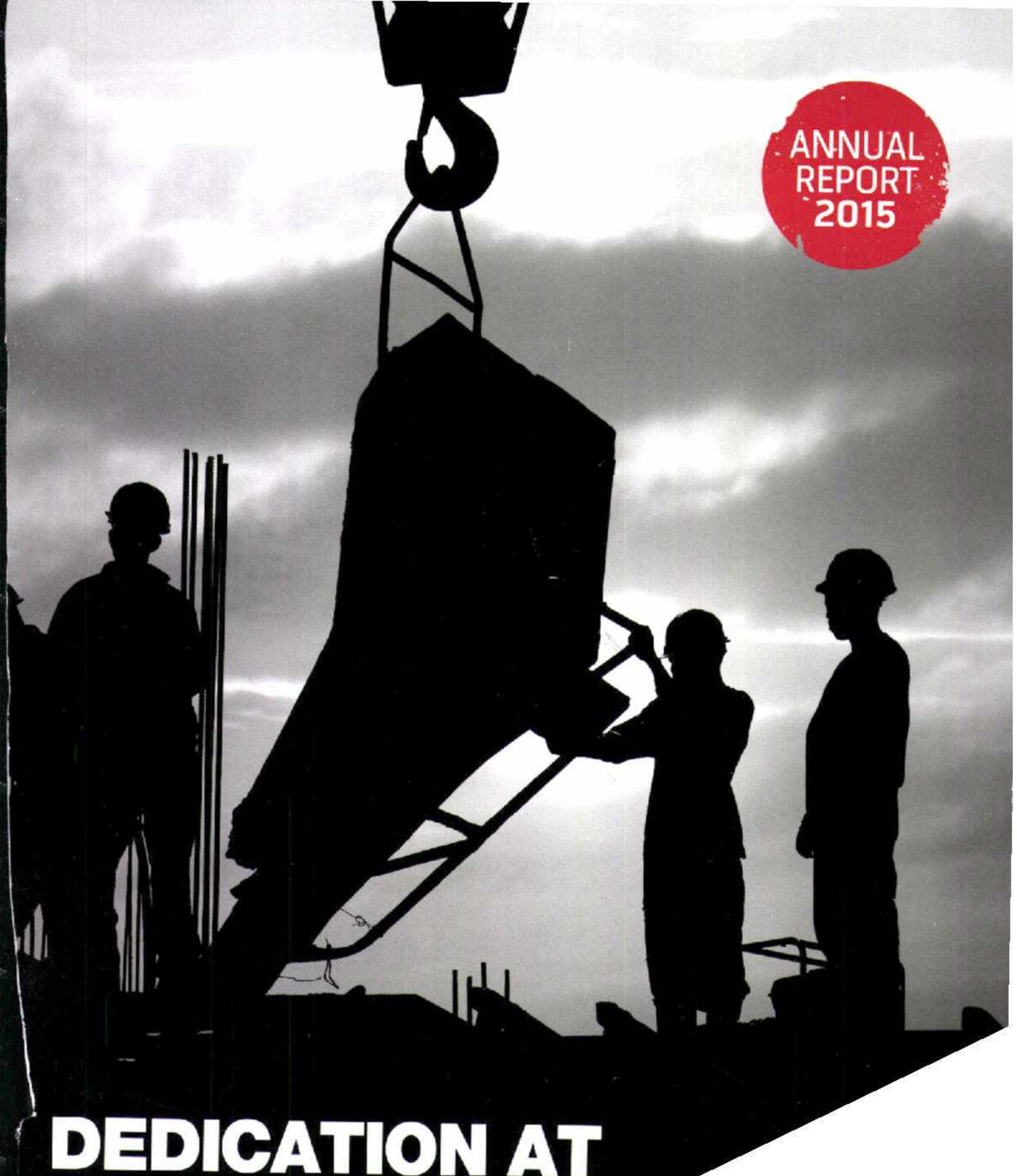


ANNUAL REPORT 2015

DEDICATION AT ITS CORE

MUGHAL STEEL

CONTENTS

COVER STORY

On the cover of this year's annual report, we'd like to draw attention to what stands behind our robust performance during the course of the last year - which is the sheer diligence of our talented workforce.

Across time, our HR have proved to be the force behind our every success. It is through their resolve that we have been able to expand our expertise and solidify our presence nationally. Our passion today is to establish a culture that promotes excellence, boosts value and creates a steady pace of growth. We believe, that in the coming years it is our dedication that will help us execute our strategic objectives seamlessly.

KEY FIGURES

SALES REVENUE
Rs. in Million

12,241.27

(2014: 5,857.18)

EBITDA
Rs. in Million

1,165.82

(2014: 692.10)

PROFIT BEFORE TAXATION AND DEPRECIATION
Rs. in Million

815.79

(2014: 474.50)

PROFIT AFTER TAXATION
Rs. in Million

721.36

(2014: 390.86)

EARNINGS PER SHARE (BASIC AND DILUTED)
Rupees

8.12

(2014: 4.76)

CAPITAL EXPENDITURE
Rs. in Million

514.81

(2014: 218.35)

RETURN ON CAPITAL EMPLOYED
Percentage

17.31

(2014: 12.62)

TOTAL ASSETS
Rs. in Million

11,469.63

(2014: 7,073.72)

CURRENT RATIO
Ratio

1.20

(2014: 1.16)

SHAREHOLDERS' EQUITY
Rs. in Millions

3,641.54

Restated - (2014: 1,803.03)

BREAK-UP VALUE PER SHARE
Rupees

33.10

(2014: 16.17)

ABOUT THIS REPORT

This is our first annual report subsequent to our going public. With this report we welcome our esteemed shareholders and aim to provide all stakeholders with a transparent and balanced appraisal of the material issues that faced our business during the year under review. The report should be read in conjunction with the full financial statements.

SCOPE AND BOUNDARY OF THIS REPORT

This annual report covers the period from July 2014 to June 2015. This annual report provides an account of the Company's operational, financial, economic, social and environmental performance, as well as governance, during the period reviewed.

OUR TWO REPORTS

Annual report

This printed annual report also available online at www.mughalsteel.com is intended to provide readers with an overview of our operations during the year, about our ability to create value over the short, medium and long term, and our performance in managing our most material issues, which are listed as strategic objectives in this report. It includes messages from leadership, operational reviews, corporate governance and risk management reports, summarized financial statements and information for shareholders.

Annual financial statements

The full financial statements are also available on our above mentioned website and provide a comprehensive insight into the financial position of the company for the year under review.

FORWARD LOOKING STATEMENTS

This annual report contains certain "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," or "target." The statements include known and unknown risks and opportunities, other uncertainties and important factors that could turn out to be materially different following the publication of actual results. These forward looking statements speak only as of the date of this document. The company undertakes no obligation to update publicly or release any revisions to these forward looking statements, to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

FEEDBACK

Please provide us with your feedback. We value feedback from our stakeholders and use it to ensure that we are reporting on the issues that are relevant to them. Please take the time to give us your feedback on this report. Visit the web link:
http://mughalsteel.com/investors/contacts/fahadhafeez@mughalsteel.com

BOARD RESPONSIBILITY

The board, together with the audit committee, takes responsibility for this annual report. The report was prepared by a representative team of the company, which reported to the chief executive officer (CEO), chief operating officer (COO) and chief financial officer (CFO). In the board's opinion, this report addresses the material issues and accurately presents the integrated performance of the organization and its impacts.

Signed by the CEO, who has been duly authorized thereto by the board.

Khurram Javaid
Chief Executive Officer
Lahore: September 30, 2015

VISION STATEMENT

To be a leading corporate entity in the steel sector which is recognized both at the industry level and national level, endeavoring to achieve excellence in core business while striving to explore multiple growth opportunities, remaining ethically and socially responsible and strengthening the growing base of satisfied customers by providing quality and durable steel products.

MISSION STATEMENT

To meet the expectations of our customers in providing them with high quality, reliable and durable steel products, through product research, business process and information system improvement and up-gradation of technology. To meet the expectations of our employees by providing opportunities for professional growth and personal welfare. To meet the expectations of our shareholders by enhancing profitability and maximizing returns through achieving excellence in core business and exploring growth opportunities through diversification.

CORPORATE STRATEGY

Maintaining our competitive position in the core business by employing professional and technical excellence, exploring new growth opportunities through diversification and creating value for our stakeholders.

We have always desired to create a workplace where experienced individuals team up to deliver extraordinary results for our customers and, starting in 2015, for our esteemed shareholders and prospective investors.

CODE OF BUSINESS CONDUCT & ETHICAL PRINCIPLES

CHAIRMAN'S REMARKS

Since our beginnings as a family business in mid 1950's, Mughal Steel has evolved into one of the leading companies in our industry.

We have always desired to create a workplace where experienced individuals team up to deliver extraordinary results for our customers and, starting in 2015, for our esteemed shareholders and prospective investors.

The management of the Company has worked hard with a vision to establish Mughal Steel as an entity with a strong reputation for honesty and integrity throughout the industry. In recent years, we have expanded that vision to reflect the value we place on diverse opinions, experiences and backgrounds, and to adapt to the changing needs of an increasingly interconnected world.

Our Code of Business Conduct and Ethics outlines the behaviors we expect of everyone at Mughal Steel.

As part of the annual review, the Board of Directors has revisited our Code to ensure it reflects the highest legal and ethical standards in our industry. In tandem with our Business Principles, the Code expresses Mughal Steel's commitment to integrity and honesty in everything we do. While no single document can address every situation, the updated Code provides clear guidance on critical issues. When facing a situation not covered by the Code, we expect our people to exercise good judgment and especially to seek guidance in resolving potential issues. The code supports full compliance with applicable laws. It also represents the practical ways that we put our values to work every day. We believe that when we apply our ethical principles to our business decisions, the Company is positioned for success.

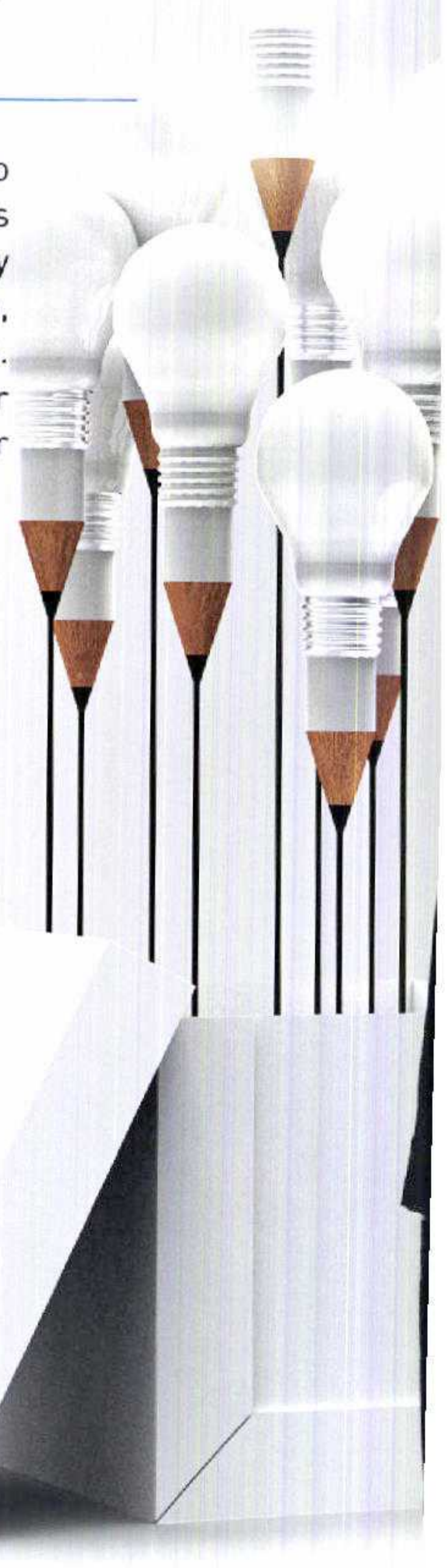
I ask and encourage each of you to review and understand this Code of Business Conduct and Ethics, and join me in making a personal commitment to using it to guide your work. In doing so, you protect the trust our customers, place in us and uphold the moral and ethical principles that define Mughal Steel.

Sincerely,

Mirza Javaid Iqbal
Chairman of the Board
Lahore: September 30, 2015

THE BASIC PRINCIPLES OF OUR CODE OF CONDUCT AND ETHICS

At Mughal Steel, we believe the best way to build and to maintain trust is to conduct every element of our business according to the highest standards of integrity. Our ability to do so rests on the behavior of those who work here, from employees to our chief executive to our directors. To that end, we select our people based not just on their skills, accomplishments and potential, but also on their principles and values.



A commitment to integrity and ethical behavior is a critical factor in our decisions regarding professional advancement and compensation.

It is impossible to predict the various different unique circumstances our people will face during their careers. As such, the policies outlined in this Code should be viewed as the baseline of expected behavior. While ethical behavior requires us to comply fully with all laws and regulations, "compliance" with the law is the minimum standard to which we hold ourselves. Those who work with us honor not just the letter of existing laws, but the spirit that underpins and informs them.

Our Code of Conduct consists of the following principles which all directors and employees at Mughal Steel are required to apply in their daily work and observe in the conduct of company's business.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Every director and Employee must comply with all applicable laws, rules and regulations, including those related to insider trading, financial reporting, money laundering, fraud, bribery and corruption.

PERSONAL CONFLICTS OF INTEREST

Every Director and Employee is prohibited from indulging in actions or relationships that create personal conflicts of interest unless approved by the Company. It is important that every director and employee carefully considers whether any of their activities or relationships, including business or volunteer positions outside the Company, could cause a conflict (or the appearance of a conflict) with the interests of the Company. Additionally, personal gain and advantage must never take precedence over ones obligations to the Company. No Director or employee must ever use or attempt to use their position at the Company to obtain any improper personal benefit for themselves, their family member(s) or any other individual or group.

FAIR AND ETHICAL COMPETITION

Every Director and Employee must deal fairly with our customers, suppliers, competitors and each other. No one at the Company may seek competitive advantage through illegal or unethical business practices. Taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice is a violation of this Code.

PROTECTING CONFIDENTIAL INFORMATION

Every Director and Employee must maintain the confidentiality of the information with which they are entrusted, including complying with information barrier procedures applicable to our business.The only exception is when disclosure is authorized or legally mandated.

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO DIVERSITY

We do not tolerate any type of discrimination prohibited by law, including harassment. We value diversity as an important asset that enhances our culture, helps us satisfy customers well and maximizes return for shareholders. For us to excel, we must create for our people an inclusive environment that welcomes and supports differences and encourages input from all perspectives.

POLITICAL CONTRIBUTIONS AND ACTIVITIES

Directors and Employees are prohibited from making or soliciting political contributions or engaging in political activities.

PROTECTING AND PROPERLY USING COMPANY ASSETS

Everyone should protect the Company's assets and ensure their efficient use. All Company assets should be used for legitimate business purposes only.

PUBLIC RELATIONS

All employees share a responsibility for the Company's good public relations particularly at the community level. Their readiness to help with religious, charitable, educational and civic activities is accordingly encouraged provided it does not create an obligation that interferes with their commitment to the Company's best interests.

HEALTH & SAFETY

The Company has strong commitment to the health and safety of its employees and preservation of environment. The Company perseveres towards achieving continuous improvement of its Health, Safety and Environment (HSE) performance by reducing potential hazards, preventing pollution and improving awareness. Employees are required to operate the Company's facilities and processes keeping this commitment in view.

Commitment and team work are key elements to ensure that the Company's work is carried out effectively and efficiently. Also all employees will be equally respected and actions such as sexual harassment and disparaging remarks based on gender, religion, race or ethnicity will be avoided.

NON-RETALIATION POLICY

The Company strictly prohibits retaliation against anyone who reports in good faith a possible violation of the Code, no matter whom the report involves.

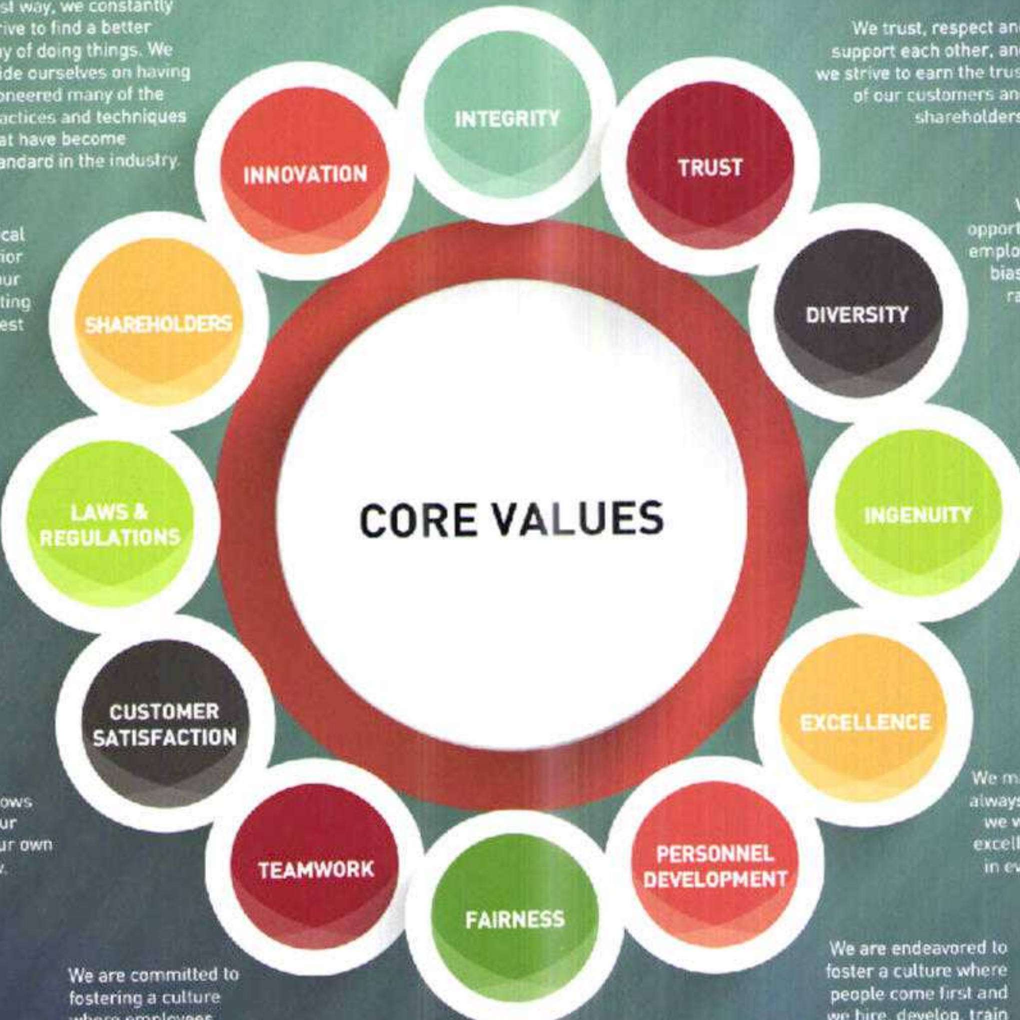
We pledge to comply and enforce the basic principles of Code of Conduct and prevent its violation. Any employee observing any violation or abuse of this Code of Conduct may bring the same to the notice of the Management in writing.

Our Company's foundation is built on our values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment and benefit the communities where we work.

We are dedicated to maintaining the highest ethical standards and ensuring openness and honesty in all our dealings by maintaining utmost integrity at all times.

While recognizing that the old way may still be the best way, we constantly strive to find a better way of doing things. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

We trust, respect and support each other, and we strive to earn the trust of our customers and shareholders.



Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people.

We provide equal opportunities to all our employees without any bias against gender, race, ethnicity and religion.

re dedicated to plying fully with etter and spirit e laws, rules ethical principles govern us. continued ess depends n unswerving erence to this dard.

We seek ne opportunities an out-of-the-ordinar solutions. We us our creativity t find unexpecte and practical way to solve problem Our experienc technology an perseverance enab us to overcom challenges an deliver valu

Our experience shows that if we satisfy our customers well, our own success will follow.

We make sure that we always do what we say we will and strive for excellence and quality in everything that we do.

We are committed to fostering a culture where employees work as a team, listen to and respect each other, provide support

We are devoted to implement such policies

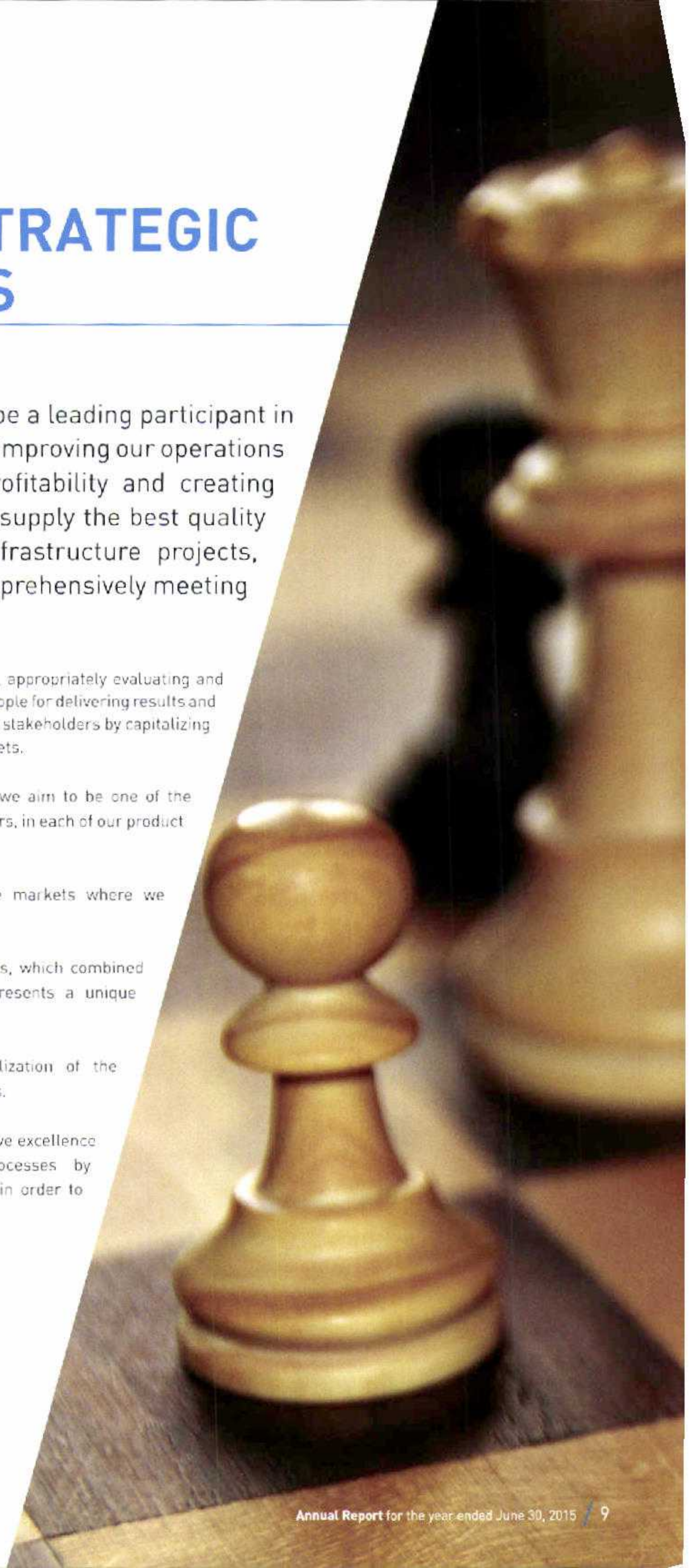
We are endeavored to foster a culture where people come first and we hire, develop, train and retain our people to work as synergized teams in line with our

OVERALL STRATEGIC OBJECTIVES

Our ultimate objective is to be a leading participant in the country's steel industry, improving our operations continuously, enhancing profitability and creating value addition. We strive to supply the best quality products for pioneering infrastructure projects, with zero defects whilst comprehensively meeting our customer's needs.

