس موجود شیئرز کی تفصیلات ہمارے شیئر رجسٹر میں ریزی ڈی سی شیئر رجسٹر اور وولٹنڈ کے پاس تحریری طور پر جمع کرائیں۔

ہمارے شیئر رجسٹر اور مطلوبہ معلومات فراہم نہ کرنے کی صورت میں یہ تصور کیا جائے گا کہ پرنسپل شیئر ہولڈر اور جوائنٹ شیئر ہولڈر (ز) کے پاس برابر برابر کے تناسب سے شیئر موجود ہیں۔

A. سالانہ اجلاس عام میں شرکت کی شرائط

(۱) انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کے رجسٹریشن کی تفصیلات سینٹرل ڈیپازٹری کمیٹی آف پاکستان لمیٹڈ کے ضوابط کے مطابق اپ لوڈ ہیں، ان کو اجلاس میں شرکت کے وقت اپنی شناخت کی تصدیق کے لئے اپنا اصل کمپیوٹر انترنومی شناختی کارڈ (CNIC) بااصل پاسپورٹ پیش کرنا ہوگا۔

(ii) کارپوریٹ اکائی ہونے کی صورت میں اجلاس میں شرکت کے وقت بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف ایٹارنی مع نامزد کردہ فرد کے نمونہ کے دستخط (اگر پہلے سے فراہم نہ کئے گئے ہوں) فراہم کرنا ہوں گے۔

B. براکسیہ کے تقرر کی شرائط:

(i) انفرادی حیثیت میں کوئی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر جس کے رجسٹریشن کی تفصیلات سیفنگل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کے ضوابط کے مطابق اپ لوڈ و ہیں، ان کو درج بالا شرائط کے مطابق پراکسی فارم جمع کرانا ہوگا۔

(ii) پراکسی فارم پر دو گواہوں کے دستخط ہونا لازمی ہیں جن کے نام، پتے اور CNIC نمبر فارم پر درج ہوں۔

(iii) پراکسی فارم کے ساتھ پینجیل اونر (ز) اور پراکسی کے CNIC یا اصل پاسپورٹ کی تصدیق شدہ کاپیاں منسلک ہونا چاہیے۔

(iv) کارپوریٹ اکائی ہونے کی صورت میں پرکاشی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی مع نامزد کردہ فرد کے نمونہ کے دستخط (اگر پہلے سے فراہم نہ کئے گئے ہوں) کبھی کو فراہم کرنا ہوں گے۔

(v) پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کرنا ہوگا۔

C. منافع منقسمہ کی الیکٹرونک ذریعہ سے ادائیگی

کمپنیز ایکٹ 2017 کے سیکشن 242 کے تحت تمام سلاطہ کمپنیز کیلئے لازم ہے کہ وہ نقد منافع حصہ کی ادا کی گئی الیکٹرونک ذریعہ سے براہ راست اہل شیئر ہولڈرز کے مقرر کردہ وینک اکاؤنٹ میں کریں۔ شیئر ہولڈرز سے درخواست ہے کہ وہ منافع حصہ کی اپنے وینک اکاؤنٹ میں براہ راست وصولی کیلئے کبھی کی ویب سائٹ پر موجود وینک میٹھ بنے والے الیکٹرونک کریڈٹ آف کیش ڈیویڈنڈ (اگر پہلے ذرا فراہم کیا گیا ہو) پر کمزور کے اور اس پر دستخط کر کے CNIC کی کاپی کے ہمراہ شیئر رجسٹر اربورس، میرٹھ ڈی وی سی ہاؤس، 99-B بلاک B، سندھی مسلم کالج پریٹھو ہاؤسنگ سوسائٹی (S.M.C.H.S)، شارع فیصل کراچی 74400 میں پہنچا دیں۔ (اکثر تر فیصل صورت میں ہیں)

CDC میں شیئر ہونے کی صورت میں الیکٹرونک ڈیویڈنڈ مینڈیٹ فارم براہ راست شیئر ہولڈر کے برادر اثرات وار CDC/ اکاؤنٹس سرویس میں جمع کرائیں۔

معلومات فراہم نہ کئے جانے کی صورت میں، کمپنی شیئر ہولڈرز کے منافع منقسمہ کی ادائیگی روک لے گی۔