We aim to provide safe working conditions, appropriately evaluating and training our workforce and rewarding our people for delivering results and working responsibly.We create value for our stakeholders by capitalizing upon the competitive advantages of our assets.

- Across all geographies and products we aim to be one of the highest quality and lowest cost producers, in each of our product line, throughout the cycle.
- Leadership positions in most of the markets where we operate.
- A diversified portfolio of steel products, which combined with superior customer service, represents a unique value proposition to our customers.
- Effective and improved capacity utilization of the Company's existing production facilities.
- Drive business transformation to achieve excellence in safety, people, plants and processes by modernization of production facilities in order to ensure the most effective production.
- Explore alternative energy resources;



COMPANY INFORMATION

BOARD OF DIRECTORS

Mirza Javaid Iqbal
Chairman

Khurram Javaid
Chief Executive Officer

Syed Salman Ali Shah
Independent Director

Muhammad Mubeen Tariq Mughal
Executive Director

Jamshed Iqbal
Non-Executive Director

Fazeel Bin Tariq
Non-Executive Director

Mateen Jamshed
Non-Executive Director

CHIEF OPERATING OFFICER

Shakeel Ahmed
Tel: +92-42-35960841 Ext:30
shakeel.ahmad@mughalsteel.com

CHIEF FINANCIAL OFFICER

Muhammad Zafar Iqbal
Tel: +92-42-35960841 Ext:24
zafariqbal@mughalsteel.com

COMPANY SECRETARY

Pervez Iqbal
Tel: +92-42-35960841 Ext:34
accounts@mughalsteel.com

AUDITORS

Fazal Mahmood & Company
Chartered Accountants
(A member firm of JHI & TASK International)
147-Shadman I
Lahore, Pakistan
Tel: +92-42-37426771
Fax: +92-42-35960012
Web: www.fmc.com.pk

LEGAL ADVISOR

H.M. Law Associates
Office No. 4, Ground Floor
Al-Murtaza Centre, 2 Mozang Road
Lahore, Pakistan
Tel: +92-42-37362720

BANKERS

MCB Bank Limited
Bank Alfalah Limited
Soneri Bank Limited
Bank Islami Pakistan Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Dubai Islamic Bank Limited

GEOGRAPHICAL PRESENCE

Registered Office
31 -A Shadman I
Lahore, Pakistan
Tel: +92+42-35960841-3
Fax: +92+42-35960846
Email: info@mughalsteel.com

Factory
17-Km Sheikhupura Road
Lahore, Pakistan
Tel: +92-42-37970226-7
Fax: +92-42-37970326

Sales Office
41-Peco Road, Badami Bagh
Lahore, Pakistan
Tel: +92-42-111 000 007
Fax: +92-42-37281076

SHARES REGISTRAR

THK Associates (Private) Limited
2nd Floor State Life Building No. 3
Dr. Zia-ud-din Ahmed Road
Karachi, Pakistan
Tel: +92-21-111-000-322
Fax: +92-21-35655595
Email: secretariat@thk.com.pk
Web: www.thk.com.pk

STOCK EXCHANGE LISTING

Mughal Iron & Steel Industries Limited is a listed Company and its shares are traded on Karachi and Lahore stock exchanges of Pakistan. The Company's shares are quoted in leading dailies under the Engineering Sector with symbol 'MUGHAL'.

COMPANY WEBSITE

To visit our website, go to www.mughalsteel.com or scan QR Code

MISIL's Financial Statements are also available at http://www.mughalsteel.com/investors/performance/ or scan QR Code

COMPANY PROFILE & NATURE OF BUSINESS

COMPANY PROFILE

At Mughal Steel we work with passion and expertise to develop high-quality products and intelligent industrial processes and services that create sustainable infrastructures and promote efficient use of resources. We combine our engineering capabilities with traditional strengths in materials. This means we create value for our customers and can successfully exploit the diverse opportunities in the markets of the future.

Today Mughal Steel is the Country's largest long-rolled steel producer with approximate annual production capacity, in a normal year, of 366,000 tonnes for melting and 688,000 tonnes for re-rolling. The management team is led by Mirza Javaid Iqbal, Director and Chairman.

The Company has been building the foundations of Pakistan since its inception and has a depth of technical and managerial expertise carefully nurtured since 1950's, a reputation for reliability and a sharply defined business focus, which has forged the organization into a modern, highly competitive supplier of steel products to the domestic and global markets.

The Company makes a wide range of steel products mostly catering the construction industry and employs approximately 575 persons. Our primary goal is to supply quality, reliable and durable steel products into the local and nearby markets and currently we supply in Pakistan and export the rest to Afghanistan. Products include bar, billets, girders and tee-iron etc.

The company's ability to generate profits throughout the fluctuations of the steel cycle is testimony to the success of years of intensive business re-engineering and the cultivation of a continuous improvement culture that has embedded the Company's position among the Country's lowest cash cost producers of steel.

NATURE OF BUSINESS

Industry

Mughal Steel is the largest steel producer in the long-rolled steel products industry in Pakistan, with approximate installed annual production capacity of 688,000 metric tonnes of re-rolled steel per annum. The Company is involved in multidimensional activities from making billets of mild steel, spring steel, deformed bar, re-bar, cold twisted rebar and a huge range of sections such as I-beams, L-sections, C-section, H-beams, T-bar etc. in the downstream industry.

Geographical Presence

The registered office of the Company is situated in shadman Lahore, while the factory is located 17 km Sheikhupura road and sales centers are located at Badami Bagh Lahore.

Main markets

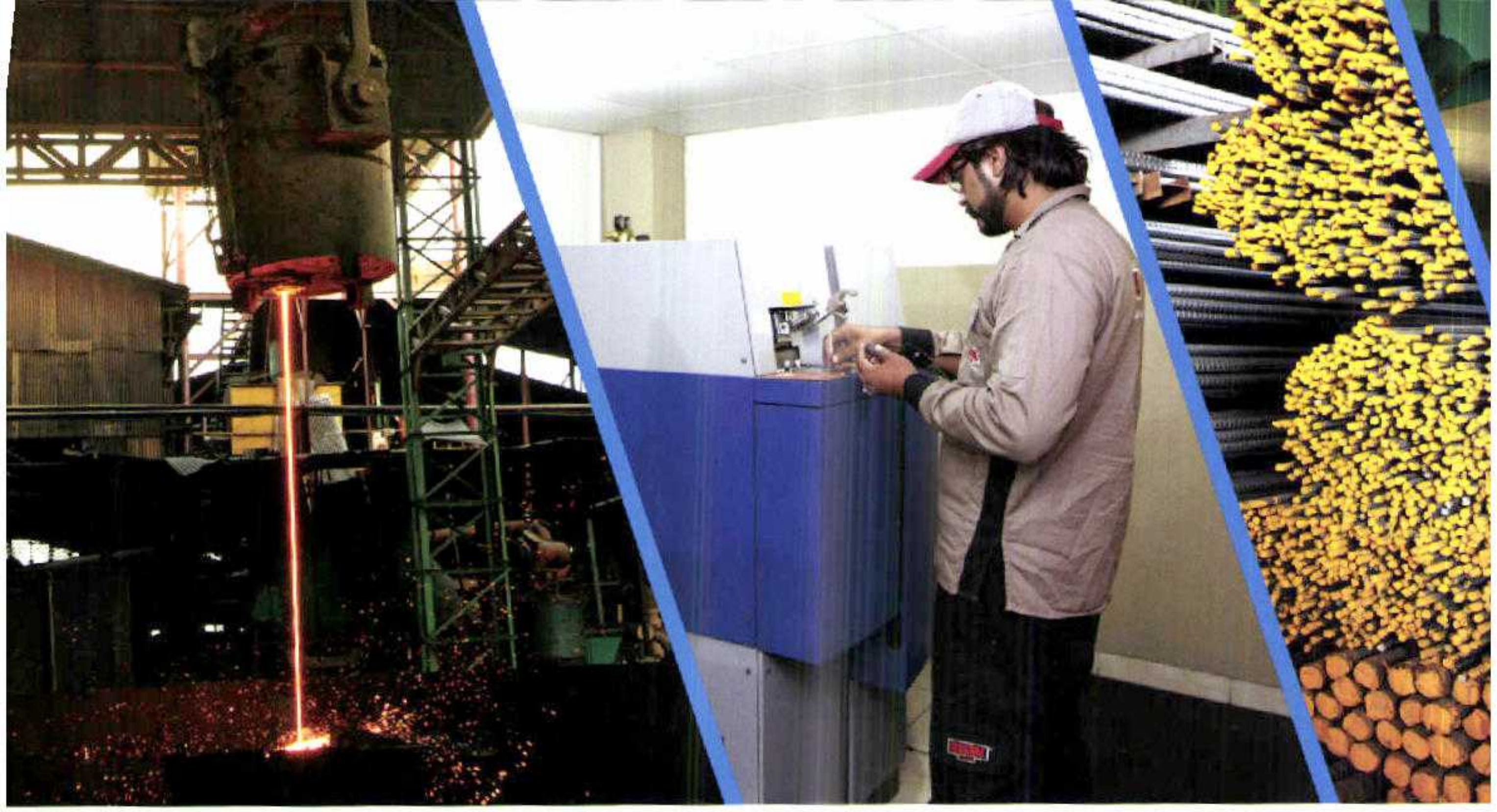
The Company has strong presence in domestic as well as international markets.

Legal environment

Operations of the Company are subject to different environmental and labour laws. The Company is fully complying with all applicable environmental, labour, corporate and other relevant laws.

Business model

Our business model is to provide quality, reliable and durable steel products and customer satisfaction. We apply our overall strategy to create long-term value by capitalizing upon the competitive advantages of our products, people and assets.



THE FUNDAMENTALS OF OUR STRATEGY

- Health, safety and environment
- Human capital
- Customer focus
- Growth of business

We create value by capitalizing on our core strengths. These strengths provide lasting benefits which are critical to our ability to generate, protect and capture value over long term;

LOW COST PRODUCTION	STRONG POSITION IN STEEL MARKETS	LEADING PRODUCER OF LONG STEEL	VERTICALLY INTEGRATED BUSINESS	STRONG MANAGEMENT & GOVERNANCE
Low cost, operations; efficient, steel making and rolling facilities; programme of continuous improvement.	Strong position in steel market due to broad range of high quality and durable products serving high value markets.	Leadership in construction related steel products confers the benefits of scale, innovation, quality control, security of supply and service excellence.	Vertical integration enables us to control each stage in the value chain: **a.** access to key raw materials and energy for steel production; **b.** expertise in steel processing and finished products; **c.** secure logistics and supply chain; **d.** effective customer driven sales function.	Management with strong experience in steel production as well as sales and trading; effective controls and oversight of capital, innovation, safety and risk management.

VALUE DRIVERS

These drivers of value highlight the features which sustain the Company's performance in differing and competitive market environments.

- Our growth is primarily driven by expansion in sales revenue, powered by strong demand for our products and effective distribution network all over the Country.
- Efficiency enhancement is our long term goal. We continuously seek opportunities to improve efficiency of our business processes to optimize costs, utilizing less to produce more.
- Human capital is by far our most valuable asset, directly affecting performance while ensuring success each year
- We are continuously investing in our production facilities to enhance operational efficiency and fuel the key growth drivers. Our extensive distribution network extends to all provinces of the Country, ensuring maximum market presence.

PRODUCT PORTFOLIO

The company's product range comprises of the following products:

- Girders & Beams
- Steel Bars (Deformed & Plain)
- T-Iron
- Ferro Manganese
- Ferro Chrome
- Ferro Silicone Manganese

PRODUCTION FACILITIES

Bar Mill

Our dedicated bar re-rolling mill with approximate annual capacity of 150,000 M/t per annum. This is the only straight and continuous mill available in Pakistan, capable of cutting customized lengths from a single bar of 1300 ft. (approximately). These mills are capable of producing deformed and reinforced bar in conformance with international standards. Continuous casting technology has been introduced for the mill which enables hot and thermodynamic rolling enabling it to produce steel bars directly from scrap.

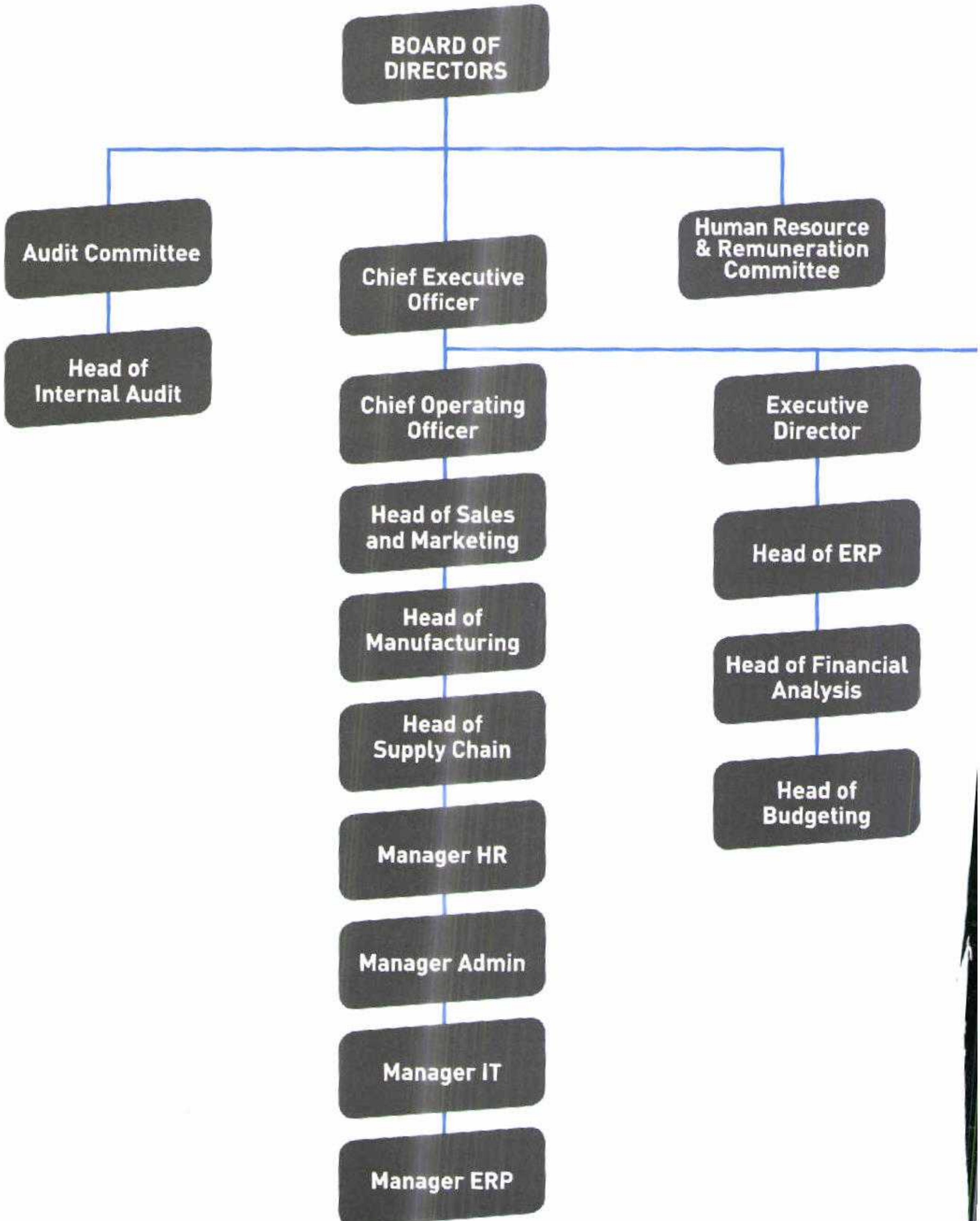
Tandem Section Mill

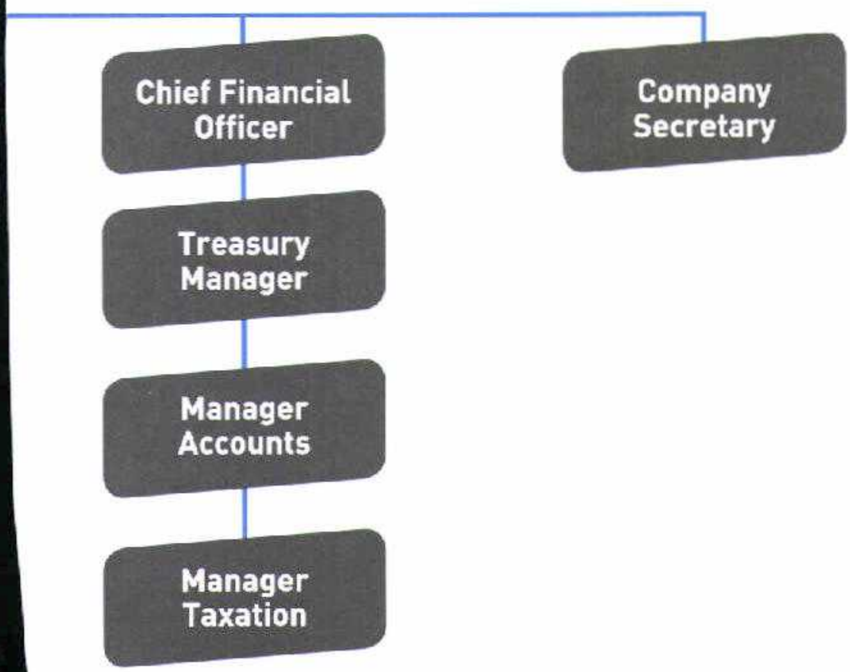
Tandem section mill was introduced for the first time in Pakistan by Mughal Steel in line with Universal Stand (the ultimate re-rolling technology). The mill having approximately annual capacity of 300,000 M/t is capable of continuous rolling, which by far is the best suitable technological solution. Based on European technology and state of the art Italian design by ABB, AMB, SCADA, the mill follows the procedure of four-dimensional rolling, as compared to conventional uniform rolling techniques making, the re-rolling technology at Mughal Steel energy efficient and cost effective.

Mini Section Mills

The Company has two mini section mills with approximate combined annual capacity of 75,000 Mt capable of producing sections like I beam, H. beam, C. section, L. Section, T-bar etc. The mills are equipped with auto-control reheating furnaces; facilitating further to produce the required section of any kind.

ORGANOGRAM OF COMPANY




Chief Financial Officer
Treasury Manager
Manager Accounts
Manager Taxation
Company Secretary

BRIEF PROFILE OF THE DIRECTORS

Mirza Javaid Iqbal

Chairman / Non - Executive Director

Other Engagements:

• Mughal Energy Limited	Chief Executive Officer / Director
• Mughal Steel Metallurgies Corporation Limited	Chief Executive Officer / Director
• Al-Bashir Steel Industries (Private) Limited	Chief Executive Officer / Director
• Mughal Steel Re-Rolling Industries Limited	Director

Having joined his family business in 1976, Mr. Javaid Iqbal rose to become a pioneer of the steel industry of Pakistan. During his exemplary career, Mr. Iqbal challenged and changed the personal and industry mindset, both within and beyond the business framework. He has not only developed new pathways to achieve energy efficiency and economies of scale, but has made remarkable contributions towards the technological advancement and effective documentation of the national steel industry. With his visionary leadership and unparalleled expertise, Mr. Iqbal has been the driving force behind MISIL's success – making the Company reach new heights of growth and expansion.

Khurram Javaid

Chief Executive Officer / Director

Other Engagements:

• Mughal Steel Re-Rolling Industries Limited	Chief Executive Officer / Director
• Mughal Energy Limited	Director

Mr. Khurram Javaid holds an MBA from the Coventry University, UK and a BSc. from the Lahore School of Economics in Pakistan. He has made substantial contributions to the Company's sales and production network within the country – ensuring that each is at par with the international standards of the steel industry. Also, since Mr. Javaid is a strong advocate of human resource development, he is the man behind incorporating effective HR planning, policymaking and training – which is the cornerstone behind MISIL's success today.

Muhammad Mubeen Tariq Mughal

Executive Director

Other Engagements:

• Mughal Energy Limited	Director
• Mughal Steel Metallurgies Corporation Limited	Director
• Al-Bashir Steel Industries (Private) Limited	Director
• Mughal Steel Re-Rolling Industries Limited	Director

Mr. Muhammad Mubeen Tariq Mughal has a BSc. in Economics and Finance from the Lahore School of Economics, Pakistan. Having an experience of over five years in the steel sector, he is presently looking after the Accounts, Finance, ERP and Audit functions of the Company.

Syed Salman Ali Shah

Independent Non- Executive Director

Other Engagements:

• Pakistan Mercantile Exchange Limited	Chairman
• MCB Arif Habib Savings & Investment Limited	Director
• World Call Telecom Limited	Director

Syed Salman Ali Shah holds a Ph.D. in Finance from the Kelley School of Business Administration, Indiana University, USA. He has served as the Advisor to the Prime Minister of Pakistan on various fields; Finance, Revenue, Economic Affairs and Statistics. Mr. Shah has worked as the Former Chairman of the Privatization Commission and is currently the Chairman of the Lahore Stock Exchange. He has served on the Board of Governors of the State Bank of Pakistan, Pakistan International Airlines, Foundation University and the Bank of Punjab.

Jamshed Iqbal

Non - Executive Director

Other Engagements:

• Mughal Energy Limited	Director
• Mughal Steel Metallurgies Corporation Limited	Director
• Al-Bashir Steel Industries (Private) Limited	Director
• Mughal Steel Re-Rolling Industries Limited	Director

Mr. Jamshed Iqbal has played a pivotal role in developing MISL's distributional network across Pakistan. He has a vast experience and in depth knowledge of the steel sector, with a sound expertise in managing local and export sales. Mr. Iqbal has strived hard to ensure that all kinds of geographical requirements are met by the Company's distributional network – a feat that has resulted in expanded growth of MISL.

Fazeel Bin Tariq

Non - Executive Director

Other Engagements:

• Mughal Steel Metallurgies Corporation Limited	Director
• Al-Bashir Steel Industries (Private) Limited	Director
• Mughal Steel Re-Rolling Industries Limited	Director

Mr. Fazeel Bin Tariq holds a Bachelor's Degree in Business Administration from the Lahore School of Economics, Pakistan and a Postgraduate degree in Professional Accounting from the Swinburne University of Technology, Australia. He has also done Masters in Leadership from Northeastern University, Boston, USA.

Mateen Jamshed

Non - Executive Director

Other Engagements:

• Mughal Steel Re-Rolling Industries Limited	Director

Mr. Mateen Jamshed holds a Bachelor's Degree in Business Administration from the Lahore School of Economics, Pakistan.

KEY MANAGEMENT

Shakeel Ahmad

Chief Operating Officer

With a strong academic background; an M.Phil in Management Sciences and an MBA in Marketing, Mr. Shakeel Ahmad has years of practical experience behind him and has been with the Company for more than a decade. He is the key element in maintaining the strategic and competitive positioning of the Company in the market through relationship building, in-depth market research and analysis, creating and implementing strategic sales growth initiatives, networking and brand building. He has highly developed leadership skills and is a forerunner who leads with integrity, passion and compassion to attain revenue and profit objectives within the organization. His contributions towards the success and growth of the Company are highly valued.

Muhammad Zafar Iqbal

Chief Financial Officer

Mr. Muhammad Zafar Iqbal has been working as the CFO of the Company since its incorporation. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan. He has a vast experience of dealing in accounts, finance, taxation and company law related matters. With over 16 years of experience in leadership positions, he plays an active role in the financial and strategic planning of the Company.

Pervez Iqbal

Company Secretary

Mr. Pervez Iqbal has been working as the Company Secretary at MISIL since 2010. He has done his Masters in Commerce (M.Com) from The University of the Punjab in 2006.

FUNCTIONAL HEADS

Muhammad Fahad Hafeez
Head of Internal Audit

Muhammad Fahad Hafeez is a member of the Association of Certified Chartered Accountants, Certified Internal Control Auditors and Pakistan Institute of Public finance Accountants. He has more than 7 years of experience in audit, implementation of internal control charter, risk assessment and mitigation.

Khalid Javed
Senior Manager Accounts

Mr. Javed has been working with MISIL since 2009 and is responsible for managing group accounts for the Company. Prior to working with MISIL, he was employed in the construction industry for 28 years.

Muhammad Usman
Senior Systems Analyst

Mr. Usman is an associate member of the Institute of Chartered Accountants of Pakistan. His responsibilities include, working with project teams to understand and clarify business requirements: understanding system design, enterprise architecture, application data models and entity relationships to effectively contribute in finalizing the business requirements, with respect to system development and analyzing multiple modules in a system to include work processes, modifications, interfaces and reports.

Muhammad Naeem
Regional Head (North)

Mr. Naeem joined the Company in 1986. Since then, he has been looking after the distribution network across Pakistan. He has in-depth commercial experience from the distribution end to the retail end. He is responsible for finalizing negotiations with distributors, managing distribution operations, developing action plans and coordinating adequate support from supply management and logistics in order to ensure timely product delivery.

Saeed Ahmed
Regional Head (Exports)

Mr. Saeed Ahmed has over 27 years of work experience with the Company and is currently managing the export sales network. His area of expertise include building relationships with key customers in target markets outside Pakistan, developing regional marketing strategies for export sales in corporation with the Marketing department, providing customer requirements to the production team, managing currency fluctuations, coordinating adequate support from supply management and logistics and ensuring timely product delivery.

Muhammad Afzal
Regional Head (South)

Mr. Afzal became a part of the Company in 1992. His expertise ranges from finalizing negotiations with distributors, managing distribution operations and developing action plans to coordinating adequate support from supply management and logistics in order to ensure timely product delivery.

Sumaira Manzoor

Manager Marketing

Having completed her MBA from the University of the Punjab, Miss Sumaira Manzoor joined the Company in 2005 and has since played a pivotal role in the Marketing team. Currently, her responsibilities include monitoring and analyzing market trends, identifying target markets, developing strategies, preparing and managing marketing plans, formulating, directing and coordinating marketing activities and policies to promote products, working with advertising and promotion managers, developing pricing strategies, balancing firm objectives and customer satisfaction.

Tahir Mahmood

Senior Manager Power Plant

Mr. Mahmood has been working with MISIL since 2005. He is currently looking after the operational activities of the Power Plant. Mr. Mahmood holds an Undergraduate Degree in Mechanical Engineering from the University of Engineering Technology, Lahore. Prior to joining MISIL, he had worked 30 years with the Saudi Consolidated Electric Company, Ibrahim Group, WAPDA and the Nishat Power Plant.

Muhammad Ashraf

Manager Production

Mr. Ashraf has been working with MISIL since 2013 as the Manager Production of the Girder Mill Plant. He holds an MSc in Mechanical Engineering from the National University of Science & Technology, Islamabad. Prior to joining MISIL, Mr. Ashraf had spent 20 years working for organizations such as the Army Jerri-can Manufacturing Plant, National Logistics Cell, Electrical & Mechanical Engineering Workshop, Inspection and Technical Development Directorate and Pakistan Ordinance factories.

Muhammad Imran

Senior Engineer

Mr. Imran has been employed with MISIL since 2011 as the Senior Engineer of the Girder Mill Plant. Mr. Imran holds a Bachelor's in Mechanical Engineering from the Bahauddin Zakariya University, Multan.

Rizwan Malik

Senior Manager Procurement

Mr. Rizwan has decades of work experience with the Company. He is responsible for working closely with selected suppliers and managing the Company's procurement activities, providing leadership for the purchasing department, motivating staff to achieve maximum performance and efficiency and ensuring that the Purchasing Department works within the operational procedures of all the companies.

Mamoona Babar

Dy. Manager Imports

She is responsible for managing the import process and overseeing the completion of paperwork and monetary transactions associated with international distribution in a timely manner. She is also responsible for negotiating with clients and handling issues with customs officials.

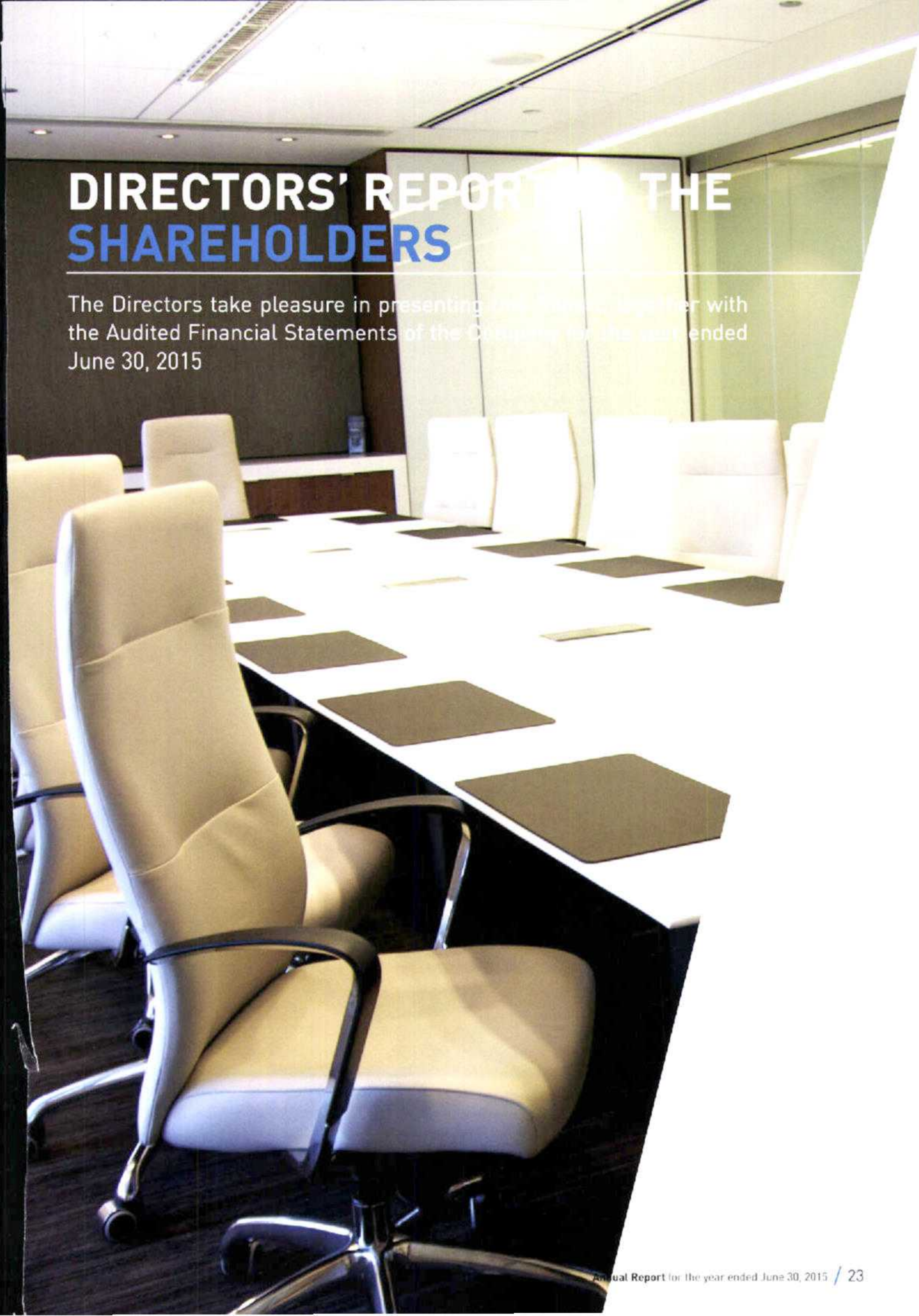
Irfan Amin

Dy. Manager Human Resource

Mr. Irfan has done his MBA in Human Resource Management. He is responsible for planning, directing and coordinating the administrative functions of the Company. He oversees the processes of recruitment, interviewing, performance reviews, employee development, employee retention and hiring of new staff.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors take pleasure in presenting their Report together with the Audited Financial Statements of the Company for the year ended June 30, 2015



The origins and ascent of Mughal Steel is an outcome of persistent and sheer hard work of half a century. It has become an industry benchmark for value creation for its customers and shareholders

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Ladies and gentlemen,

I am very pleased to inform that the past fiscal year was a very important one for your Company. It was a year of turnarounds and milestones. Not only has the Company attained all its major operational and financial targets for the year, but by the grace of Almighty, we have also been highly successful in capturing the investor's confidence as well.

In pursuit of its growth strategy, the Company offered 27.350 million ordinary shares to the institutional investors, high net worth individual investors and general public. Out of the total number of shares 20.512 million shares were offered through book building process while the remaining 6.838 million shares were offered to the general public. ALHAMDULILLAH, by the grace of Almighty both the portions were heavily oversubscribed, which reflects the investors' confidence in the Company's future.

The year marks a turning point in our earnings situation and operating performance as well. The Company achieved its highest ever turnover amounting to Rs. 12,241.272 million. The earnings per share amounted to Rs. 8.12 per share as compared to Rs. 4.76 in the last year. The company has not defaulted in any repayment of debts. During the year, the Company has contributed approximately Rs. 300.922 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to Rs. 1.636 million.

Against this background, the Board of Directors in their meeting held on September 30, 2015 have proposed a final cash dividend of Rs. 0.5 per share i.e 5% (2014: Rs. Nil per share) for the year ended June 30, 2015 to you, our owners. Further, the Board of Directors has also recommended issue of bonus shares in proportion of 1.5 share(s) for every 10 share(s) held i.e. 15% (2014: Nil%). No interim dividend was declared during the year (2014: Rs. Nil per share).

However, the turnaround doesn't end here, we will be working hard to generate profits in the upcoming years and will not let up in our efforts to maintain Mughal Steel as a profitably growing company that sustainably satisfies the interests of all stakeholders.

We are satisfied Your Company is on the right track – that's something of which my Board colleagues and I are firmly convinced. And we hope we will also be able to convince you, our shareholders! I congratulate all the stakeholders including the management and the workforce for their passion, support and continuous hard work for making the above achievements possible.

During the year, one of our Board members resigned. We would like to put on record our appreciation for his valuable contributions made during his tenure as Board member, and for the new member, we take this opportunity to welcome him. We are very hopeful that the new member would, with indigenous initiatives, bring progress and more improvement in the Company.

On behalf of the Board of Directors, I present to you the Directors Report together with the Audited Financial Statements of the Company for the year ended June 30, 2015.

Mirza Javaid Iqbal
Chairman of the Board

Lahore: September 30, 2015

The Company was welcomed wholeheartedly by the investors and was highly successful in its Initial Public Offering of shares to the general public, which is a matter of pride for all of us.

CHIEF EXECUTIVE OFFICER'S REMARKS

Dear Shareholders,

I am highly pleased to report a record year for Mughal Steel, which saw increase in revenues and profits of our business resulting in net profit of Rs. 721.361 million with earnings per share of Rs. 8.12, compared to an earnings per share of Rs. 4.76 in the last year. In particular, revenues from local sales were up by 185%. Local markets saw steady growth in demand for long-rolled steel products mainly due to focus of the Government on development of infrastructure development.

Moving on, ALHAMDULILLAH, the Company was welcomed wholeheartedly by the investors and was highly successful in its Initial Public Offering of shares to the general public, which is a matter of pride for all of us. Today the Company is listed on the Karachi and Lahore Stock Exchanges of Pakistan.

As management we are strongly committed towards continuously improving the performance of your company. This year, we enabled "Hot Charging" technology for our bar re-rolling mill which allows production of steel bars directly from meltshop resulting in increased efficiency. We expect higher production and sales volumes following approval for enhancement of our Grid Station Load Capacity, BMR of the re-rolling mills and enabling of direct rolling for tandem section mill. We expect export sales to remain low, however, any adverse fall is expected to be curtailed by increase in local sales.

I would like to thank all of our employees for their hard work and commitment in achieving these results, and to give a special thank-you to our customers, and stakeholders, whose support is greatly valued.

Khurram Javaid
Director / Chief Executive Officer
Lahore: September 30, 2015

FINANCIAL REVIEW & OPERATIONAL PERFORMANCE

INDUSTRY OVERVIEW

Steel Sector is continuously expanding, with the current demand exceeding the available production and the gap being covered by the import of Steel. Demand for steel products is expected to rise further in near future as recently government has announced projects which will increase the consumption of steel locally. It is expected that development budget fixed in '2014-2015 budget' will create opportunities for upcoming projects to come online which is a good sign for Steel sector. However, load shedding of electricity and gas and imposition of duties on import of steel items have hampered the entire industry.

OVERVIEW OF FINANCIAL PERFORMANCE

The Directors are pleased to inform the shareholders that their Company registered record net sales of Rs. 12,241.272 million against Rs. 5,972.672 million in the corresponding period, showing growth of 105%. Sales revenue increased owing to increase in sales of steel bars and local sales of girder and tee iron. This was mainly due to continuing increase in construction activity in the private and public sectors as a result of higher utilization of funds released for Public Sector Development Programme. However, exports remained subdued due to lackluster demand, dragged down by declining Afghanistan exports.

Gross profit rose to Rs. 1,284.106 million in the current period, compared to Rs. 727.976 million in the corresponding period which is encouraging.

Net profits rose to Rs. 721.361 million during the period, compared to Rs. 390.859 million in the corresponding period last year. Distribution costs increased significantly as compared to the previous year mainly due to related freight expenses incurred on local sales. Administration costs were effectively controlled during the current period.

Financial charges were remained within controlled limits due to reduction in interest rates, and improved cash management. The Company is continuing to repay debt obligations and is dedicated to keep all debt commitments backed by better cash flows and efficient cash management. During the period, the Company has paid off Rs. 189.749 million of long-term financing from banking companies.

PROFIT DISTRIBUTION AND RESERVE ANALYSIS

Appropriations

The Board of Directors in their meeting held on September 30, 2015 have proposed a final cash dividend of Rs. 0.5 per share i.e 5% (2014: Rs. Nil per share) for the year ended June 30, 2015 to you, our owners. No interim dividend was declared during the year (2014: Rs. Nil per share). Further, the Board of Directors has also recommended issue of bonus shares in proportion of 1.5 share(s) for every 10 share(s) held i.e. 15% (2014: Nil%).

The proposed final cash dividend and bonus issue is subject to the approval of the members at the Annual General Meeting to be held on October 31, 2015. These financial statements do not include the effect of the above proposal which will be accounted for in the period in which it is approved by the members.

NON-FINANCIAL PERFORMANCE

Quality, customer's satisfaction, employee's development and

The financial results of the Company for the year are summarized below:

Rupees in millions	2015	2014
Profit before taxation	724.977	397.630
Taxation	(3.616)	(6.770)
Profit after taxation	721.361	390.859
Un-appropriated profit brought forward	505.906	128.667
Other comprehensive income	(0.479)	(12.119)
Share issue costs	-	(1.501)
Appropriations	-	-
Un-appropriated profit carry forward	1,226.788	505.906

professional standards are Company's key areas where management has taken necessary measures to improve them. The Company is currently producing and supplying the high quality products which ensure maximum satisfaction to the customers. During the year, the Company conducted various training courses for the development of existing human capital. The Company is maintaining highly satisfactory relationship with all stake holders.

ENTITY'S MOST SIGNIFICANT RESOURCES

The significant resources comprise but are not limited to human, financial and technological resources. We hire teams of professionals and technical experts who continuously strive to ensure that our production and control processes and systems are working efficiently and effectively and are constantly being modernized. Further, financial resources are managed effectively through optimized credit control and efficient treasury management, focusing on cash flow forecasting.

LIQUIDITY ANALYSIS AND STRATEGIES TO OVERCOME LIQUIDITY PROBLEMS

The management of the Company has years of experience in liquidity management and liquidity management system and tend to maintain a strong liquidity position to ensure availability of sufficient working capital besides identification and mitigation of cash flow risks. The key working capital requirements of the Company are managed through internal liquidity generation sources comprising of sales revenues and external means of financing. Revenue receipts from sales are managed through optimized control of customer credit, in addition to securing advance customer orders. Regular forecasting of cash flows and aging analysis are also carried out to maintain an optimum working capital cycle. Operating cash flows are mainly used for repayment of debt firstly.

The aggregate net working capital stood at Rs. 1,351.750 million at the close of 2015, as compared to Rs. 571.013 million in last year.

REPAYMENT OF DEBTS AND RECOVERY OF LOSSES

Long-term financing from banking companies stood at Rs. 253.666 million as at June 30, 2015 as compared to Rs. 443.416 million as at June 30, 2014 which was mainly due to timely repayments. During the year, no further interest bearing funds were borrowed on long term basis as the management ends to maintain minimal level of interest bearing long-term financing from banking companies. Short-term borrowings amounted to Rs. 2,046.402 million, representing a decrease of Rs. 756.339 million from last year. Cash flow projections indicate availability of sufficient funds for timely retirement of long-term financing from banking companies. The sponsor shareholders injected additional interest free loan of Rs. 683.577 million which was mainly used for repayment of long-term loan from related parties. Loan from sponsor shareholders is not fully payable before five years.

CASH FLOW ANALYSIS

Analysis of cash flows for the year 2015 is presented through the following major liquidity generation activities:

- **Operating activities**

  Net cash generated from operations stood at Rs. 1,715.556 million, as compared to net cash used in operation amounting to Rs. 1,836.139 million last year, after adjustment of finance cost of Rs. 347.322 million and income tax payments aggregating to Rs. 260.107 million during the year.

- **Investing activities**

  The Company incurred fixed capital expenditure of Rs. 514.808 million during the year as compared to Rs. 518.690 million in last year and comprised mainly of new melting furnaces along with BMR of re-rolling mills.

  The Company invested in short-term investments amounting to Rs. 524.620 million, consequently, net cash used in investing activities stood at Rs. 1,033.063 million, up by around Rs. 514.811 million from 2014.

- **Financing activities**

  The Company repaid long-term financing from banking companies resulting in cash utilization of Rs. 189.749 million. Net cash utilized from short-term borrowings amounted to Rs. 1,039.402 million. The Company repaid / adjusted net long-term financing from related parties amounting to Rs. 280.426 million and injected additional equity of Rs. 929.900 million.

  Consequently, net cash used in financing activities stood at Rs. 632.579 million, as compared to cash generated from financing activities amounting to Rs. 2,266.782 million last year.

- **Cash and cash equivalents at year end**

  The Company recorded a net increase in cash and cash equivalents of Rs. 49.914 million during 2015, as compared to a net decrease of Rs. 87.609 million recorded in cash and cash equivalents last year.

FINANCING ARRANGEMENTS

Long-term financing from banking companies amounted to Rs. 253.665 million against debt raising capacity of Rs. 14,566.177 million. Short-term borrowings of the Company stood at Rs. 2,046.402 million at year end against aggregate financing facilities of Rs. 5,550.000 million with various banks, under mark-up / profit arrangements. Additionally, letters of credit lines and letter of guarantee lines up to Rs. 10,414.500 million are available out of which Rs. 7,752.45 million remained unutilized at the year end.

External financing is arranged after extensive cash flow forecasting for working capital, investment or asset acquisition requirements.

HUMAN CAPITAL

Human Capital is considered to be the Company's most valuable resource, with significant contributions over the years towards its growth. The Company ensures provision of the best employee development programs, health care, safety and market commensurate compensation packages.

- **Succession Planning**

  The Company has formulated a firm succession plan which includes performance evaluation and appropriate training requirements for development of potential future leaders. Detail of Succession Planning is available in the Human Resources portion of the 'Corporate Governance' section.

- **Retirement Benefit Plans**

  The Company is operating an unfunded gratuity plan for its employees ensuring financial security upon retirement. Detail of retirement benefit funds have been disclosed in note 22 of the financial statements.

CAPITAL STRUCTURE

Capital structure represents ordinary share capital and long-term / short-term debts. The Company utilizes its cash generated from operations for repayment of its debt liabilities on timely basis, resulting in reduction of financial cost and increase in net profit of the Company.

As at June 30, 2015, capital structure comprised of Rs. 1,093.911 million of share capital representing 109.391 million ordinary shares of Rs. 10/- each. Major shareholding is owned by the sponsor shareholders with 75% equity holding. Long-term financing from banking companies stood at Rs. 253.665 million at close of the year. Short-term debt of the Company stood at Rs. 2,046.402 million at close of the year, with a debt / equity ratio of 62.61% as compared to 180% in 2014.