D. کارآمد CNIC جمع کرنا (لازمی)

SECP کی ہدایات کے مطابق جن شیز ہولڈرز کے CNICs شیز رجسٹر ار کے پاس دستیاب نہیں ہوں گے، ان کے منافع منتظمہ کی ادا سنگی روک لی جائے گی۔ لہٰذا ان تمام شیز ہولڈرز سے جن کے پاس شیز فوئیکل صورت میں موجود ہیں، درخواست ہے کہ وہ اپنے کارڈ CNIC کی فوٹو کاپی (اگر پہلے فراہم نہ کی تھی ہو) فوری طور پر شیز رجسٹر ار، میسروری ڈی وی شیز رجسٹر ار سرورس لینڈ، ڈی وی سی ہاؤس B-99، بلاک B، سندھی مسلم کوارٹر، ریٹھو راسک سوسائٹی (S.M.C.H.S) شارع فیصل کراچی 74400 کو پہنچا دیں۔

اطلاع برائے سالانہ اجلاس عام

برائے سال مختتمہ 30 جون 2020

بذریعہ ہڈ امبران کو مطلع کیا جاتا ہے کہ کمپنی کا 72 واں سالانہ اجلاس عام مورخہ 30 ستمبر 2020 صبح 11.30 بجے، درج ذیل امور کی انجام دہی کیلئے کراچی میں منعقد ہوگا۔ COVID-19 کی وبا کی وجہ سے پیدا ہونے والی موجودہ صورتحال کے باعث شیئر ہولڈر (ز) کمپنی کے زیرِ اہتمام ہونے والی ویڈیو کانفرنسنگ کے ذریعہ اجلاس عام میں شرکت کے حقدار ہوں گے۔

عمومی امور:

۱۔ کمپنی کے آڈٹ شدہ اکاؤنٹس (اجتماعی اور غیر اجتماعی) برائے سال مختتمہ 30 جون 2020 اور ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، ان پر غور کرنا اور ان کو اختیار کرنا۔

کمپنیز ایکٹ 2017 کے سیکشن (7) 223 کے تحت، کمپنی کی مالیاتی اسٹیٹمنٹس کمپنی کی ویب سائٹ پر اپ لوڈ کر دی گئی ہے جسے نیچے دیئے گئے لنک سے ڈاؤن لوڈ کیا جاسکتا ہے۔

<http://www.ill.com.pk/investors/financial-information>

۲۔ اگلے سالانہ اجلاس عام کے اختتام تک کی مدت کیلئے آڈیٹرز کا تقرر کرنا اور ان کا مشاہرہ طے کرنا۔ ریٹائر ہونے والے آڈیٹرز

KPMG Taseer Hadi & Co. Chartered Accountants نے پانچ سال کی مدت پوری کر لی ہے۔

لہذا، بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے تجویز کی ہے کہ A.F. Ferguson & Co., Chartered Accountants

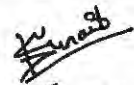
(PWC نیٹ ورک کی ممبر فرم)، جنہوں نے آڈیٹرز کی حیثیت سے کام کرنے کی رضامندی ظاہر کی ہے، کو اسی فیس پر بطور

اسٹینڈرڈ آڈیٹرز مقرر کیا جائے جو کہ موجودہ ریٹائر ہونے والے آڈیٹرز کو ادا کی جا رہی ہے۔ اس کے علاوہ، کسی بھی وفاقی یا صوبائی ٹیکس اور آڈٹ آف پاکٹ کی مد میں خرچ کی گئی رقم اصل میں ادا کی جائے گی۔

کوئی دیگر امور:

چیئرمین کی اجازت سے کسی دیگر امور پر غور کرنا۔

بحکم بورڈ آف ڈائریکٹرز



سید سہیل رازا

کمپنی سیکرٹری

کراچی 7 ستمبر 2020

GLOSSARY

AGM Annual General Meeting	FTO Federal Tax Ombudsman
API American Petroleum Institute	FTR Final Tax Regime
ATIR Appellate Tribunal Inland Revenue	GDP Gross Domestic Product
ATL Active Tax Payer List	GI Galvanized Iron
AUD Australian Dollars	GIDC Gas Infrastructure Development Cess
BAC Board Audit Committee	GoP Government of Pakistan
BCP Business Continuity Planning	HDPE High Density Polyethylene
Board/BOD Board of Directors	HoD Head of Department
CBA Collective Bargaining Agreement	HR Human Resource
CCG Code of Corporate Governance	HRRC Human Resource Remuneration Committee
CDC Central Depository Company	HRC Hot Rolled Coil
CE Conformité Européene or European Conformity	HSE Health, Safety and Environment
CEO Chief Executive Officer	HSS Hollow Structural Sections
CDC Central Depository Company	IAS International Accounting Standards
CFO Chief Financial Officer	IBA Institute of Business Administration
CIR Commissioner Inland Revenue	ICAP Institute of Chartered Accountants of Pakistan
CIT Commissioner Income Tax	ICMAP Institute of Cost and Management Accountants of Pakistan
COLA Cost of Living Allowance	IFC International Finance Corporation
CR Cold Rolled	IFRIC International Financial Reporting Interpretation Committee
CRC Cold Rolled Coil	IFRS International Financial Reporting Standards
CSR Corporate Social Responsibility	IIL International Industries Limited
CTAC Citizens Trust Against Crime	IPO Initial Public Offering
CWIP Capital Work in Progress	ISL International Steels Limited
DBN Debottlenecking	ISO International Organization for Standardization
EBIT Earnings before Interest and Taxation	ISO International Standards Organization
EBITDA Earnings before Interest, Taxation Depreciation and Amortisation	IT Information Technology
EC Executive Committee	ITAT Income Tax Appellate Tribunal
EFP Employees Federation of Pakistan	JV Joint Ventures
EPS Earning Per Share	KE Karachi Electric
ERW Electric Resistance Weld	KIBOR Karachi Interbank Offer Rate
ETP Effluent Treatment Plant	KPMG Klynveld Peat Marwick Goerdeler
EY Ernst Young	LIBOR London Interbank Offered Rate
FBR Federal Board of Revenue	LPG Liquefied Petroleum Gas
FPAP Fire Protection Association of Pakistan	LSM Large Scale Manufacturing
FPCCI Federation of Pakistan Chambers of Commerce and Industry	LTC Lost Time Case
FTA Free-Trade Agreement	

LTIFR Lost Time Injury Frequency Rate	PICG Pakistan Institute of Corporate Governance
LTU Large Taxpayers Unit	PKR Pakistan Rupees
LUMS Lahore University of Management Sciences	PPRC Polypropylene Random Copolymer
M&A Memorandum and Articles	PSQCA Pakistan Standards and Quality Control Authority
MAP Management Association of Pakistan	PSX Pakistan Stock Exchange
MC Management Committee	Rs. Pakistani Rupees
MDPE Medium Density Polyethylene	SECP Securities and Exchange Commission of Pakistan
MoC Ministry of Commerce	SHC Sindh High Court
MT Metric Ton(s)	SNGPL Sui Northern Gas Pipelines Limited
NBV Net Book Value	SS Stainless Steel
NFEH National Forum for Environment and Health	SSGC Sui Southern Gas Company Limited
NOC No Objection Certificate	TCF The Citizens Foundation
NRV Net Realizable Value	UL Underwriters Laboratories
NTC National Tariff Commission	US\$/USD United States Dollar
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	



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CONSENT FOR ANNUAL REPORT through e-mails



Dear Shareholder(s)

The Securities and Exchange Commission of Pakistan (SECP) through its Notification (SRO 787(I)/2014) dated September 8th, 2014 has allowed the circulation of Company's annual balance sheet and profit and loss account, auditor's report and directors' report etc. (Audited Annual Financial Statements) to shareholders along with notice of Annual General Meeting (AGM) through e-mail.

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

E – MAIL ADDRESS: _____

CNIC NUMBER: _____

FOLIO / CDS ACCOUNT # _____

SIGNATURE OF SHAREHOLDER

Share Registrar:

CDC Share Registrar Services Limited
CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahrah-e-Faisal,
Karachi.
Customer Support Service: +92-0800-23275
Fax: +92-21-34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Yours sincerely,
For INTERNATIONAL INDUSTRIES LTD.,

Sunaib Barkat
Company Secretary

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E-DIVIDEND Mandate Form



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.



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PROXY Form



I/We _____
of _____
being member(s) of International Industries Limited holding _____
Ordinary shares hereby appoint _____
of _____ vide Folio/CDC Account no. _____ or failing him/her
_____ of _____ who is also
a member of International Industries Limited vide Folio/CDC Account no. _____
as my/our proxy in my/our absence to attend, speak and vote for me/us and on my/our behalf at the 72nd
Annual General Meeting of the Company to be held on Wednesday, September 30th, 2020 at Karachi via video
conferencing and at any adjournment thereof.

As witness my/our hand/Seal this _____ day of _____ 2020.

Signed by the said _____

In the presence of

1. Signature: _____
Name: _____
Address: _____
CNIC/Passport No: _____
2. Signature: _____
Name: _____
Address: _____
CNIC/Passport No: _____

Signature on
Revenue Stamp

Folio/CDC Account No.

This signature shall
agree with the specimen signature
as per the Company's record.

Important:

1. This Proxy Form, duly completed and signed, must be received at the IIL Registered Office of the Company, i.e., 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530, not less than 48 hours before the time of holding the Annual General Meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities

In addition to the above, the following requirements have to be met:

- a. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- b. Attested copies of the CNICs or the passports of the beneficial owner(s) and the proxy shall be furnished with the proxy form.
- c. In case of a corporate entity, the Board of Directors' resolution/power of attorney, including the specimen signature of the nominee, shall be submitted to the Company along with the proxy form unless the same has been provided earlier.
- d. The proxy shall present his/her original CNIC or original passport at the time of the Annual General Meeting.

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سکنہ _____
حاصل _____
سکنہ _____
یا اس کی عدم دستیابی کی صورت میں _____
سکنہ _____
جو انٹرنیشنل انڈسٹریز لمیٹڈ کا ممبر ہے بذریعہ فلیو اسی ڈی سی اکاؤنٹ نمبر _____ کو اپنا / ہمارا پراکسی مقرر کرتا ہوں / کرتے ہیں، جو اپنی / ہماری غیر حاضری میں میری / ہماری جگہ بدھ 30 ستمبر 2020 کو کراچی میں بذریعہ وڈیو کانفرنسنگ منعقد ہونے والے کمپنی کے 72 ویں سالانہ اجلاس عام میں یا کسی ملتوی شدہ اجلاس شرکت کرنے، بولنے اور ووٹ دینے کا حقدار ہوگا / ہوں گے۔

میں / ہم نے اپنے ہاتھ / امہر سے گواہی دی تاریخ _____ 2020

بذکرہ شخص کے دستخط _____

ریونیو اسٹمپ پر دستخط

ان افراد کی موجودگی میں ۱۔ دستخط: _____
نام: _____
پتہ: _____
CNIC / پاسپورٹ نمبر: _____
۲۔ دستخط: _____
نام: _____
پتہ: _____
CNIC / پاسپورٹ نمبر: _____

فلیو اسی ڈی سی اکاؤنٹ نمبر _____ یہ دستخط کمپنی کے ریکارڈ پر موجود دستخط کے مطابق ہونا چاہیے

اہم ہدایات:

- ۱۔ یہ پراکسی فارم مکمل شدہ اور دستخط شدہ، کمپنی کے رجسٹرڈ دفتر واقع 101 بیومنٹ پلازہ 10، بیومنٹ روڈ، کراچی-75530 پر سالانہ اجلاس عام کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل لازمی طور پر وصول ہو جائے۔
- ۲۔ کسی ایسے شخص کو پراکسی مقرر نہیں کیا جاسکتا جو کمپنی کا / کی ممبر نہ ہو، سوائے کارپوریشن کے، جو ممبر نہ ہونے والے فرد کو پراکسی مقرر کر سکتی ہے۔
- ۳۔ اگر کوئی ممبر ایک سے زیادہ پراکسی مقرر کرتا ہے اور کوئی ممبر کمپنی کے پاس ایک سے زیادہ پراکسی کی دستاویز جمع کراتا ہے تو ایسی تمام دستاویزات ناقابل قبول قرار دی جائیں گی۔