The above indicators provide adequate evidence as to the adequacy of the capital structure for the foreseeable future.

SIGNIFICANT CHANGES IN FINANCIAL POSITION, LIQUIDITY & PERFORMANCE WITH PREVIOUS PERIOD

During the year, the Company has re-paid its long-term debt from banking companies totaling to Rs. 189.749 million. Net cash generated from operation amounted to Rs. 1,715.556 million as compared net cash used in operations in last year.

The Company also settled / repaid its net long-term debt from related parties totaling to Rs. 280.426 million. The sponsor shareholders injected 683.578 million of interest free loan in to the Company.

Company reserves depicted an immense improvement mainly because of higher un-appropriated profit of Rs. 1,226.788 million as compared to Rs. 505.906 million last year along with increase in share premium reserve as a result of further issue of share capital.

Moreover, the Company has adopted the strategy to utilize maximum cash profits for the repayment of debt from banking companies.

Company's net worth stood at Rs. 6,152.158 million as at June 30, 2015 with a breakup market value of Rs. 56.24 per share.

Financial commitments of the Company stood at an aggregate of Rs. 2,012.185 million at the close of 2015 in respect of purchase of goods and capital expenditure. Details of these commitments are disclosed in the relevant notes to the financial statements.

Increase in property, plant & equipment mainly includes procurement of plant and machinery including new induction furnaces along with CCM.

Trade debts showed a 47% increase to Rs. 473.242 million mainly due to increase in receivables outstanding on account of sales of steel bars.

Stock-in-trade stood at Rs. 4,812.364 million at the close of the year, which however was also liquidated subsequently.

The Company's asset base thus recorded an increase of Rs. 4,395.908 million compared to last year, primarily due to additional equity injection, increase in inventory and capital expenditure.

PROSPECTS OF THE ENTITY INCLUDING TARGETS FOR FINANCIAL AND NON-FINANCIAL MEASURES

Prospects of the Entity

Efficient use of available resources, modernization of production facilities through technology advancement and innovation, exploration of alternative energy resources, reduction in costs of production and diversification provide sufficient support to the management's projection of sustained profitability and return to the shareholders.

Financial Measures

Various factors and variables were considered and estimated in projecting targets for financial year 2014-2015. The results of some of these factors can be monitored while for others they can only be improved to some extent. Absolute commitment, continuous evaluation and steady implementation have resulted in achievement of set goals and objectives. This is evident from the fact that despite of electricity shortage during the year, sustained production levels were achieved and operating targets were met.

Efficient utilization of available energy, introduction of energy efficient melting furnaces and modernization of re-rolling mills enabled the Company to reach turnover of Rs. 12,241.271 million and earn a net profit of Rs. 721.361 million despite adverse market conditions.

Non-Financial Measures

The Company has identified the following areas as key non-financial performance measures:

- Stakeholders' engagement
- Relationship with customers
- Employee satisfaction
- Maintenance of product quality for fulfillment of buyer needs
- Responsibilities towards the society
- Healthy and safe environment
- Transparency, accountability and good governance Responsibility for implementation has been delegated to the management, with continuous monitoring and control by the Board.

SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

The financial statements of the Company have been prepared on the basis of single reportable segment. Revenue from sale of mild steel products represents 100% of gross sales of the Company. The Company operates locally as well as exports to Afghanistan, however, majority of the sale comprises of local sales. Moreover, all assets of the Company as at June 30, 2015 are located in Pakistan.

CAPITAL MARKET & MARKET CAPITALIZATION

As at June 30, 2015, KSE the leading stock exchange of Pakistan had a market capitalization of Rs. 7,357.509 billion. Total capital listed on the exchange rose to Rs. 1,189.518 billion as at June 30, 2015.

During the year, the Company offered its ordinary shares to the general public by way of Initial Public Offering of 27.350 million shares and got listed on Karachi Stock Exchange Limited (KSE) and Lahore Stock Exchanges Limited (LSE) of Pakistan.

The market capitalization of the Company's share stood at Rs. 6,152.158 million as at June 30, 2015. The share traded at an average of Rs. 48.15 per share. Market price experienced fluctuations between the highest of Rs. 56.24 per share to the lowest of Rs. 35.69 per share since its opening in April 2015, mainly due to market psychology, speculative investors and material events occurring during the year. Trading in equity during the year amounted to 85.543 million shares.

SUBSEQUENT EVENTS

Non-adjusting

The Board of Directors in their meeting held on September 30, 2015 have proposed a final cash dividend of Rs. 0.5 per share i.e 5% (2014: Rs. Nil per share) for the year ended June 30, 2015 to you, our owners. No interim dividend was declared during the year (2014: Rs. Nil per share). Further, the Board of Directors has also recommended issue of bonus shares in proportion of 1.5 share(s) for every 10 share(s) held i.e. 15% (2014: Nil%).

The proposed final cash dividend and bonus issue is subject to the approval of the members at the Annual General Meeting to be held on October 31, 2015. These financial statements do not include the effect of the above proposal which will be accounted for in the period in which it is approved by the members.

Adjusting

The GoP imposed regulatory duty on import of "Prime Alloy Steel Billet" from China vide SRO 568(I)/2014 dated 26.06.2014 as amended by SRO 18(I)/2015 dated 14.01.2015. Writ petition was filed by the Company in the Honorable Lahore High Court against the above notifications. The Honorable Lahore High Court (LHC) upon hearing the matter declared that the notification under SRO 568(1)/2014 as amended vide notification SRO 18(1)/2015 followed by replacement of the table to the RD notification through amending notifications SRO No. 121(I)/2015 and SRO NO. 131(I)/2015 both dated February 12, 2015 as applied to import of "Prime Alloy Steel Billet" from China as illegal, without lawful authority and with no legal affect. However, the Sindh High Court

(SHC) passed an order in favor of the department due to which the collector of customs refused to release the guarantees against which further writ petitions were filed with the Honorable Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan, however, has subsequently to the reporting date dismissed the writ petitions filed by taxpayers against levy of regulatory duty by Government of Pakistan on goods covered under FTA. Consequently, the Company has recognized provision of Rs. 333.090 against the related regulatory duty.

OPERATIONAL PERFORMANCE

The overall production of re-rolled products was recorded at 180,230 tonnes showing an increase of 59.82% over the previous year. This was achieved mainly due to introduction of energy efficient means of production, collective hard work and sheer dedication. During the year "Direct Rolling" was enabled for Bar- Re-rolling mill improving the overall efficiency of the mill.

OBJECTIVES AND STRATEGIES

MANAGEMENT'S OBJECTIVES AND STRATEGIES FOR MEETING THOSE OBJECTIVES

The ultimate objective is to ensure achievement of the overall corporate and strategic objectives by becoming the leading Company in the local steel industry, continuously improving our operations and hence enhancing profitability and return to shareholders.

We believe, we have been highly successful in achieving our objectives which have been built on a consistent strategy that emphasizes size and scale, back ward integration, competitiveness, product diversity, continuous growth in higher value products and a strong customer focus.

We tend to meet the needs of diverse markets by maintaining high degree of product diversification and seeking opportunities to increase the proportion of our product mix consisting of higher value-added products. The Company produces a broad range of high-quality finished, semi-finished long-rolled steel products and stainless steel products.

We tend to ensure ready access to high-quality and low-cost raw materials through captive sources, long-term contracts and backward integration.

We ensure efficient use of existing resources to improve productivity and profitability. In amidst of energy crisis where electricity is available for only for 12 hours per day, the focus remains on enhancing productivity and efficiency through innovation, modernization of production techniques and implementation of new technology.

We are strongly committed to exploring new alternative means of energy.

We continuously strive to revive, refine and implement our human resource policies and Standard Operating Procedures (SOPs).

We have implemented Total Quality Management (TQM) function that seeks to lower non-conformance costs through active focus on health, safety, environment and operations.

We tend to achieve zero fatal accidents at our works site. We believe that we can achieve this goal through extensive employee training and initiatives to create a culture of personal involvement and responsibility.

We work continuously to improve the quality of our products and aim to provide excellent quality to ensure the loyalty of our customers. We search for opportunities in new geographies, products and markets.

SIGNIFICANT CHANGES IN OBJECTVES AND STRATEGIES FROM PREVIOUS PERIOD

There is no material change in the Company's objective and strategies from the previous year.

RELATIONSHIP BETWEEN ENTITY'S RESULTS AND MANAGEMENT'S OBJECTIVES

Financial and non-financial results are the reflection of achievement of management's objective which are strategically placed to increase the wealth of each stakeholder. The said results are properly evaluated against the respective strategic objectives to confirm the achievement.

CRITICAL PERFORMANCE INDICATORS AND MEASURES

Following are some of the critical performance measures and indicators against stated objectives of the Company.

- Increase in employee retention;
- Decrease in accidental claims
- Increase in installed capacity
- Introduction of new technology
- Improved debt: equity structure
- Increasing shareholder's wealth;
- Improvement in operational performance;
- Diversified product portfolio

Management believes that current critical performance measures continue to be relevant in future as well.

ENTITY'S SIGNIFICANT RELATIONSHIPS

The Company has very prominent and good relationships with all stakeholders. We maintain collaborative relations with our stakeholders through a good harmony, effective communication and customer focused approach because without doing this, we may affect our Company's performance and values of our entity. We follow the best policy to maintain the relationship with our stakeholders which includes satisfaction of customers by providing quality products and timely payments to all creditors.

RISK AND OPPORTUNITY REPORT

We recognize that effective risk management is critical to our continued profitability and the long-term sustainability of our business.

Like all businesses, we are equally affected by, and must manage, risks and uncertainties that can impact our ability to deliver our strategy. While the risks can be numerous, the principal risks faced by the Company in 2015, and valid as of the date of this report's publication and as identified by the Board, are described below along with the corresponding mitigating actions and changes in the risk level during the year.

RISK MANAGEMENT SYSTEM

The Board oversees the risk management process primarily through its Audit Committee which monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and regulatory compliance risks, while, the Human Resource & Remuneration Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of talented functionaries in each area of critical Company operations.

Board and its committees have adopted a set of policies and procedures, to promote a culture of ethics and values and delegate the authority to senior management for implementation of approved policies and procedure.

Senior management assess the risks and place appropriate controls to mitigate these risks.

A continuous cycle of monitoring performance of the implemented controls has been established to identify weaknesses and devising strategic plans for improvement, which has enabled identification of majority of performance risks.

STRATEGIC, COMMERCIAL, OPERATIONAL AND FINANCIAL RISKS

The Company is exposed to the risks identified in the following sections, which are subject to diverse levels of uncertainty against which the Company has implemented effective mitigating strategies as discussed below.

The strategic, commercial, operational and financial risks can emanate from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate aggressive actions from an adversary, or events of uncertain or unpredictable nature.

These key sources of uncertainty in estimation carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Strategic risks

Strategic risks are associated with operating in a particular industry and are beyond our control.

Operational risks

These are risks associated with operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns, changes in Board structure or control failures.

Commercial risks

These risks emanate from the commercial substance of an organization. Cut down in an entity's market share, product price regulation or a new constitutional amendment posing adverse threat to the organization's profitability and commercial viability are a few examples of this risk.

Financial risks

Financial risks are divided in the following categories:

Credit risk

Credit risk is the risk of financial loss to a company if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances. We limit our exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Company has invested in securities with high credit ratings only, management does not expect any counterparty to fail in meeting its obligations.

Market risk

Market risk is the risk that value of financial instruments may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is not exposed to market risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations 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 uses different methods to assist in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand, including lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

PLANS AND STRATEGIES FOR MITIGATING RISKS

Risk	Mitigating strategy
Strategic risk	
The technology employed is or may become obsolete in the near future leaving the Company unable to deliver the required level of expertise and support for consistent growth.	At Mughal steel we believe in regular balancing, modernization and replacements of all our production facilities, ensuring our production facilities are state of the art while utilizing latest technological developments for cost minimization, energy efficiency and output optimization.
Commercial risk	
Decrease in the demand for Company's products may have an adverse impact on its profitability.	At present there is excess demand in Pakistan for iron and steel products. A further increase in demand is expected due to multiple factors including economic growth of the country, renewed focus of the government on public sector development and growing population leading to increased consumption of finished steel goods. We aim to utilize this opportunity by maintaining healthy margins through cost minimization and output optimization.
Competition from business competitors may create a hostile environment for the Company and result in business loss.	Projects of such nature are capital intensive and require specialized technical knowledge to operate. Similarly, procurement of raw material requires considerable experience. These factors act as barriers to entry for new firms. Being in the industry for over 5 decades has enabled Mughal Steel to effectively compete with existing firms in the industry. Moreover, the recent CAPEX to achieve cost efficiency, helped the Company to attain unmatched competitive advantage.
Operational risk	
Increase in employee turnover at critical positions.	The Company has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments.
Gas shortages	The Company has invested in installation of the first ever coal gasification industrial plant in Pakistan that prepares clean syngas, which can be used instead of natural gas in heating processes.

Risk	Mitigating strategy
The Company may not be able to operate at an optimal capacity due to the unavailability of electricity.	The Company has installed a 9.3MW gas-fired power plant. In order to ensure continuous supply, the Company has also installed a captive 132 KVA Grid. Furthermore, the management of the Company is now focusing on the production of electricity through cheaper sources like coal to meet its electricity requirements.
Adverse price movement or no availability of raw materials may deter smooth production.	With an experience of over 5 decades, the Company has developed a Procurement Team who is well versed in acquiring the necessary raw material for production.
IT security risk	IT controls are in place to prevent unauthorized access to confidential information.
Risk of major accidents impacting employees, records and property	Implementation of strict and standardized operating procedures, employee trainings and operational discipline.
Financial risk	
Customers and banks will default in payments to the company.	Most of our sales are either against cash or advance. For credit sales, credit limits have been assigned to customers. Risk of default by banks has been mitigated by placements funds with banks having satisfactory credit ratings.
Insufficient cash available to pay liabilities resulting in a liquidity problem.	The Company has a proactive cash management system. Committed credit lines from banks are also available to bridge a liquidity gap, if any.
Fluctuations in foreign currency rates.	With the Company sales split between export and import, any adverse impact on currency is neutralized through the composition of sales.

POTENTIAL OPPORTUNITIES

We are committed to investing in new projects and increasing the productivity of existing ones for fueling our future growth. We have strengthened the basis for further growth in the coming years by making strategic investments to modernize and improve our existing businesses processes while at the same time developing innovative ideas to support our achievement of company's stated vision.

KEY SOURCES OF UNCERTAINTY

Preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Detail of significant accounting estimates and judgments including retirement benefits, estimation of useful life of property, plant and equipment along with provision for taxation have been disclosed in relevant notes to the annexed financial statements.

MATERIALITY APPROACH ADOPTED

Materiality as a key component of an effective communication with stakeholders. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

MARKET OVERVIEW

MARKET SHARE

The Company has 22% market share for long-rolled residential section products and 18% market share for long rolled reinforcement bar products, making it a leading brand in Pakistan with a diverse customer base and presence in almost all cities of Pakistan.

PROCEDURES ADOPTED FOR QUALITY ASSURANCE OF PRODUCTS

We believe in providing the highest quality and best value for money products. The Company has implemented an extensive and effective quality assurance system for its products.

QUALITY MANAGEMENT SYSTEMS

The Company is ISO-9001:2008 certified and truly implements Quality Management System. The Company manufactures mild steel products based on state of the art technology. While most of Pakistan's Steel manufacturing companies clung to the traditional "Induction Furnaces" and cross country re-rolling mills methods, Mughal Steel pioneered new roads with Ladle Refining Furnace along with Argon Oxygen Decarburizer, direct re-rolling and tandem re-rolling concepts in the country.

The quality of all products is ensured at all stages of the steel making process through systematic and effective adoption, implementation, monitoring and continuous enhancement of quality control systems using latest methods of analysis. All stages of the production process right from the selection of raw materials, processing of materials and the finished product are subjected to rigorous testing, to ensure that each item is of the highest quality.

Invariable standard compliance could not have been possible without an unmatched source of reliability and particularly quality control trained personnel.

Our Laboratory is equipped with traditional chemical and mechanical analytical machines besides the world's renowned Optical Emission Spectrometer of M8 series. The machine is capable of analyzing 43 metal cannels within 3 minutes from sample preparation to complete detail analysis. We have two Universal Testing Machine units (100 tons & 200 tons) to carry mechanical tests such as yield, tensile strength and bend tests on various bars and sections.

CORPORATE GOVERNANCE

COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

At Mughal Steel, we are firmly committed to ensuring the highest level of good governance through voluntary adoption of best business practices and standards. The Board reviews the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of the Code of Corporate Governance. The Board is committed to maintain a high standard of good corporate governance. The Company is fully compliant with all the best practices of code of corporate governance as at June 30, 2015, as otherwise, stated.

DIRECTORS' COMPLIANCE STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Your Directors are pleased to report that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The system is continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- Information regarding outstanding taxes and levies, as required by Listing Regulations, is disclosed in the notes to the financial statements.
- Details of significant changes in the Company's operations during the current year as compared to last year and significant plans and decisions for future, prospects of profits have been disclosed in the relevant areas of this report.
- Key operating and financial data of last four years is annexed.
- During the year six meetings of the Board of Directors and one meeting of the Audit Committee and Human Resource and Remuneration committee were held. Attendance by each director is attached separately.
- Details of training programs attended by the directors is mentioned separately.
- The number of employees as at June 30, 2015 were 575 (2014:416)
- The Company operates an unfunded gratuity scheme, based on the respective audited accounts of June 30, 2015, the total obligation is as under:

  Gratuity obligation 59.652 million

There has been no material changes since June 30, 2014 except as disclosed in this annual report and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended June 30, 2015. The Company has not defaulted in repayment of any debt nor is it likely to default in future.

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

ACTUAL OR PERCEIVED CONFLICT OF INTEREST AMONG BOARD MEMBERS

All the directors exercise their due rights of participation in Board proceedings, which are generally undertaken through consensus. Concerns of the Board members on any agenda point are duly noted in the minutes of the proceedings for further evaluation of actual existence in addition to quantification of any conflict of interest before finalization of any agenda point.

BOARD STRUCTURE AND ITS COMMITTEES

BOARD STRUCTURE

The structure of the board of directors has been formulated with a view to ensure a balance of executive and non-executive directors, including independent directors and those representing minority interests with the requisite skills, competence, knowledge and experience so that the board as a group includes core competencies and diversity, including gender, considered relevant in the context of the company's operations.

The qualification and composition of the Board of Directors has been defined by the regulatory framework, which has been fully implemented by the Company to ensure transparency, good governance and awareness of Board responsibilities for smooth functioning of business operations.

The Board consists of 07 directors, effectively representing the interest of shareholders. There are 05 non-executive directors and 2 executive directors. The non-executive directors include one independent director. The Board comprises of suitably experienced and qualified professionals in order to ensure effective and efficient decision making. Detailed profiles of directors has been stated in the Annual Report. The status of directorship [independent, executive, non-executive] is indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

Following are the Board members along with their status.

S. No.	Name of Directors
1.	Mirza Javaid Iqbal Chairman
2.	Mr. Khurram Javaid Chief Executive Officer / Director
3.	Dr. Salman Ali Shah Director
4.	Mr. Jamshed Iqbal Director
5.	Mr. Mubeen Tariq Mughal Director
6.	Mr. Fazeel Bin Tariq Director
7.	Mr. Mateen Jamshed Director

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The directors are fully aware of the level of trust entrusted in them by the shareholders for managing the affairs of the Company and safeguarding their interests.

The Board participates actively in major decisions of the Company including but not limited to appointment of key management, reviewing the annual business plan, approval of budgets for capital expenditures, investments in new ventures, issuance of shares to raise capital, approval of related party transactions, review of matters recommended / reported by board committees, review of status of any law suits and report on governance, risk management and compliance issues.

The Board also monitors Company's operations by approval of interim and annual financial statements and dividend, review of internal and external audit observations regarding internal controls and their effectiveness.

For the purpose of ensuring consistency and standardization, the Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit Department, which continuously monitors adherence to Company policies.

CHANGES TO THE BOARD

During the year, Mirza Javaid Iqbal resigned from office of Chief Executive Officer and in his place Mr. Khurram Javaid was appointed as the Chief Executive Officer. Mirza Javaid Iqbal was elected by the Board to act as Chairman of the Board of Directors.

Further, one of our Board members resigned from office of directorship. We would like to put on record our appreciation for his valuable contributions made during his tenure as Board member, and for the new member, we take this opportunity to welcome him. We are very hopeful that the new member would, with indigenous initiatives, bring progress and more improvement in the Company.

Abstract u/s 218(b) of the Companies Ordinance, 1984 is annexed to the annual report.

DIRECTORS' REMUNERATION

A formal and transparent procedure for fixing the remuneration packages of the individual directors has been established. As per these procedures and in compliance with legal requirements, no director is involved in deciding his / her own remuneration.

The directors' remuneration packages encourage value creation within the Company. Levels of remuneration are ensured to be appropriate in order to attract and retain directors needed to govern the Company successfully. Non-Executive Directors are paid remuneration as decided by the Board of Directors.

The aggregate amount of remuneration paid to executive and non-executive directors (if any), including salary/fee, benefits and performance-linked incentives etc. has been disclosed in the financial statements.

BOARD COMMITTEES

AUDIT COMMITTEE

Composition of audit committee

Syed Salman Ali Shah
Chairman - Independent Non-Executive director

Mr. Jamshed Iqbal
Member - Non-Executive director

Mr. Fazeel Bin Tariq
Member - Non-Executive director

Mr. Mateen Jamshed
Member - Non-Executive director

During the year only one meeting was conducted which was attended by all the members.

Terms of reference

The Board of Directors has approved the terms of reference of the Audit Committee. The Board provides adequate resources and authority to enable the Audit Committee carry out its responsibilities effectively.

The Audit Committee is, among other things, responsible for determination of appropriate measures to safeguard the listed company's assets, reviewing the quarterly, half yearly and annual accounts, review of management letter issued by external auditors and management's response thereto, ensuring coordination between the internal and external auditors of the listed company, review of preliminary announcements of results prior to publication, reviewing and approving related party transactions, recommending to the Board of Directors the appointment of external auditors by Company's shareholders and considers any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements and consideration of any other issue or matter as may be assigned by the Board of Directors.

In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee. The Chief Financial Officer (CFO), the Chief Internal Auditor (CIA) and the external auditor attend Audit Committee meetings by invitation.

The Committee comprises of four non-executive directors with the Chairperson being an independent non-executive director. The Chairman of the committee is a Ph.D. in Finance from the Kelley School of Business Administration, Indiana University, USA lending significant financial and accounting insight to the proceedings of the Audit Committee. He has also served as the Advisor to the Prime Minister of Pakistan on various fields: Finance, Revenue, Economic Affairs and Statistics.

The Head of Internal Audit has been appointed as secretary of the Audit Committee.

HUMAN RESOURCE AND REMUNERATION COMMITTEE.

Composition of human resource and remuneration committee.

Mirza Javaid Iqbal
Chairman - Non-Executive director

Mr. Jamshed Iqbal
Member - Non-Executive director

Mr. Mateen Jamshed
Member - Non-Executive director

Mr. Khurram Javaid
Member - Chief Executive / Director

During the year only one meeting was conducted which was attended by all the members.

The Human Resource and Remuneration Committee comprises of three non-executive directors and Chief Executive Officer. They are not connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment. The Chief Executive Officer as member of HR&R Committee does not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.

Terms of reference

The role of the Human Resources & Remuneration Committee is to assist the Board of Directors in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement emoluments. The Committee recommends any adjustments, which are fair and required to attract / retain high caliber staff, for consideration and approval.

The Committee is responsible for:

- Recommending human resource management policies to the board
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO or COO.

MEETINGS OF THE BOARD OF DIRECTORS

Legally, the Board is required to meet at least once per quarter to monitor the Company's performance aimed at effective and timely accountability of its Management.

Special meetings are also called to discuss other important matters on required basis.

The Board held 6 meetings during the year, the notices / agendas of which were circulated in advance, in a timely manner.

Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, and were duly circulated to all the directors for endorsement and were approved in the subsequent Board meetings. All meetings of the Board during the year had attendance more than requisite quorum prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary.

During the year under review, six meetings of the Board of Directors were held. Attendance by each Director was as follows:-

S. No.	Name of Directors	No. of meetings attended
1.	Mirza Javaid Iqbal	6
2.	Mr. Khurram Javaid	6
3.	Dr. Salman Ali Shah	5
4.	Mr. Jamshed Iqbal	6
5.	Mr. Mubeen Tariq Mughal	6
6.	Mr. Fazeel Bin Tariq	6
7.	Mr. Mateen Jamshed	5
8.	Mr. Fahad Javaid	1

No meetings were held outside Pakistan during the year.

Mr. Fahad could only attend 1 meeting due to his subsequent resignation. Leave of absence was granted to remaining directors for not attending any meeting.

ANNUAL EVALUATION OF BOARD PERFORMANCE AND EVALUATION CRITERIA FOR BOARD PERFORMANCE

Corporate governance requires boards to have effective processes and to evaluate their performance and appraise directors at least once a year.

The Board of Directors has put in place a mechanism for undertaking annual evaluation of the performance of the Board. The mechanism evaluates as to how the directors work as a team; what are their interpersonal skills; is the chairman an effective leader; do all directors contribute; what is the level of commitment (preparedness, engagement, absenteeism); is the board objective in acting on behalf of the company; is it robust in taking and sticking to difficult decisions; are decisions reached by the whole board; do decisions take account of shareholders' views; are there any "unmanaged" conflicts of interest etc.

When completing the performance evaluation, Board considers the following main performance evaluation process or behavior:

- Has the board set itself clear performance objectives and how well has it performed against them?
- What has been the whole board's contribution to the testing and development of strategy?
- What has been the board's contribution to ensuring robust and effective risk management?
- Is the composition of the board and its committees appropriate with the right mix of knowledge and skills sufficient to maximize performance in the light of future strategy?
- How has the board responded to

- any problems or crises that have emerged and could or should they have been foreseen?
- What is the relationship between the board and its main committees and between the committees themselves?
- How well does the board communicate with the management team, company employees and others? How effectively does it use mechanisms such as the AGM, the business review and the annual report?
- Is the board as a whole up to date with latest developments in the regulatory environment and the market?

OFFICES OF THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

As part of our governance structure, the position of the Chairman of the Board of Directors and the office of the Chief Executive Officer are held separately, with clear division of roles and responsibilities.

BRIEF ROLE & RESPONSIBILITIES OF CHAIRMAN & CEO

The Chairman represents the non-executive directors of the Board and is entrusted with the leadership of the Board's proceedings. The Chairman acts as the head of the Board meetings and is responsible for avoidance of conflicts of interests. He has the power to set the agenda, give directions and sign the minutes of the Board meetings. The Chairman is also responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual directors. The Chairman ensures effective role of the Board in fulfilling all its responsibilities.

The CEO is an executive director who also acts as the head of the Company's Management. He is entrusted with responsibility of:

- Safeguarding of Company assets
- Creation of shareholder value
- Identification of potential diversification / investment projects
- Implementation of projects approved by the Board
- Ensuring effective functioning of the internal control system
- Identifying risks and designing mitigation strategies
- Preservation of the Company's image
- Development of human capital and good investors' relations
- Compliance with regulations and best practices

CEO PERFORMANCE REVIEW

The performance of the CEO is regularly evaluated by the Board of Directors. The performance evaluation is based on the criteria defined by the Board of Directors which includes various financial and non-financial key performance indicators. The Board periodically evaluates the actual performance against those KPIs during the year and discusses the future course of action to attain the Company's stated goals. The CEO also appraises to the Board regarding an assessment of senior management and their potential to achieve the objectives of the Company.

FORMAL ORIENTATION AT INDUCTION

Each new member of the Board is taken through a detailed orientation process at the time of induction, and is trained extensively for enhancement of management skills. A formal familiarization program mainly features amongst other things giving briefing relating to the Company's visions and strategies, company's core competencies, organizational structure and other related parties, major risks both external and internal, including legal and regulatory risks and constraints, role and responsibility of the director as per the Companies' Ordinance, including Code of Corporate Governance and any other regulatory laws applicable in Pakistan along with an overview of the strategic plans, marketing analysis, Forecasts, budget and 5 year business plans etc.

DIRECTORS' TRAINING PROGRAM

All directors are professionals and senior executives who possess wide experience and awareness of duties of Directors. Nevertheless, training and orientation courses are an ongoing process and the Company intends to comply with the Director's training and orientation courses as required by CCG and completion of certification in the succeeding year. In this regard, the Company will subsequently ensure enrollment of all its directors for Directors Training Program from a recognized institute that meets the criteria specified by the SECP. Further, the Directors have also provided declarations that they are aware of their duties, powers and responsibilities under relevant laws and regulations.

ISSUES RAISED AT LAST AGM

No issues were raised at the last annual general meeting of the Company.

TRANSACTION / TRADE OF COMPANY'S SHARES

Board has reviewed the threshold for disclosure of interest by executives holding of Company's shares which includes Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary.

However, the none of the Directors or executives including Chief Executive Officer did not make any transaction in Company's shares including their spouses and minor children.

REVIEW OF RELATED PARTY TRANSACTIONS

In compliance with the Code of Corporate Governance and applicable laws & regulations, details of all related party transactions are placed before the Audit Committee and upon recommendations of
the Audit Committee, the same are placed before the Board for review and approval.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

Periodic financial statements of the Company during 2015 were circulated to directors, duly endorsed by the CEO and the Chief Financial Officer. Quarterly financial statements of the Company, are approved, published and circulated to shareholders on timely basis. The annual financial statements have been audited by the external auditors and approved by the Board and will be presented to the shareholders in the Annual General Meeting for approval. Other non-financial information to be circulated to governing bodies and other stake holders were also delivered in an accurate and timely manner.

AUDITORS

The present auditors of the Company M/s. Fazal Mahmood & Co., Chartered Accountants audited the financial statements of the Company and have issued report to the members. The auditors will retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board has recommended the appointment of M/s. Fazal Mahmood &Co., Chartered Accountants as auditors for the ensuing year, as suggested by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

PATTERN OF SHAREHOLDING

During the year, the Sponsor's, Directors and Executives of the Company held the following number of shares:

Sponsors / Directors	82,041,053
Directors	100
Executives	Nil

Detailed pattern of shareholding of the Company in accordance with the Companies Ordinance, 1984 and Code of Corporate Governance as at June 30, 2015 is annexed.

QUALIFICATION OF CFO AND HEAD OF INTERNAL AUDIT

The Chief Financial Officer and the Head of Internal Audit possess the requisite qualifications and experience as prescribed in the Code of Corporate Governance.

WHISTLE BLOWING POLICY

As part of our firm commitment to highest standards of ethical, moral and legal business conduct and in line with our policy towards open communication, we have devised a transparent and effective whistle blowing mechanism for sounding of alerts against deviations from policies, controls, applicable regulations, or violation of the code of professional ethics / conduct. The aim is to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing.

The Whistle Blowing Policy is applicable to all employees, management & the Board and extends to every individual associated with the Company including contractors, suppliers, business partners and shareholders etc., who can participate effectively and in confidentiality, without fear of reprisal or repercussions.

If an employee has a reasonable belief that anyone has engaged in any action that violates any applicable law, or regulation, the employee is required to report concerns directly to immediate supervisors. However, where reporting to supervisors is impracticable, the level may be raised to the senior management. The policy has been designed to encourage all stakeholders to raise questions and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

The Policy covers unethical conduct, offence, breach of law or failure to comply with legal obligations and possible fraud / corruption. Due emphasis has also been placed on health, safety and environmental risks. Inappropriate or malicious reporting leading to wrongful convictions have been specifically forbidden, with clear definition of consequences for the persons making wrongful accusations.

No material incidence was reported to the Audit Committee during the year regarding improprieties in financial, operating, legal or other matters.

HUMAN RESOURCE MANAGEMENT

Human Resource Management (HRM) is an integral part of our business strategy. The Company fosters leadership, individual accountability and teamwork.

The main objectives of the Company's HRM policy are:

- Selecting the right person, with the right experience, at the right time and offering the right compensation.
- Developing Management philosophies and practices to promote and encourage motivation and retention of the best employees.
- Recognizing and rewarding employees' contribution to the business.
- Fostering the concept of team work and synergetic efforts.
- Encouraging and supporting team concepts and team building techniques.
- Nurturing a climate of open communications between management and employees.
- Making all reasonable efforts to achieve a high quality of work-life balance.

SUCCESSION PLANNING

The Company believes in proactive approach towards succession planning. We recruit employees, develop their knowledge, skills, abilities, and prepare them for advancement or promotion into ever more challenging roles. Rigorous succession planning is also in place throughout the organization. Succession planning ensures that employees are constantly developed to fill each needed role. We look for people who exemplify continuous improvement when we are spotting future successors.

The desired results of the succession planning program are to:

- Identify high-potential employees capable of rapid advancement to positions of higher responsibility than those they presently occupy.
- Ensure the systematic and long-term development of individuals to replace key job incumbents as the need arises due to deaths, disabilities, retirements, and other unexpected losses.
- Provide a continuous flow of talented people to meet the organization's management needs.
- Meet the organization's need to exercise social responsibility by providing for the advancement of protected labor groups inside the organization.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

The Social and Environmental Responsibility Policy reflects the Company's recognition that there is a strong, positive correlation between financial performance and corporate, social and environmental responsibility. We are committed to act responsibly towards the community and environment for our mutual benefit.

Our Social and Environmental practices have been elaborated in the section relating to 'Corporate Social Responsibility', with the following distinct features:

- Community investment & welfare schemes
- Rural development programs
- Corporate Social Responsibility
- Environmental protection measures
- Occupational health & safety
- Business ethics & anti-corruption measures
- Consumer protection measures
- Energy conservation
- Industrial relations
- Employment of special persons
- National cause donations
- Contribution to National Exchequer

INVESTORS' GRIEVANCES POLICY

Investor queries and complaints constitute an important voice of Investor, and this policy details grievance handling through a structured grievance framework. Grievance policy is supported by a review mechanism, to minimize the recurrence of similar issues in future. The Company's Grievances policy follows the following principles:

- Investors are treated fairly at all times.
- Complaints raised by Investors are dealt with courtesy and in a timely manner.
- Investors are informed of avenues to raise their queries and complaints within the organization, and their rights if they are not satisfied with the resolution of their complaints.
- Queries and complaints are treated efficiently and fairly.
- The Company's employees work in good faith and without prejudice, towards the interests of the Investors.

STAKEHOLDERS' ENGAGEMENT

The development of sustained stakeholder relationships is paramount to the performance of any company. From short term assessments to longer term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Company.

Our stakeholders and how we engage them

Below is a list of our stakeholders, why they and their concerns are important and how we engage with each group:

Stakeholder group	Why are they important
Customers	Provide markets for our products
	Provide revenue without which the business could not function
Employees	Integral to delivery on our strategic objectives
	Provide skilled labour to produce and market our products
	Our most important and valued ambassadors
Government	Develop legislation and policies that impact the environment in which we operate
	Have the ability to grant or revoke licenses necessary to operate
Shareholders	We are accountable to shareholders who expect returns on their investments
	Influence decisions taken by the board
Suppliers	Directly influence raw material and other input costs
	Reliable delivery impacts our ability to deliver customer needs and expectations
Local communities	Live in the vicinity of our operations, their environment and employment opportunities being directly impacted by our business
	Direct beneficiaries of our corporate social investments and economic opportunities presented by our operations
Bankers	Provide financing for our projects
Media & analysts	Has the potential to influence public perception and brand reputation

The frequency of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, contractual obligations or on requirements basis.

INVESTORS' RELATIONS SECTION ON WEBSITE

Detailed Company information regarding financial highlights, investor information, share pattern/value 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. In order to promote investor relations and facilitate access to the Company for grievance / other query registration, an 'Investors' Relations' section has also been introduced on our website www.mughalsteel.com.

INFORMATION TECHNOLOGY

IT GOVERNANCE POLICY

At Mughal Steel we are strongly committed in continuously exploring the prospects of implementing the best and latest IT technologies and infrastructure to enable efficient and timely decision making, in addition to economizing on the costs related to operating and decision making processes.

We have a properly documented and implemented IT Governance Policy to define the IT governance scope, and its roles and responsibilities. IT Governance policy consists of the following:

- Providing an organized decision making process around IT investment decisions.
- Influencing development and design of technology services, policies and solutions.
- Promoting governance, transparency, accountability and dialogue about technology that facilitates effective strategy adoption.
- Ensuring compatibility, integration and avoiding redundancy.
- Maximizing return on technology investment and controlling spending
- Securing the Company's data.
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business.
- To create a culture of paperless environment within the Company.

REVIEW BY THE BOARD OF BUSINESS CONTINUITY & DISASTER RECOVERY PLAN

The Company' Business Continuity & Disaster Recovery plan is regularly reviewed by the Board of Directors to ensure that critical business functions will be available to all the stakeholders that have access to those functions even under extraordinary circumstances and includes measures and arrangements to ensure the continuous delivery of critical services and products, which permits the organization to recover its facility, data and assets, identification of necessary resources to support business continuity, including personnel, information, equipment, financial allocations, legal counsel, infrastructure protection and accommodations in such circumstances.

The primary activities of the Board for the execution of the plan include but not limited to developing and maintaining a formal plan that is responsive to the Company's business needs and operating environment, ensuring that the business continuity recovery team includes representatives from all business units, providing ongoing business continuity training to all employees including the executive management and the board, ensuring that thorough current business impact analysis and risk assessments are maintained and ensuring a centralized executive view of the business continuity plan and programs.

POLICY FOR SAFETY & SECURITY OF RECORDS

Safety and security of IT data / record is ensured through effective implementation of the Company's policy for "Safety of Records' which includes access controls by way of security codes/passwords etc., in addition to establishment of on-site and remote reserve sites to maintain real-time backup of all primary data.

CORPORATE SOCIAL RESPONSIBILITY

THE SUSTAINABILITY CHALLENGE

2015 was a year in transition and we have some exciting new developments to share. In this report we present a new framework, focusing on various sustainable development outcomes we will work to achieve. Over the course of 2015, we worked hard to develop these, looking at what is material to us and viewing these issues through the lens of long-term social and environmental trends as well as the current operating context of our business.

As you will see, we are only at the start of our journey towards achieving our outcomes, but we are energized about their potential to generate sustainability and business improvements.

CORPORATE / SOCIAL RESPONSIBILITY

The aim is to become a Company that is accepted by the society. Throughout our business process, we impact the society in many ways, striving to be a good corporate citizen and believing in giving back to the society. For community investment and welfare, the Company acknowledges its responsibility towards society. Giving away our share of kindness is not a part of a philanthropic endeavor, but a larger social responsibility that the society itself has entrusted upon us.

Throughout our business process we gladly look for ways through which we may extend a helping hand towards the society. In an attempt to fulfill this responsibility we have successfully launched, social and health welfare projects.

Mughal Steel has been part of various projects, the primary one being the Mughal Eye Hospital (Trust) that is entirely devoted to curtail the increasing blindness in Pakistan. To date it has benefitted 100,000 outdoor patients and has conducted 10,000 major surgeries, 15,000 minor surgeries and 5,000 laser surgeries, approximately on annual basis.

ENERGY CONSERVATION

The Company is firmly committed to efficient use of limited energy resources. In this regard, gas and electricity is being produced at Mughal Steel. Further, successful turnaround in form of new energy efficient furnaces and rolling mills have brought desired results of efficient performance in addition to overall improvement in energy consumption indices.

The efforts of the Company for energy conservation have also been recognized by the Ministry of Industries, Engineering Development Board, FPCCI and other industrial forums of the country particularly for its contribution to energy efficiency measures.

ENVIRONMENTAL PROTECTION MEASURES

The production of steel is grossly dependent on large amount of coal feedstock that releases clouds of carbon dioxide emissions in the atmosphere. Clean coal technology is an efficient technology which reduces the emissions of Sulfur Dioxide and Nitrogen Dioxide resulting in plant efficiency.

During 2014, Mughal Steel met another milestone through the induction of clean coal technology. The Company is the pioneer in augmenting the utilization of coal gasification also known as the clean coal technology introduced in the industrial sector of Pakistan. The coal gasification not only yields efficiency in production and reduces the operating cost, but also accredits the company in fulfilling its strong commitment towards environmental sustainability. This has further strengthened the image of Mughal Steel as an environmental sensitive company that operates in compliance to the international health and environmental standards which has encouraged the company to invest in the clean coal technology.

COMMUNITY INVESTMENT & WELFARE SCHEMES

The Company has a strong tradition of good community relations. We believe that investing in our communities is an integral part of our social commitment to ensure the sustained success of the Company. We aim to ensure that our business and factory have the resources and support to identify those projects, initiatives and partnerships that make a real difference in their communities and that mean something to employees and their families. Wedding ceremonies are arranged for

underprivileged individuals of the society. Educational scholarships also are given to needy students who have shown praiseworthy academic performance.

CONSUMER PROTECTION MEASURES

The Company takes care and applies appropriate procedures to manufacture steel products so as to ensure that no harmful substances are present in its products. The Company has strict policy to control any activity which is against the consumer rights.

INDUSTRIAL RELATIONS

The Company has set procedures, rules and regulations which regulate employment guidance. The Company has allocated Gratuity and Worker's Profit Participation Fund for its employees. The Company also pays bonuses to employees on the basis of Company's profitability and also awards performance incentives to star performers.

Employees are required to ensure compliance with regulations and the Company fully recognizes employee rights including the Collective Bargaining Agent (CBA). The Company is committed to provide equal opportunity to all existing and prospective employees without any discrimination on the basis of religion, gender, race, age etc. The Company also organizes rewards and recognition programs for acknowledgment of work done by its employees.

EMPLOYMENT OF SPECIAL PERSONS

The Company ensures employment of disabled persons in compliance with the rules set out by the Government of Pakistan which is 2% quota of the total workforce necessitated to be allocated to disabled persons.

The Company has employed disabled persons in accordance with the requirement.

OCCUPATIONAL HEALTH & SAFETY (OHS)

We are firmly committed to maintaining a safe and healthy working environment for our employees. Health management involves strengthening our employees' physical, mental and social wellbeing. We ensure that occupational safety is upheld by contract workforce through Code of Conduct for contractors.

A free medical Centre has been established at site providing medical facilities to the employees. Keeping in view the occupational health of employees, regular first aid and CPR training programs are conducted to ensure safe health of workers.

BUSINESS ETHICS & ANTICORRUPTION MEASURES

The Company ensures ethical compliance with all regulatory and governing bodies while conducting its operations.

The Company has formulated various polices including "Code of Conduct", "Whistle Blowing Policy" and "Policy on Sexual Harassment". The Company ensures effective implementation of these polices through its training, management standards and procedures, with an aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Employees are encouraged to report any "kickbacks" deals. No employee is allowed to run a parallel business.

NATIONAL CAUSE DONATIONS

The company encourages contributing to the national cause in the form of donations to Government Schemes.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company has contributed an amount of Rs. 300.922 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to Rs. 1.636 million.

RURAL DEVELOPMENT PROGRAMMES

The Company is working hard to initiate and sustain rural development programs for the enhancement of health of the rural population along with infrastructure development of the areas.

MITIGATING EFFORTS TO CONTROL INDUSTRY EFFLUENTS

In order to mitigate the effects of industrial effluents on surrounding environment, the Company is putting forth all efforts for providing healthy environment to employees and natives.

ENERGY SAVING MEASURES TAKEN BY THE COMPANY

At Mughal Steel our main priority is efficient use of limited energy resources available. Successful operations of new energy efficient melting furnaces and re-rolling mills have contributed towards efficient performance in addition to overall improvement in energy consumption.

FUTURE PROSPECTS / FORWARD LOOKING STATEMENT

The growth and profitability of the Company is dependent upon a number of external factors such as economic development, political stability, consistent economic policies with improved law and order situation of the country. The year under review was by far the best performing year in the history of the Company. The Company successfully managed to achieve its desired objectives in terms of growth, innovation, profitability, efficiency and governance. The trend is expected to remain consistent in the upcoming period as a result of increase in demand of steel for public sector projects like small dams, roads and bridges together with increase in construction activities in the private sector giving a boost to steel consumption.

The Company's growth strategy has enabled it to keep investing in opportunities which would continue to bring in scale of economies and energy efficiency resulting in increase shareholder value in the years to come. The initiatives of the Government which include infrastructure development across the country will continue to be fruitful for your Company. The key aspiration for the management in the years to come will not only to maintain the current performance standards but to add more feathers to the consistent track record of the Company.

The Company's export sales might decrease as a result of fall in export rates which may marginally affect exports. However, increase in local demand could nullify the ill effects of fall in exports. Further, local sales is also expected to increase as a result of infrasturture development due to Pak-China Economic Corridor.

Efficiency and cost reduction efforts continue to be the main focus in all operational areas and the Company has adopted various strategies to reduce cost including use of alternative fuels and optimized operations of the plant.

The Board is committed to provide sustained returns to our shareholders, in addition to maintaining our reputation for good governance.

ACKNOWLEDGEMENTS

The directors endorse the contents of the Chairman and Chief Executive Officer's message.