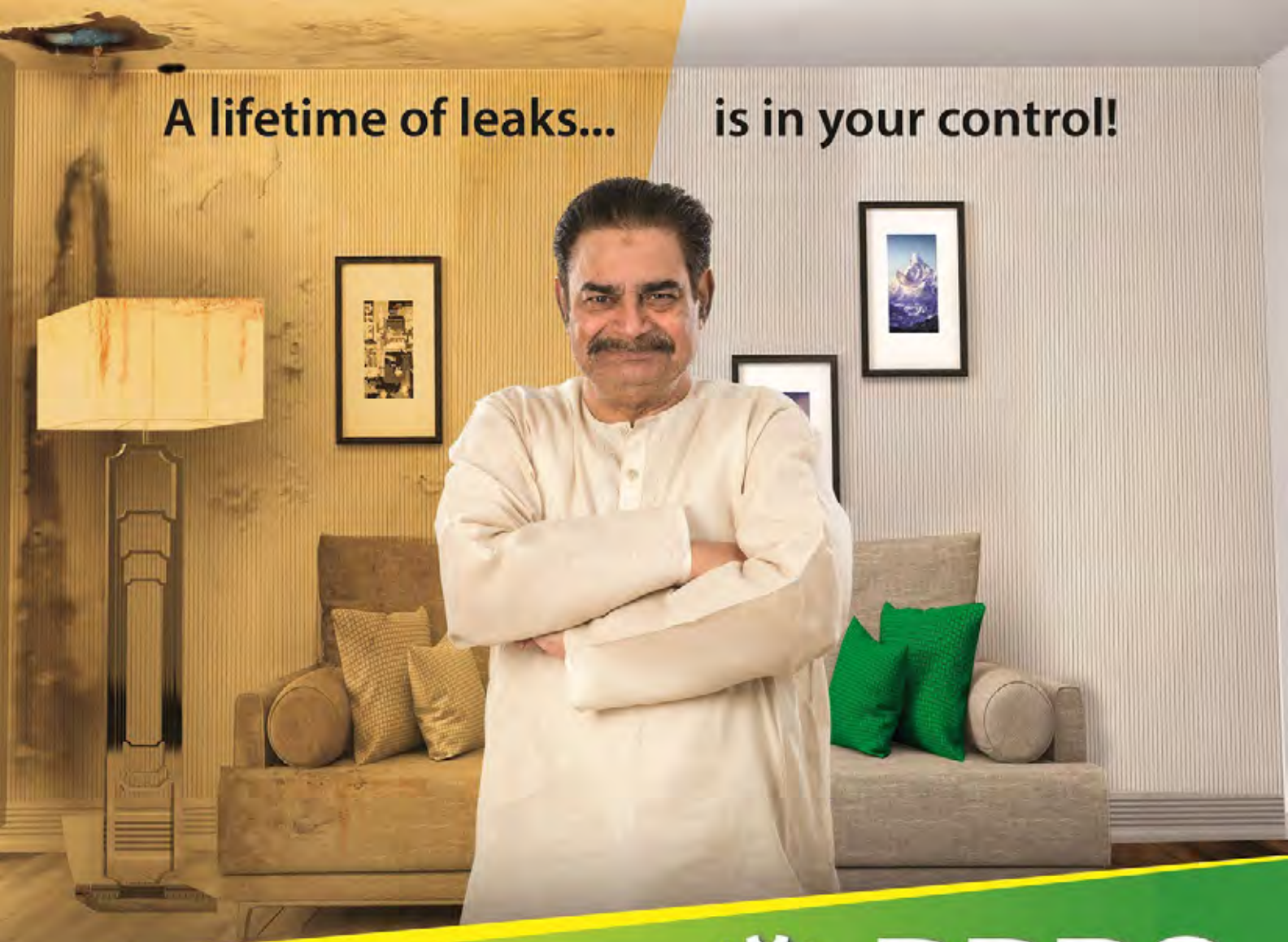
CDC اکاؤنٹ ہولڈرز / کارپوریٹ اکائی کی صورت میں:

درج بالا کے علاوہ درج ذیل شرائط بھی پورا کرنا ہوں گی:

- ۱۔ پراکسی فارم پر دو گواہوں کے دستخط ہونا لازمی ہے جن کے نام، پتے اور CNIC نمبر فارم پر درج ہوں۔
- ب۔ انٹرنیشنل انڈسٹریز (ز) اور پراکسی کے CNIC یا پاسپورٹس کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ فراہم کی جائیں۔
- ج۔ کارپوریٹ اکائی ہونے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹھرنی بشمول تاحر کردہ افراد۔
- د۔ کمپنی کے دستخط مع پراکسی فارم (اگر پہلے جمع نہ کرایا گیا ہو) کے ہمراہ کمپنی کے پاس جمع کرائے جائیں۔
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