The Board expresses its gratitude for the efforts of all its employees, executives, workers and stakeholders which enabled the management to run the Company smoothly throughout the year. It is expected that the same co-operation would be forthcoming in future years.

On behalf of the Board

Mirza Javaid Iqbal
Chairman of the Board

Lahore: September 30, 2015

ABSTRACT UNDER SECTION 218(B) OF THE COMPANIES ORDINANCE, 1984

Pursuant to the provisions of Section 218(b) of the Companies Ordinance, 1984, the members of the Company are notified that the Board of Directors in their meeting held on December 09, 2014 has approved the following remuneration packages of below mentioned directors w.e.f. July 01, 2014:

Name	Designation	Remuneration / Benefits
Mirza Javaid Iqbal	Chairman / Non-Executive Director	Rs. 450,000/- per quarter salary along Director with reimbursement of expenses, if any.
Khurram Javaid	Chief Executive / Director	Rs. 500,000/- per month salary with company maintained car and reimbursement of expenses, if any.
M. Mubeen Tariq Mughal	Executive Director	Rs. 500,000/- per month salary with company maintained car and reimbursement of expenses, if any.
Dr. Salman Ali Shah	Independent Director	Reimbursement of expenses along with meeting fee of Rs. 5,000/- per meeting.
Jamshed Iqbal	Non-Executive Director	Rs. 450,000/- per quarter salary along with reimbursement of expenses, if any.
Fazeel Tariq Mughal	Non-Executive Director	Rs. 450,000/- per quarter salary along with reimbursement of expenses, if any.
Mateen Jamshed	Non-Executive Director	Rs. 450,000/- per quarter salary along with reimbursement of expenses, if any.

The above remunerations shall be subject to such increments, bonuses, adjustments and other entitlements as may be granted from time to time by the Board of Directors of the Company and/or in accordance with the policies and the service rules of the Company for the time being in force. The above directors who are also shareholders have interest to the extent of their respective remuneration / benefits to which they are entitled.

Further, Mr. Mirza Javaid resigned from office of Chief Executive Officer while in his place Mr. Khurram Javaid was appointed as Chief Executive Officer for the remaining term. Mr. Fahad Javaid has resigned from the office of directorship as the executive director and in his place Mr. Mateen Jamshed has been appointed by the Board of Directors as non-executive director of the Company with effect from September 03, 2014 for the remaining tenure.

HORIZONTAL ANALYSIS

	2015 Rs. in '000	15 vs 14 %	2014 Rs. in '000	14 vs 13 %	2013 Rs. in '000	13 vs 12 %	2012 Rs. in '000	12 vs 11 %	2011 Rs. in '000	11 vs 10 %
Balance Sheet										
Total equity	3,641,544	101.97	1,803,026	90.09	948,509	29.19	734,194	17.04	627,308	100.00
Total non-current liabilities	1,016,158	(38.50)	1,652,370	10.14	1,500,230	27.58	1,175,926	208.27	381,458	100.00
Total current liabilities	6,811,927	88.26	3,618,325	138.00	1,520,279	(28.42)	2,123,833	7.96	1,967,245	100.00
Total equity & liabilities	11,469,629	62.14	7,073,721	78.22	3,969,018	(1.61)	4,033,953	35.55	2,976,011	100.00
Total non-current assets	3,305,952	14.62	2,884,382	17.99	2,444,507	32.02	1,851,684	78.97	1,034,605	100.00
Total current assets	8,163,677	94.87	4,189,339	174.80	1,524,511	(30.14)	2,182,269	12.41	1,941,406	100.00
Total assets	11,469,629	62.14	7,073,721	78.22	3,969,018	(1.61)	4,033,953	35.55	2,976,011	100.00
Profit and Loss Account										
Sales	12,241,272	104.95	5,972,673	52.03	3,928,514	7.41	3,657,422	21.63	3,006,891	100.00
Cost of Sales	10,957,166	108.92	5,244,696	47.57	3,553,974	5.81	3,358,903	22.58	2,740,120	100.00
Gross profit	1,284,106	76.39	727,977	94.37	374,540	25.47	298,519	11.90	266,771	100.00
Distribution cost	61,847	4.38	11,489	(0.41)	19,397	0.37	14,128	0.84	7,666	100.00
Administrative expenses	116,838	0.48	79,142	0.02	77,675	0.48	52,610	(0.09)	57,914	100.00
Other charges	45,188	0.75	25,779	3.18	6,161	0.01	6,079	0.25	4,859	100.00
Other operating income	(14,776)	3.03	(3,663)	(0.34)	(5,529)	(0.70)	(18,703)	(0.08)	(20,435)	100.00
	209,096	0.85	112,747	0.15	97,704	0.81	54,114	0.08	49,997	100.00
Profit from operations	1,075,010	0.75	615,230	1.22	276,836	0.13	244,405	0.13	216,774	100.00
Finance costs	350,032	0.61	217,600	0.43	152,271	0.12	135,394	(0.11)	151,309	100.00
Profit before taxation	724,978	0.82	397,630	2.19	124,565	0.14	109,011	0.67	65,465	100.00
Taxation	3,616	(0.47)	6,770	(3.19)	(3,096)	(2.46)	2,115	(0.91)	23,760	100.00
Profit after taxation	721,361	0.85	390,860	2.06	127,661	0.19	106,896	1.56	41,705	100.00

VERTICAL ANALYSIS

	2015 Rs. in '000	%	2014 Rs. in '000	%	2013 Rs. in '000	%	2012 Rs. in '000	%	2011 Rs. in '000	%
Balance sheet										
Total equity	3,641,544	31.75	1,803,026	25.49	948,509	23.90	734,194	18.20	627,308	21.08
Total non-current liabilities	1,016,158	8.86	1,652,370	23.36	1,500,230	37.80	1,175,926	29.15	381,458	12.82
Total current liabilities	6,811,927	59.39	3,618,325	51.15	1,520,279	38.30	2,123,833	52.65	1,967,245	66.10
Total equity & liabilities	11,469,629	100.00	7,073,721	100.00	3,969,018	100.00	4,033,953	100.00	2,976,011	100.00
Total non-current assets	3,305,952	28.82	2,884,382	40.78	2,444,507	61.59	1,851,684	45.90	1,034,605	34.76
Total current assets	8,163,677	71.18	4,189,339	59.22	1,524,511	38.41	2,182,269	54.10	1,941,406	65.24
Total assets	11,469,629	100.00	7,073,721	100.00	3,969,018	100.00	4,033,953	100.00	2,976,011	100.00
Profit and Loss Account										
Sales	12,241,272	100	5,972,673	100.00	3,928,514	100.00	3,657,422	100.00	3,006,891	100.00
Cost of Sales	10,957,166	89.51	5,244,696	87.81	3,553,974	90.47	3,358,903	91.84	2,740,120	91.13
Gross profit	1,284,106	10.49	727,977	12.19	374,540	9.53	298,519	8.16	266,771	8.87
Distribution cost	61,847	0.51	11,489	0.19	19,397	0.49	14,128	0.39	7,666	0.25
Administrative expenses	116,938	0.95	79,142	1.33	77,675	1.98	52,610	1.44	57,914	1.93
Other charges	50,188	0.41	25,779	0.49	6,161	0.17	6,079	0.18	4,852	0.18
Other operating income	(14,776)	(0.12)	(3,663)	(0.06)	(5,529)	(0.14)	(18,703)	(0.51)	(20,435)	(0.68)
	209,098	1.71	112,747	1.89	97,704	2.49	54,114	1.48	49,997	1.66
Profit from operations	1,075,010	8.78	615,230	10.30	276,836	7.05	244,405	6.68	216,774	7.21
Finance costs	350,032	2.86	217,600	3.64	152,271	3.88	135,394	3.70	151,309	5.03
Profit before taxation	724,978	5.92	397,630	6.66	124,565	3.17	109,011	2.98	65,465	2.18
Taxation	3,616	0.03	6,770	0.11	(3,096)	(0.08)	2,115	0.06	23,760	0.79
Profit after taxation	721,362	5.89	390,860	6.54	127,661	3.25	106,896	2.92	41,705	1.39

SUMMARY OF CASH FLOW STATEMENT

	2015	2014	2013	2012	2011
Cash generated from / (used in) operations	2,348,439	(1,508,589)	740,876	533,284	249,889
Long term security deposits	(75)	561	(857)	22,446	(25,390)
Finance cost paid	(347,323)	(205,149)	(164,327)	(139,654)	(106,930)
Workers' profit participation fund paid	(20,928)	(6,161)	(6,080)	(3,516)	-
Retirement benefits paid	(3,727)	(384)	-	-	-
Profit received	-	-	-	1,016	-
Income tax paid	(760,107)	(116,416)	(63,812)	(43,965)	(114,460)
Increase in long-term loans to employees	(722)	-	-	-	-
Net cash generated from operating activities	1,715,557	(1,836,139)	505,801	(785,520)	1,677,360
Payments for capital work in progress		-	(503,896)	(364,094)	(339,035)
Sale proceeds from disposal of short term investments		-	22,407	-	-
'Held-to-maturity' investments made during the year - net	(524,620)	-	-	-	-
Profit received on 'held-to maturity' investments	3,755	-	-	-	-
Sale proceeds from disposal of available for sale investments	-	438	-	(14,607)	(7,800)
Payments for capital expenditure	(514,808)	(518,691)	(136,187)	(497,882)	(25,963)
Payments to acquire long term investments	-	-	-	-	1,000
Proceeds from disposal of property, plant & equipment	2,610	-	-	-	2,000
Net cash used in investing activities	(1,033,063)	(518,252)	(617,676)	(876,583)	(369,798)
Long term financing - net	(470,177)	637,493	(44,718)	94,521	268,329
Long term loans from related parties - net	-	-	405,296	731,339	138,795
Share issue cost	(52,900)	(1,501)	87,417	-	-
Short term borrowings -net	(1,039,403)	1,630,790	1,070,950	1,322,907	460,251
Proceeds from issuance of ordinary shares	929,900	-	-	-	-
Net cash used in financing activities	(632,579)	2,266,783	1,518,945	2,148,767	867,376
Net increase / decrease in cash and cash equivalents	49,914	(87,609)	336,120	(104,310)	34,160
Cash and cash equivalents at the beginning of the year	(512,331)	(424,722)	(1,303,116)	124,101	89,941
Cash and cash equivalents at the end of the year	(462,417)	(512,331)	(966,996)	19,791	124,101

COMMENTS ON FIVE YEARS ANALYSIS

COMMENTS ON HORIZONTAL ANALYSIS

Balance sheet

Total equity showed an increasing trend from year 2011 due to continuous improvement in profitability of the company on account of increased sales revenue and further injection of equity.

Total non-current liabilities and current liabilities also showed decreasing trend from year 2011 mainly due to repayments of long-term loans over the period and effective management of short-term borrowings due to enhanced profitability.

Profit & Loss Account

Turnover increased over the years from 2011 to 2015, due to increase in sales prices and sales volume.

Gross Profit has been remarkably increased over the years due to increase in margins on account of better sale prices and cost efficiencies. However, gross profit decline in 2015 due to imposition of regulatory duty on import of billet.

Finance cost has shown increasing trend mainly due to increase in working capital requirements and debt financing of capital expenditure.

Profit before taxation improved on account of increased margins and sale revenue.

Profit after taxation decreased in current year as compared to previous years mainly due related deferred tax provision.

COMMENTS ON VERTICAL ANALYSIS

Balance sheet

Debt Equity Ratio showed continuous improvement over the years as the Company's equity share was increased over the years due to high profits on account of better margins and reduction in debts on account of repayments.

A continuous improvement in liquidity position of the company observed over the years. Current assets were 70% of total assets of the company in year 2015 as compared to 59% in year 2014. Current ratio has improved to 1.20 in year 2015 which was 0.99 in year 2011.

Profit & Loss Account

Gross profit %age increased to 10.49% in year 2015 which was lowest in year 2011 i.e. 8.87%. This growth over the years was mainly due to increase in sales prices, effective mix of local and export sales and various cost efficiency measures. However, gross profit decline in 2015 due to imposition of regulatory duty on import of billet.

Net profits of the Company has increased from 1.39% in year 2011 to 5.89% in year 2015 due to increased GP margins.

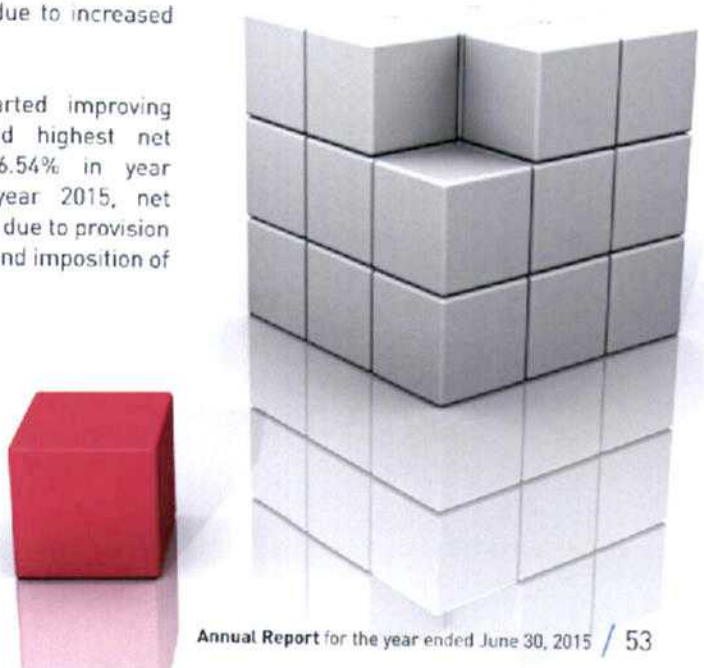
Profit after tax started improving from year 2012 and highest net profit %age was 6.54% in year 2014. However, in year 2015, net profit %age declined due to provision of deferred taxation and imposition of regulatory duty.

COMMENTS ON CASH FLOW STATEMENTS

Net cash generated from operating activities showed a mix trend during five years. However, 2015 cash generated from operations amounted to Rs. 1,715.556 million mainly due to improving profitability on account of increased sales volumes, improved retention and efficient cost management.

Net cash used in investing activities depicted cash utilization on account of fixed capital expenditure. Moreover, in current year fixed capital expenditures increased mainly due to procurement of new furnaces. The trend depicts managements strong focus on re-investing in the Company to refuel it growth and expansion ideology.

Net cash used in financing activities exhibited an increasing trend on account of repayments of debt payments in 2015. Cash & cash equivalents also showed a mix trend over the years.



ANALYSIS OF FINANCIAL RATIOS

	2015	2014	2013	2012	2011
Profitability Ratios					
Gross profit ratio	10.49%	12.19%	9.53%	8.16%	8.87%
Net profit to sales	5.89%	6.54%	3.25%	2.92%	1.39%
EBITDA margin to sales	9.52%	11.59%	8.36%	7.30%	7.82%
Operating leverage ratio	0.71	2.35	1.79	0.59	1.00
Return on equity	19.81%	21.68%	13.46%	14.56%	6.65%
Return on capital employed	17.31%	12.62%	5.55%	6.91%	3.86%
Liquidity Ratios					
Current ratio	1.20	1.16	1.00	1.03	0.99
Quick / Acid test ratio	0.46	0.36	0.60	0.67	0.54
Cash to current liabilities	0.07	0.03	0.07	0.01	0.06
Cash flow from operations to sales	0.14	(0.31)	0.13	(0.21)	0.56
Activity / Turnover Ratios					
Inventory turnover ratio	23.59	17.44	69.90	49.42	31.17
No. of days in Inventory	15.47	20.93	5.22	7.39	11.71
Debtor turnover ratio	26.70	13.50	4.10	2.97	17.12
No. of days in Receivables	13.67	27.04	89.05	122.78	21.32
Creditor turnover ratio	2.90	3.15	3.64	3.62	3.17
No. of days in payables	125.98	115.74	100.31	100.75	115.12
Total Assets turnover ratio	1.07	0.84	0.99	0.91	1.01
Fixed assets turnover ratio	3.73	2.08	1.62	1.99	3.02
Operating cycle	(96.83)	(67.76)	(6.04)	29.42	(82.10)
Investment / Market Ratios					
Earnings per share	8.12	4.76	1.72	1.46	1.42
Price earnings ratio	6.93	-	-	-	-
Market value per share					
- Closing	56.24	-	-	-	-
- High	69.31	-	-	-	-
- Low	35.69	-	-	-	-
Break up value per share	33.10	16.17	11.56	12.52	10.7
Capital structure ratios					
Financial leverage ratio	0.86	2.55	2.86	3.54	3.51
Weighted average cost of debt	0.13	0.09	0.10	0.07	0.15
Debt to equity ratio	0.30	1.00	1.73	1.74	0.72
Interest cover ratio	3.07	2.83	1.82	1.81	1.43

COMMENTS ON RATIO ANALYSIS

PROFITABILITY RATIOS

Profitability ratios depicted improved trend due to improved sales prices, increased sales revenues and improved cost efficiencies. In year 2015, sales prices faced decline to which there was decrease in the overall gross margin ratio as compared to previous years, however, and decline in sales price would be covered by improvement in cost efficiency measures being adopted by the Company. Further, imposition of regulatory duty also resulted in fall in gross margin in 2015.

LIQUIDITY RATIOS

As prices and sales volume increased, liquidity position of the Company improved and resulted in better cash flows. Therefore, ratios started improving from year 2011 and ended in much better condition in 2015 as compared to year 2011.

INVESTMENT / MARKET RATIOS

Earning per share increased from Rs. 1.42 in 2001 to Rs. 8.12 in 2015 mainly due to increased turnover and improved margins. The market value of the Company's share and its breakup value continued to increase due to better operational and financial performance of the Company.

CAPITAL STRUCTURE RATIOS

The ratios started to improve with passage of time due to repayment of debts resulted and injection for further equity.

ACTIVITY / TURNOVER RATIOS

The ratios depicted a mix trend, with inventory and receivable ratios showing improvement as compared to payables ratios which increased slightly from previous year.

DUPONT ANALYSIS

Year	Return on Equity (Equity multiplier * Return on Assets)	Equity Multiplier (Avg Assets / Avg Equity)	Return on Assets	Total Assets Turnover (Sales / Avg Assets	Profit margin (Pre tax profit / Sales)
E = C X D	D	C = A X B	B	A	
2015	27%	3.41	8%	1.32	6%
2014	35%	4.85	7%	1.08	7%
2013	15%	4.76	3%	0.98	3%
2012	16%	5.15	3%	1.04	3%
2011	11%	2.95	4%	1.66	2%

Following are the main DuPont analysis highlights:

1) Operating Efficiency of the Company measured in terms of profit margins showed increasing trend mainly due to better cost control measures including commencement of direct rolling for bar re-rolling mill and continuous reduction in finance cost on account of debt repayments. However, the profit margins in 2015 were effected due to regulatory duty on import of billet.

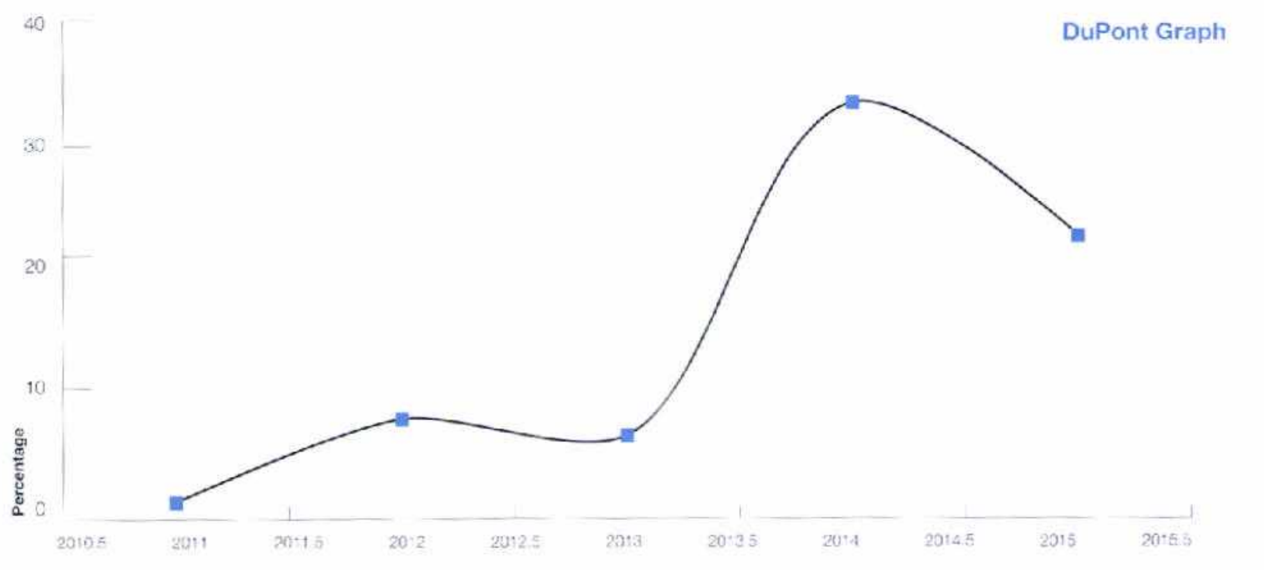
2) Assets turnover of the Company has improved due to increasing revenues by using the Company's resources more efficiently.

3) Return on Assets i.e. the combined effect of the above two factors also showed the continuous improvement in profits earned on assets.

4) Equity Multiplier improved due to better continuous equity improvement on account of better profits over the period. However, fall in the current year was mainly due to injection of fresh equity.

Conclusion:

Overall DuPont analysis depicts improvement in the overall performance of the Company. From year 2011 to year 2014, Return on Equity has increased. However, in year 2015 return on equity declined mainly due to injection of fresh equity.



KEY OPERATING
AND FINANCIAL DATA

	2015	2014	2013	2012	2011
Quantitative data (M.Tons)					
Production	239,787	159,503	56,288	70,600	66,432
Sales	12,241,272	5,972,673	3,928,514	3,657,422	3,006,891
Sales (Rs.)					
Local Sales	10,605,375	3,723,039	1,509,445	928,123	1,044,639
Export Sales	1,635,897	2,249,634	2,419,069	2,729,299	1,962,253
Total Sales	12,241,272	5,972,673	3,928,514	3,657,422	3,006,891
Profitability (Rs.)					
Gross profit	1,284,106	727,977	374,540	298,519	266,771
Profit before taxation	724,978	397,630	124,565	109,011	65,465
Provision for taxation	(3,616)	(6,770)	3,096	(2,115)	(23,760)
Profit after taxation	721,361	390,860	127,661	106,896	41,705
Financial position (Rs.)					
Fixed assets	3,285,942	2,865,375	2,423,557	1,834,918	995,384
Other non current assets	20,010	19,007	20,950	16,766	25,597
	3,305,952	2,884,382	2,444,507	1,851,684	1,020,981
Current assets	8,163,677	4,189,339	1,524,511	2,182,269	1,941,406
Current liabilities	6,811,927	3,618,325	1,520,279	2,123,833	1,967,245
Net working capital	14,975,604	7,807,664	3,044,790	4,306,102	3,908,651
Capital employed	4,657,703	3,455,396	2,448,739	1,910,120	1,008,766
Less: Non current liabilities	1,016,158	1,652,370	1,500,230	1,175,926	381,458
Shareholders equity	3,641,544	1,803,026	948,509	734,194	627,308
Represented by:					
Share capital	1,093,912	820,412	820,412	586,396	586,396
Revenue reserve	1,226,789	505,906	128,667	148,599	41,704
Share premium	-	-	-	-	-
Capital reserve	603,500	-	-	-	-
Equity portion of sponsor shareholders' loan	717,344	476,708	-	-	-
	3,641,544	1,803,026	949,079	734,995	628,100

STATEMENT OF CASH FLOW DIRECT METHOD

Rupees	2015	2014
Cash flows from operating activities		
Cash receipt from customers	12,075,073,630	6,218,178,088
Cash paid to suppliers and employees	9,726,634,839	7,726,767,130
Cash generated / (utilized) from operations	2,348,438,791	(1,508,589,042)
Increase in long-term loans to employees	(722,370)	-
Increase in long-term deposits	(75,000)	560,530
Retirement benefits paid	(3,727,135)	(383,544)
Finance cost paid	(347,322,751)	(205,149,263)
Workers' profit participation fund paid	(20,927,908)	(6,161,494)
Income tax paid	(260,106,836)	(116,416,494)
	(632,882,002)	(327,550,265)
Net cash generated from / (used in) operations	1,715,556,791	(1,836,139,307)
Cash flow from investing activities		
Capital expenditure incurred	(514,807,609)	(518,690,869)
'Held-to-maturity' investments made during the year - net	(524,620,436)	-
Profit received on 'held-to maturity' investments	3,755,301	-
Proceeds from redemption of 'available for sale' investments	-	438,400
Proceeds from sale of property, plant & equipment	2,609,691	-
Net cash (used in) investing activities	(1,033,063,053)	(518,252,469)
Cash flow from financing activities		
Long-term financing - net	(470,176,904)	637,493,498
Share issue costs	(52,899,824)	(1,501,200)
Proceeds from issuance of ordinary shares	929,900,000	-
Short-term borrowings - net	(1,039,402,669)	1,630,790,427
Net cash (used in) / generated from financing activities	(632,579,397)	2,266,782,725
Net decrease in cash and cash equivalents	49,914,341	(87,609,051)
Cash and cash equivalents at the beginning of the year	(512,330,922)	(424,721,871)
Cash and cash equivalents at the end of the year	(462,416,581)	(512,330,922)

RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS AND FINAL ACCOUNTS

	Interim reports results				Annual	
	September Qtr		March Qtr		Full year	
	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%
Turnover	1,709,091	-	7,971,967	-	12,741,272	-
Gross profit	272,103	15.92%	890,155	11.17%	1,284,106	10.49%
Operating profit	234,750	13.74%	776,781	9.74%	1,075,010	8.78%
Net profit before tax	128,950	7.54%	512,905	6.43%	724,978	5.92%
Net profit after tax	130,896	7.66%	477,621	5.99%	721,361	5.89%
Debt: Equity Ratio	2,543,422 1,457,215	175%	2,106,379 1,803,939	117%	1,090,359 3,641,544	30%
Current ratio	5,433,501 4,493,407	1.21	5,174,463 4,272,300	1.21	8,163,677 6,811,927	1.20

ANALYSIS OF VARIATION IN RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS WITH THE FINAL ACCOUNTS

3 Months Ended September 30, 2013

Gross profit ratio for the 1st Quarter was 15.92 % as compared to annual GP of 10.49%, mainly due to higher margins in export sales in 1st quarter as compared to last quarter. The gross profit in the last quarter was affected by fall in sale prices and effect of regulatory duty.

Operating profit was 13.74% as compared to 8.78% in annual mainly due to regulatory duty and fall in sale prices.

Net profit before tax was 7.54% as compared to annual 5.92%, mainly due to low GP % in annual.

Net Profit After Tax was 7.66% as compared to 5.89% in annual due to provision for deferred taxation.

Debt Equity Ratio was 175% in first quarter as compared to 30% in annual, mainly due to increase in equity and repayment of debt in annual.

Current ratio remained stable at 1.21 as compared to annual of 1.20.

9 Months Ended March 31, 2014

Gross Profit Ratio was 11.17% as compared to annual GP of 10.49%, mainly due to fall in sale prices and imposition of regulatory duty.

Operating Profit was 9.74% as compared to 8.78% in annual due to fall in gross margin.

Net Profit Before Tax was 6.43% as compared to annual 5.92% mainly due to fall in GP margins.

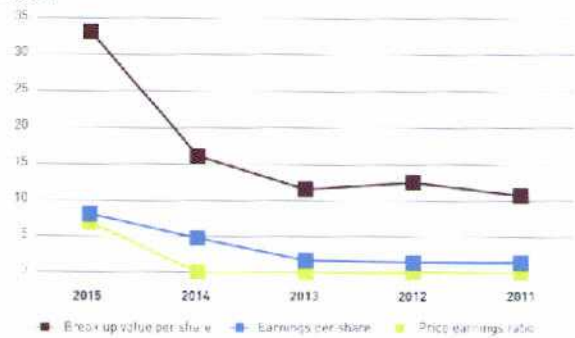
Net Profit After Tax was 5.99% as compared to 5.89% in annual. Profit after tax declined in annual mainly due to provision for deferred taxation.

Debt Equity Ratio was 117% as compared to 30% in annual, mainly due to more repayment of debts in annual, increase in profits and fresh injection of equity.

Current ratio remained stable at 1.21 as compared to annual of 1.20.

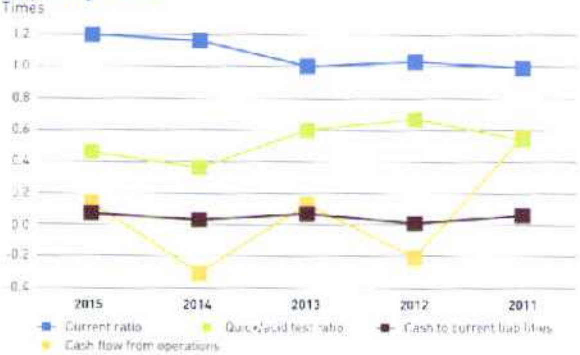
STAKEHOLDERS' INFORMATION

Market Ratios
Rupees

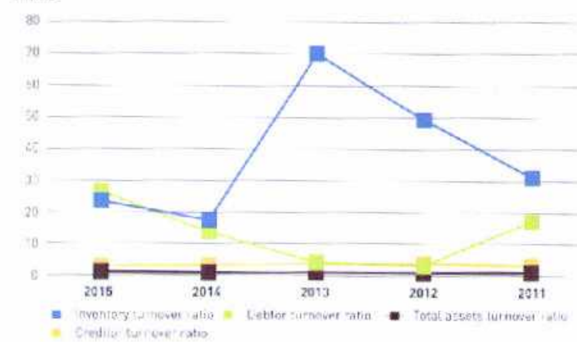


Profitability Ratios
Percentage

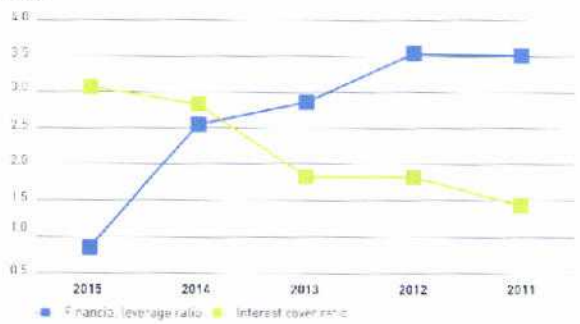
Liquidity ratios
Times



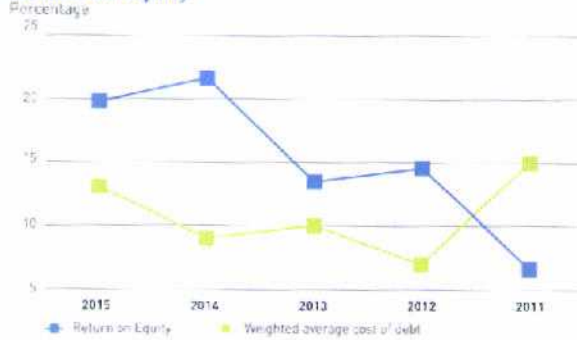
Turnover ratios
Times



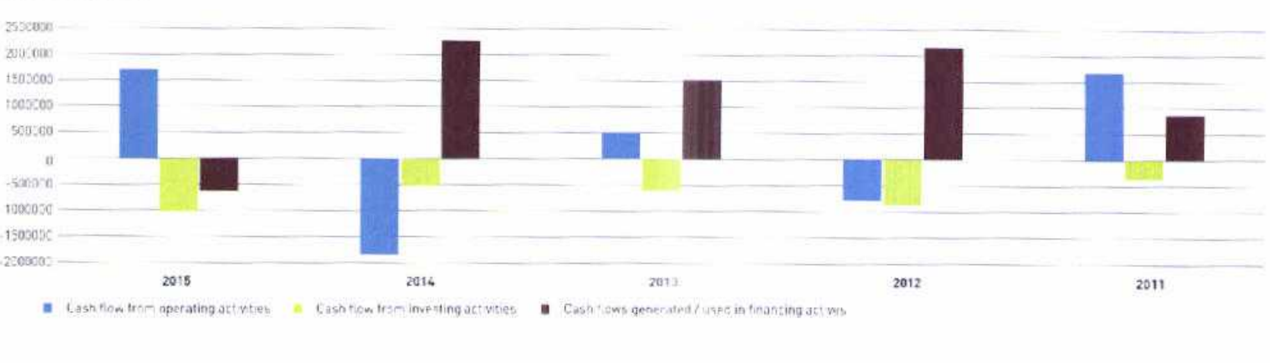
Capital structure ratio
Times



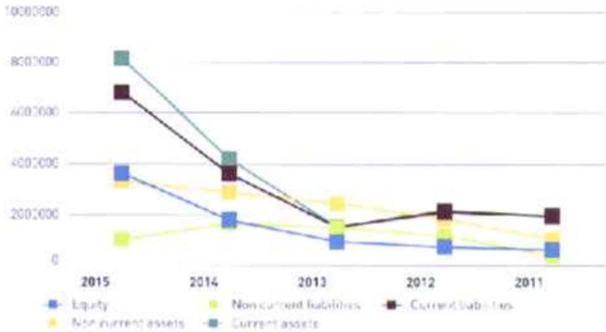
Return on equity
Percentage



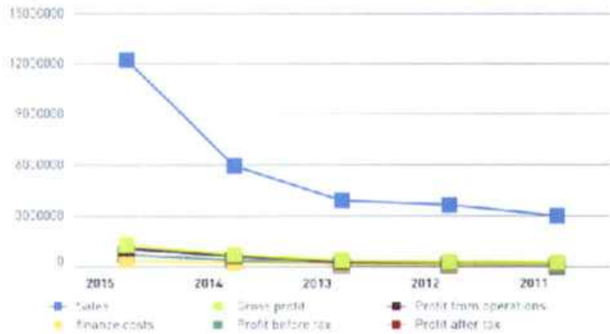
Cash generated/utilized
Rupees in Thousand



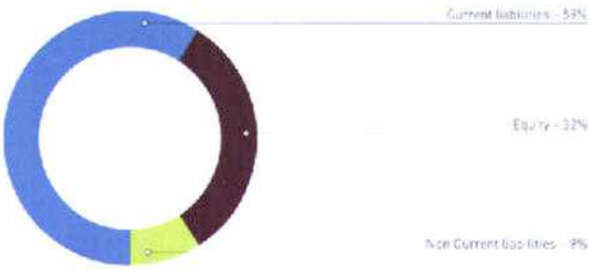
Horizontal analysis - Balance sheet
Rupees in thousand



Horizontal analysis - Profit and loss
Rupees in thousand

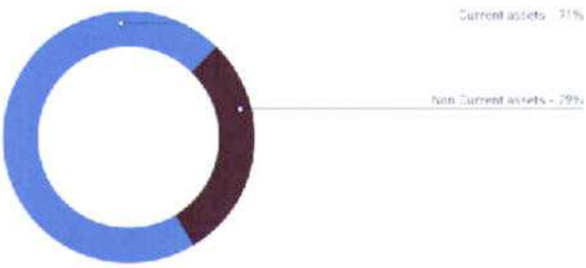


Equity & Liabilities - 2015
Percentage

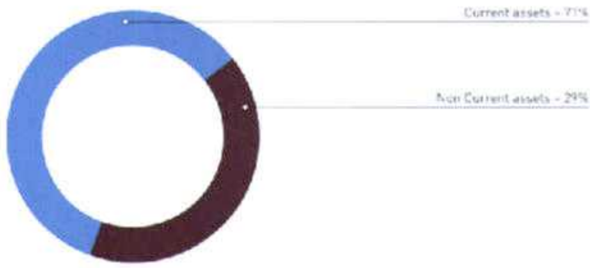


Equity & Liabilities - 2014
Percentage

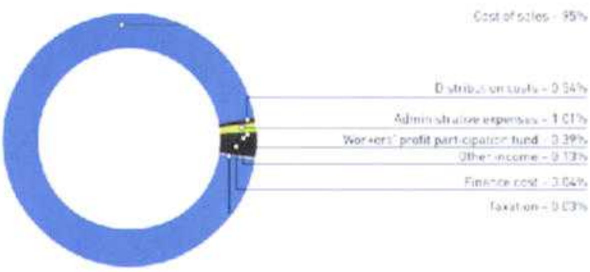
Assets - 2015
Percentage



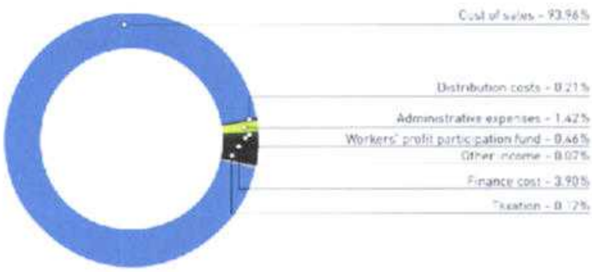
Assets - 2014
Percentage



Profit and Loss - 2015
Percentage



Profit and Loss - 2014
Percentage

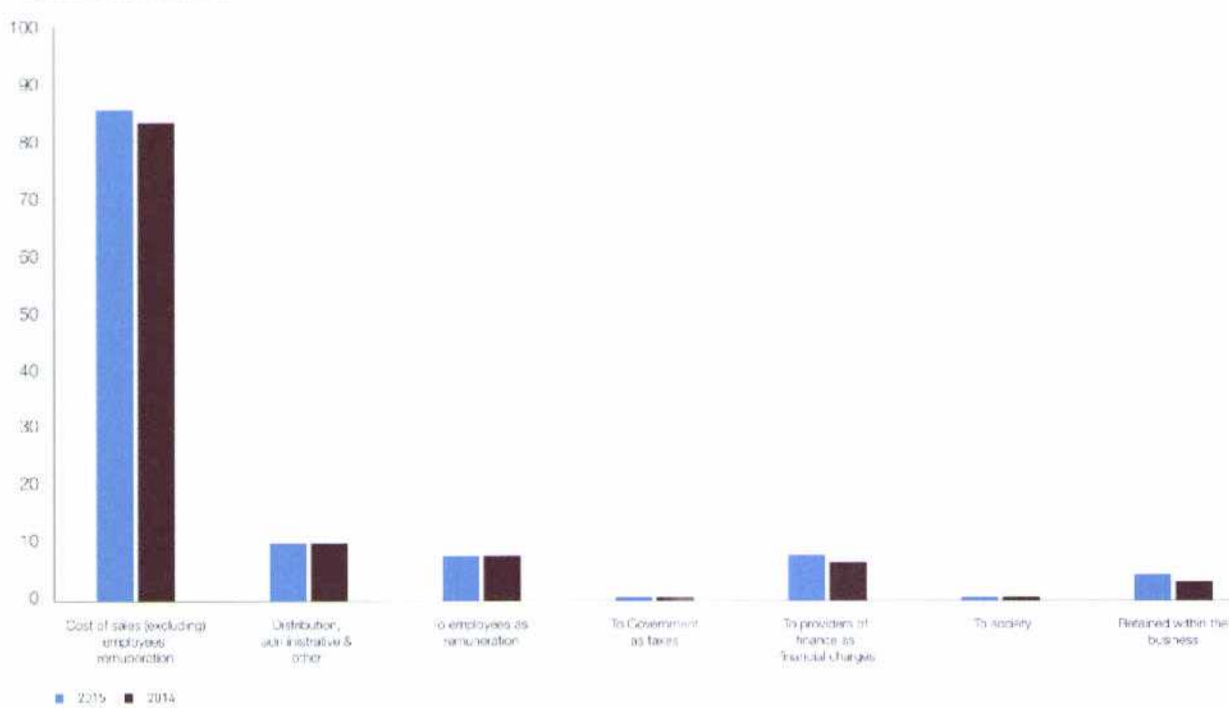


DISTRIBUTION OF WEALTH

	2015	%	2014	%
Wealth generated				
Sales	12,241,272	1.00	5,972,673	1.00
Other operating income	14,776	0.00	3,663	0.00
	12,256,048	1.00	5,976,336	1.00

	2015	%	2014	%
Distribution of wealth				
Cost of sales (excluding employees' remuneration)	10,669,439	0.87	5,105,902	0.85
Distribution, administrative & other	154,225	0.01	80,448	0.01
To employees as remuneration	354,310	0.03	171,372	0.03
To Government as taxes	3,616	0.00	6,770	0.00
To providers of finance as financial charges	350,032	0.03	217,600	0.04
To society	3,064	0.00	3,384	0.00
Retained within the business	721,361	0.06	390,860	0.07
	12,256,048	1.00	5,976,336	1.00

Wealth Distribution



SHARE PRICE SENSITIVITY ANALYSIS

Following are the major factors which might effect the share price of the Company in the stock exchanges:

INCREASE IN DEMAND:

Increase in demand of steel may result in increase in market prices which will contribute towards better profitability and Earning Per Share (EPS) , which will ultimately increase the share price.

INCREASE IN VARIABLE COST:

Any increase in variable cost (Mainly includes Furnace oil, Power and Raw Material cost) may badly effect the gross margins and will resultantly fall in the profitability and fall in EPS. This may badly effect the market price of the share downward.

INCREASE IN FIXED COST:

Fixed cost which mainly consists of Financial Charges, Exchange losses, and other overheads. If SBP discount rate goes up, rupee devaluation occurs and increase in inflation happens than net profitability of the company will be effected and will have negative effect on the EPS which results into fall in share prices. If the said factors happen on the positive sides than share price will improve.

CHANGE IN GOVERNMENT POLICIES:

Any change in government policies related to steel sector may effect the share price of the Company. If policy change is positive than share price will increase, otherwise vice versa.

DEFINITION AND GLOSSARY OF TERMS

GROSS PROFIT RATIO

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

NET PROFIT RATIO

Net profit ratio is the ratio of net profit (after taxes) to net sales.

OPERATING PROFIT RATIO

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production.

CURRENT ASSET RATIO

The key indicator of whether you can pay your creditors on time. The relationship between current assets like cash, book debts, stock and work in progress and current liabilities like overdraft, trade and expense creditors and other current debt.

CURRENT RATIO

A company's current assets divided by its current liabilities. This ratio gives you a sense of a company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

DEBT-EQUITY RATIO

The ratio of a company's liabilities to its equity. The higher the level of debt, the more important it is for a company to have positive earnings and steady cash flow. For comparative purposes, debt-equity ratio is most useful for companies within the same industry.

EARNINGS PER SHARE (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

PROFIT MARGIN

Determined by dividing net income by net sales during a time period and is expressed as a percentage. Net profit margin is a measure of efficiency and the higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising/falling price of the goods sold.

RETURN ON ASSETS

The amount of profits earned (before interest and taxes), expressed as a percentage of total assets. This is a widely followed measure of profitability, thus the higher the number the better. As long as a company's ROA exceeds its interest rate on borrowing, it's said to have positive financial leverage.

RETURN ON EQUITY (ROE)

A percentage that indicates how well common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a company is doing compared to its competition.

RETURN ON INVESTMENT (ROI)

Also known as return on invested capital (ROIC). ROI is a measure of how well management has used the company's resources. ROI is calculated by dividing earnings by total assets. It is a broader measure than return on equity (ROE) because assets include debt as well as equity. It is useful to compare a company's ROI with others in the same industry.

DUPONT ANALYSIS:

A type of analysis that examines a company's Return on Equity (ROE) by splitting it into three main components; profit margin, total asset turnover and equity multiplier. This analysis highlight the main driving factor of ROE and the factor which needs to be addressed to improve the ROE.

REPORT OF THE AUDIT COMMITTEE

One meeting of the Audit Committee was held during the year 2014-2015.

REPORT OF THE COMMITTEE

- The Audit Committee reviewed and approved the quarterly, and annual financial statements of the Company and recommended them for approval of the Board of Directors.

- Appropriate accounting policies have been consistently applied. All core and other applicable International Accounting Standards were followed in preparation of financial statements of the Company on a going concern basis, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984 and the external reporting is consistent with management processes and adequate for shareholder needs.

- The Audit Committee has reviewed and approved all related party transactions.

- The Chief Executive and the CFO have endorsed the financial statements of the Company, consolidated financial statements and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.

- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company's shares by Directors & 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 which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

- The Company's system of internal control is sound in design and is continually evaluated for effectiveness and adequacy.

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function.

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

- The Audit Committee on the basis of the internal audit reports reviewed the adequacy of controls and compliance shortcomings in areas audited and discussed corrective actions in the light of management responses. This has ensured the continual evaluation of controls and improved compliance.

- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.

- 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.

- The Chairman of Audit Committee is a Ph.D. in Finance from the Kelley School of Business Administration, Indiana University, USA.

- The Audit Committee has ensured that statutory and regulatory obligations and requirements of best practices of governance have been met.

- The external auditors Fazal Mahmood & Co, Chartered Accountants were allowed direct access to the Audit Committee and necessary coordination with internal auditors was ensured. Major findings arising from audits and any matters that the external auditors wished to highlight were freely discussed with them.

- The external auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the General Meetings of the Company during the year and have confirmed attendance of the upcoming Annual General Meeting scheduled for October 31, 2015 and have indicated their willingness to continue as Auditors.

- The Audit Committee reviewed the Management Letter issued by the external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.

- Appointment of external auditors and fixing of their audit fee was reviewed and the Audit Committee following this review, recommended to the Board of Directors re-appointment of Fazal Mahmood & Co., as external auditors for the year 2015-2016.

Dr. Salman Ali Shah
Chairman of the Audit Committee
Lahore: September 30, 2015

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi, and Lahore stock exchanges on which the Company is listed for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

1. The Company encourages representation of independent non-executiave directors and directors representing minority interests on its Board of Directors. At present, the Board includes:-

   Independent
   Syed Salman Ali Shah

   Non-Executive Directors
   Mirza Javaid Iqbal
   Jamshed Iqbal
   Fazeel Bin Tariq
   Mateen Jamshed

   Executive Directors
   Khurram Javaid
   Muhammad Mubeen Tariq Mughal

   The independent directors meet the criteria of independence under clause i(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Following casual vacancy occurring in the Board during the year 2015 was filled up promptly by the directors within the stipulated time:

   - Mr. Mateen Jamshed appointed in place of Fahad Javaid.
   - Mr. Khurram Javaid appointed as Chief Executive Officer in place of Mirza Javaid Iqbal.

5. 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.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Corporate Strategy of the Company is reviewed and approved by the Board along with the annual plan.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors, have been taken by the Board / shareholders.

8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated within due time before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All directors are professionals and senior executives who possess wide experience and awareness of duties of Directors. Nevertheless, training and orientation courses are an ongoing process and the Company intends to comply with the Director's training and orientation courses as required by CCG and completion of certification in the succeeding year. In this regard, the Company will subsequently ensure enrollment of all its directors for Directors Training Program from

a recognized institute that meets the criteria specified by the SECP. Further, the Directors have also provided declarations that they are aware of their duties, powers and responsibilities under relevant laws and regulations.

10. The Board has ratified the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of four members, three of whom are non-executive directors and the Chairman of the committee is an independent non - executive director.

16. The meetings of the Audit Committee are held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resources and Remuneration Committee. It comprises four members, three of whom are non-executive directors including the Chairman of the Committee. The Chief Executive Officer is also the member of HR&R Committee, however, does not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimidated to directors, employees and stock exchange(s).

22. Material and price sensitive information has been disseminated among all market participants at once through the stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Khurram Javaid
Chief Executive Officer

Lahore: September 30, 2015

MUGHAL IRON & STEEL INDUSTRIES LIMITED

FINANCIAL STATEMENTS

for the year ended June 30, 2015

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the board of directors of MUGHAL IRON & STEEL INDUSTRIES LIMITED ("the Company") for the year ended 30 June 2015, to comply with the code contained in regulation No.5.19 of the rule book of Karachi Stock Exchange Limited and regulation No.35 of chapter XI of the Listing Regulations of the Lahore Stock Exchange Limited where the company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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

The Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transaction and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine 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 best practices contained in the Code, as applicable to the company for the year ended 30 June 2015.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in the paragraph reference where it is stated in the Statement of Compliance:

	Paragraph reference:	Description:
i.	9	Director training program was not conducted

Date: September 30, 2015
Lahore

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement partner: Fazal Mahmood

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A Member firm of *jhi* & Task International

GLOBAL PRESENCE
LOCAL EXCELLENCE
FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of MUGHAL IRON & STEEL INDUSTRIES LIMITED ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: September 30, 2015
Lahore

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement Partner: Fazal Mahmood

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BALANCE SHEET
as at June 30, 2015

Rupees	Note	2015	2014 Restated
ASSETS			
NON - CURRENT ASSETS			
Property, plant & equipment	5.	3,285,942,164	2,865,374,803
Long-term loan to employees - secured	6.	1,751,620	824,535
Long-term deposits	7.	18,258,313	18,183,313
Total non - current assets		3,305,952,097	2,884,382,651
CURRENT ASSETS			
Stores, spare parts & loose tools	8.	241,284,628	189,241,050
Stock-in-trade	9.	4,812,364,304	2,683,315,636
Trade debts - unsecured	10.	473,242,896	321,049,463
Advances	11.	335,953,875	294,549,694
Short-term deposits & prepayments	12.	453,297,727	8,832,069
Refunds due from the Government	13.	866,227,607	569,897,941
Other receivables	14.	4,361,925	5,106,976
Short-term investments	15.	574,620,436	-
Cash and bank balances	16.	450,323,976	117,345,747
Total Current Assets		8,163,677,374	4,189,338,576
TOTAL ASSETS		11,469,629,471	7,073,721,227
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised share capital	17.	1,500,000,000	1,500,000,000
Issued, subscribed and paid-up capital	17.	1,093,911,530	820,411,530
Capital reserve	18.	603,500,176	-
Equity portion of sponsor shareholders' loan	19.	717,344,149	476,707,943
Revenue reserve	20.	1,226,788,543	505,906,156
Shareholders' Equity		3,641,544,398	1,803,025,629
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	21.	950,936,943	1,612,401,800
Deferred liabilities	22.	65,221,192	39,968,644
Total non-current liabilities		1,016,158,135	1,652,370,444
CURRENT LIABILITIES			
Trade and other payables	23.	4,562,879,886	586,300,571
Accrued profit / interest / mark-up	24.	43,222,437	40,512,933
Short-term borrowings - secured	25.	2,046,402,710	2,802,741,491
Current maturity of long-term liabilities	21.	139,421,905	188,770,159
Total current liabilities		6,811,926,938	3,618,325,154
Total liabilities		7,828,085,073	5,270,695,598
CONTINGENCIES AND COMMITMENTS	26.		
TOTAL EQUITY & LIABILITIES		11,469,629,471	7,073,721,227

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2015

Rupees	Note	2015	2014
Sales - net	27.	12,241,271,852	5,972,672,692
Cost of sales	28.	(10,957,165,760)	(5,244,696,135)
GROSS PROFIT		1,284,106,092	727,976,557
Distribution cost	29.	(61,846,577)	(11,488,863)
Administrative expenses	30.	(116,837,977)	(79,142,164)
Other charges	31.	(45,187,563)	(25,778,602)
Other income	32.	14,776,079	3,663,214
Finance cost	33.	(350,032,256)	(217,599,894)
		(559,128,293)	(330,346,309)
PROFIT BEFORE TAXATION		724,977,799	397,630,248
Taxation	34.	(3,616,330)	(6,770,389)
PROFIT AFTER TAXATION		721,361,469	390,859,859
BASIC AND DILUTED EARNINGS PER SHARE	35.	8.12	4.76

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2015

Rupees	2015	2014
PROFIT AFTER TAXATION FOR THE YEAR	721,361,469	390,859,859
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss account		
Actuarial (loss) on remeasurement of retirement benefit obligation	(715,048)	(13,847,244)
Related deferred taxation	235,966	1,727,679
	(479,082)	(12,119,565)
Items that will be reclassified subsequently to profit or loss account		
Loss realized on redemption of 'available for sale' investments	-	569,000
Total comprehensive income for the year	720,882,387	379,309,294

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

CASH FLOW STATEMENT
for the year ended June 30, 2015

Rupees	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from / (used in) operations	37	2,348,438,791	(1,508,589,042)
Increase in long-term loans to employees		(722,370)	-
Increase in long-term deposits		(75,000)	560,530
Retirement benefits paid		(3,727,135)	(383,544)
Finance cost paid		(347,322,751)	(205,149,263)
Workers' profit participation fund paid		(20,927,908)	(6,161,494)
Income tax paid		(260,106,836)	(116,416,494)
Net cash generated from / (used in) operating activities		1,715,556,791	(1,836,139,307)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(514,807,609)	(518,690,869)
'Held-to-maturity' investments made during the year - net		(524,620,436)	-
Profit received on 'held-to maturity' investments		3,755,301	-
Proceeds from redemption of 'available for sale' investments		-	438,400
Proceeds from sale of property, plant & equipment		2,609,691	-
Net cash (used in) investing activities		(1,033,063,053)	(518,252,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing - net		(470,176,904)	637,493,498
Share issue costs		(52,899,824)	(1,501,200)
Proceeds from issuance of ordinary shares		929,900,000	-
Short-term borrowings - net		(1,039,402,669)	1,630,790,427
Net cash (used in) / generated from financing activities		(632,579,397)	2,266,782,725
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		49,914,341	(87,609,051)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(512,330,922)	(424,721,871)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36	(462,416,581)	(512,330,922)

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2015

	Share capital	Capital reserve		Fair value reserve	Revenue reserve	
Rupees	Issued, subscribed & paid-up ordinary shares	Share premium reserve	Equity portion of sponsor shareholders' loan	(Deficit) on remeasurements of available for sale investments to fair value	Un-appropriated profit	Total equity
Balance as at July 01, 2013	820,411,530	-	-	(569,000)	128,667,062	948,509,592
Total Comprehensive Income						
Profit for the year ended June 30, 2014	-	-	-	-	390,859,859	390,859,859
Other comprehensive income - net of taxes						
- Actuarial (loss) on Remeasurement of retirement benefit obligation	-	-	-	-	(12,119,565)	(12,119,565)
- Loss realized on redemption of 'available for sale' investments	-	-	-	569,000	-	569,000
	-	-	-	569,000	378,740,294	379,309,294
Transaction with owners of the Company						
Share issue costs	-	-	-	-	(1,501,200)	(1,501,200)
Balance as at June 30, 2014 - previously reported	820,411,530	-	-	-	505,906,156	1,326,317,686
Transaction with owners of the Company						
Equity portion of sponsor shareholders' loan (note: 21.2.3)	-	-	518,895,632	-	-	518,895,632
Less: unwinding of discount	-	-	(42,187,689)	-	-	(42,187,689)
	-	-	476,707,943	-	-	476,707,943
Balance as at June 30, 2014 - restated	820,411,530	-	476,707,943	-	505,906,156	1,803,025,629
Total Comprehensive Income						
Profit for the year ended June 30, 2015	-	-	-	-	721,361,469	721,361,469
Other comprehensive income - net of taxes						
- Actuarial (loss) on Remeasurement of retirement benefit obligation	-	-	-	-	(479,082)	(479,082)
	-	-	-	-	720,882,387	720,882,387
Transaction with owners of the Company						
Equity portion of sponsor shareholders' loan (note: 21.2.3)	-	-	319,560,535	-	-	319,560,535
Less: unwinding of discount	-	-	(78,924,329)	-	-	(78,924,329)
	-	-	240,636,206	-	-	240,636,206
Issue of 27,350,000 ordinary shares of Rs. 10/- each at a premium of Rs. 24/- share	273,500,000	656,400,000	-	-	-	929,900,000
Transaction costs related to issuance of shares	-	(52,899,824)	-	-	-	(52,899,824)
	273,500,000	603,500,176	-	-	-	877,000,176
Balance as at June 30, 2015	1,093,911,530	603,500,176	717,344,149	-	1,226,788,543	3,641,544,398

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

Mughal Iron & Steel Industries Limited ("the Company") is a public company incorporated in Pakistan under the Companies Ordinance, 1984 and is listed on the Karachi and Lahore Stock Exchanges of Pakistan. The registered office of the Company is situated at 31-A Shadman-I, Lahore. The factory is located 17-KM Sheikhupura Road, Lahore. The principal activity of the Company is manufacturing and trading of mild steel products.

During the year, the Company has made an Initial Public Offering (IPO) through issuance of 27.350 million ordinary shares of Rs. 10/- each at a price of Rs. 34/- per share determined through book building process. Out of the total issue of 27.350 million ordinary shares, 20.5125 million shares were subscribed through book building by High Net Worth Individuals and Institutional Investors, while the remaining 6.8375 million shares were subscribed by the General Public and the shares have been duly allotted. On April 15, 2015, the Karachi and Lahore Stock Exchanges have approved the Company's application for formal listing and quotation of shares.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as explained in relevant notes, if any.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Pakistan Rupee (Rs.).

2.4 Use of estimates and judgments

The preparation of these financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amount of assets, liabilities, income and expenses. Estimates, associated assumptions and judgments are regularly evaluated and 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affect only that period, or in the period of revision in future period if the revision affects both current and future periods.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are as follows:

2.4.1 Residual values and useful lives of property, plant and equipment

The Company reviews the useful lives of fixed assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge and impairment.

2.4.2 Provision for slow moving and obsolete stores, spare parts and loose tools

The Company reviews the stores, spare parts and loose tools for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of stores and spare parts and loose tools with a corresponding effect on the provision.

2.4.3 Estimated liability in respect of retirement benefit obligation

The Company operates an unfunded gratuity scheme covering all its permanent workers who have completed the minimum qualifying period of service as defined under the respective scheme. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis. Gratuity cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employee service during the year and the interest on the obligation in respect of employee service in previous years. Calculations are sensitive to changes in the underlying assumptions.

2.4.4 Provisions against doubtful balances

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.4.5 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the views taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. The Company also regularly reviews the trend of proportion of incomes between Presumptive Tax Regime income and Normal Tax Regime income and the change in proportions, if significant, is accounted for in the year of change.

2.4.6 Contingencies

The Company takes in to account advice of the legal advisors and uses judgment to estimate contingent liabilities and their estimated financial outcomes.

2.4.7 Sponsor shareholders' loan

The company has discounted sponsor shareholders loan using market related interest on loans with similar terms and conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies are consistent with those of the previous financial year, except, as described in note 4.1.

3.1 **Property, plant & equipment**

Operating assets:

These are stated at cost less accumulated depreciation and accumulated impairment losses, (if any), except freehold land which is stated at cost less accumulated impairment losses (if any). Cost comprises of historical cost, borrowing cost pertaining to the erection period and directly attributable costs of bringing the assets to working condition. These costs are transferred to specific assets as and when assets are available for use. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit or loss account.

Depreciation is charged to income applying the reducing balance method at the rates given in relevant notes to the financial statements to write off the cost of operating fixed assets over their expected useful life. Depreciation on additions is charged from the date when the asset is available for use and on deletions up to the date when the asset is deleted. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or de-recognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to profit and loss account.

Impairment test for property, plant and equipment is performed when there is an indication of impairment. At each period end, an assessment is made to determine whether there is any indication of impairment. If any such indications exist, an estimate of the asset's recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the asset's value in use. If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as to reduce the carrying amount of property, plant and equipment to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. An impairment loss is recovered if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Capital work in progress:

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use. All cost or expenditure attributable to work-in-progress are capitalized and apportioned to buildings and plant and machinery at the time of commencement of commercial operations.

3.2 **Stores, spare parts and loose tools**

These are valued at lower of cost and net realizable value. Cost is determined on moving average basis less provision for slow moving and obsolete stores and spares. Items in-transit are valued at invoice value plus other charges incurred thereon.

3.3 Stock-in-trade

These are valued at lower of cost and net realizable value.
Cost is determined as follows:

Raw material	-	at moving average cost
Finished goods	-	at estimated manufacturing cost
In-transit	-	at invoice value plus charges incurred thereon

Net realizable value of raw material inventory is determined on the basis of replacement cost, whereas net realizable value of finished inventory signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred for its sale, however, raw material held for use in production of inventories is not written own below cost if the finished product in which it will be incorporated is expected to be sold at or above cost. Average manufacturing cost in relation to finished goods consists of direct material, labor and a proportion of appropriate manufacturing overheads.

3.4 Trade debts and other receivables

Trade debts & other receivables are carried at original invoice amount less an estimate made for doubtful balances based on review of outstanding amounts at the year end. Bad debts are written off when identified.

3.5 Cash and cash equivalents

For cash flow purposes cash and cash equivalents comprise cash in hand, cash at banks and running / cash finances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

3.6 Trade and other payables

Trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.7 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.8 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events and 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 obligation cannot be measured with sufficient reliability.

3.9 Foreign currency translations

Foreign currency transactions are initially recorded at the rate of exchange prevailing at the transaction date. Subsequently, all monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date while non-monetary assets are carried at the rates prevailing on transaction date. Exchange risk fee is charged to profit and loss account. The Company charges all the exchange differences to profit and loss account.

3.10 **Borrowings and their costs**

a) **Borrowings**

Borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss / equity over the period of the borrowings on an effective interest basis.

b) **Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying assets. Such borrowing costs, if any are capitalizable as part of the cost of the asset.

3.11 **Financial instruments**

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be.

A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gains or losses on de-recognition of the financial assets or liabilities are taken to profit and loss account currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

3.12 **Share capital**

Ordinary shares are classified as equity instruments and recognized at their fair value. Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognized as an expense.

Transaction costs that relate jointly to more than one transaction such as costs of a concurrent offering of shares and a stock exchange listing are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

3.13 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders is recognized as a liability in the period in which dividend is approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

3.14 Retirement benefit obligation - defined benefit plan

Defined benefit plan defines the amount which an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service, and compensation. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets, (if any). The defined benefit obligation is calculated annually by an independent actuary using projected-unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds or the market rates on government bonds.

The defined benefit plan represents an unfunded gratuity scheme for all its permanent employees subject to a minimum qualifying period of service according to the terms of employment. The amounts of retirement benefits are usually dependent on one or more factors such as age, years of service and salary. Provision is made annually to cover obligation under the scheme. Latest valuation was conducted on June 30, 2015. All actuarial gains and losses are recognized in other comprehensive income as they occur.

3.15 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable on the following basis:

a) Sales are recorded on dispatch of goods when significant risk and rewards of ownership are transferred to the customers.

b) Return on bank deposits is recognized on accrual basis taking into account the effective yield.

c) Rental income is recognized on straight line basis over the term of the relevant lease.

d) Income on held to maturity investments is recognized using effective interest rate method.

3.16 Taxation

a) Current

Provision for current tax is based on taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to existing provision for tax made in previous years arising from assessments framed during the period for such years.

b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination; and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all diluted potential ordinary shares.

3.18 Related party transactions

"Related party", in relation to a company, means an entity which has the ability to control the company or exercise significant influence over the company in making financial and operating decisions or vice versa. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form. All transactions between Company and related parties are accounted for at arm's length price in accordance with "Comparable Uncontrolled Price Method", except as explained in relevant notes, if any.

3.19 Segment Reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The financial information has been prepared on the basis of single reportable segment.

3.20 Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease.

3.21 Investments

'Held-to-maturity' investments

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as 'held-to-maturity' and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

4. NEW / REVISED STANDARDS, INTERPRETATIONS, AMENDMENTS AND IMPROVEMENTS TO ACCOUNTING STANDARDS

4.1 New / Revised Standards, Interpretations, Amendments and Improvements to existing approved accounting standards that are effective during the year:

The Company has adopted the following new / revised standards, interpretations, amendments and improvements to IFRSs which became effective for the current year:

IAS 19	-	Employee Benefits - (Amendment) - Defined Benefit Plans: Employee Contributions
IAS 32	-	Financial Instruments: Presentation - (Amendment) - Offsetting Financial Assets and Financial Liabilities
IAS 36	-	Impairment of Assets - (Amendment) - Recoverable Amount Disclosures for Non -Financial Assets
IAS 39	-	Financial Instruments: Recognition and Measurements - (Amendment) - Novation of Derivatives and continuation of Hedge Accounting
IFRIC 21	-	Levies
IFRS 2	-	Share Based payment - (Improvement) - Definitions of vesting conditions
IFRS 3	-	Business Combinations - (Improvement) - Accounting for contingent consideration in a business combination
IFRS 3	-	Business Combinations - (Improvement) - Scope exceptions for joint ventures
IFRS 8	-	Operating segments - reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13	-	Fair value measurement - scope of paragraph 52 (portfolio exception)
IAS 16	-	Property, Plant & Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortization
IAS 24	-	Related party disclosures - key management
IAS 40	-	Investment property - Interrelationship between IFRS3 and IAS 40 (ancillary services)

The adoption of the above amendments, revisions, improvements to accounting standard and interpretations did not have any effect on the financial statements.

4.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

The following amendments and interpretations with respect to the approved accounting standards as a applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, amendment or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests In Other Entities and IAS 27 - Separate Financial Statements - Investment Entities (Amendment)	January 01, 2015
IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests In Other Entities and IAS 27 - Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016

Standard, amendment or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 - Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures - Sale or contribution of Assets between an investor and its Associate or Joint Venture (Amendment)	January 01, 2016
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 - Fair value Measurement	January 01, 2015
IAS - 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS - 16 - Property, plant & Equipment and IAS 38 - Intangible assets-Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS - 16 Property, Plant & Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 - Separate Financial statements - Equity Method in Separate Financial Statements	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

4.3 New standards that have been issued by IASB, but have not yet been notified by the SECP for the purpose of applicability in Pakistan:

Standard, amendment or interpretation	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue with contracts with customers	January 01, 2018

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

Rupees		Note	2015	2014
5.	**Property, Plant & Equipment**			
	Operating Assets	5.1	2,889,555,373	2,558,660,278
	Capital-work-in-progress	5.2	396,386,791	306,714,525
			3,285,942,164	2,865,374,803

5.1 **Reconciliation of carrying amounts of operating assets at the beginning and end of the year are as follows:**

Description	Free-hold land	Building on free-hold land	Plant & machinery	Coal gasification plant	Power plant	Weighing machine	Office equipment	Electric equipment & installation	Furniture & fittings	Vehicles	Arms and ammunitions	Computers	Development of property	Total
							Rupees							
As At June 30, 2013														
Cost	63,325,863	41,659,583	1,921,223,237	30,463,089	258,281,114	91,434	774,921	114,871,773	1,122,577	76,360,635	260,693	1,117,266	-	2,509,552,185
Accumulated depreciation	-	3,250,115	36,931,441	2,228,089	25,004,008	13,207	75,138	5,793,320	168,196	18,476,444	29,467	394,394	-	92,363,819
Net book Value	63,325,863	38,409,468	1,884,291,796	28,235,000	233,277,106	78,227	699,783	109,078,453	954,381	57,884,191	231,226	722,872	-	2,417,188,366
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	-	
Year ended June 30, 2014														
Opening Net book value	63,325,863	38,409,468	1,884,291,796	28,235,000	233,277,106	78,227	699,783	109,078,453	954,381	57,884,191	231,226	722,872	-	2,417,188,366
Additions	-	27,713,985	152,207,816	-	-	-	87,500	699,750	26,395	2,243,000	-	4,966,898	30,400,000	218,345,344
Depreciation charged for the year	-	(2,011,175)	(48,732,545)	(705,875)	(8,164,699)	(1,956)	(70,704)	(5,453,923)	(98,070)	(9,018,157)	(23,123)	(566,538)	(2,026,667)	(76,873,432)
Closing Net book value	63,325,863	64,112,278	1,987,767,067	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,558,660,278
As At June 30, 2014														
Cost	63,325,863	69,373,568	2,073,431,053	30,463,089	258,281,114	91,434	862,421	115,571,523	1,148,972	78,603,635	260,693	6,084,164	30,400,000	2,727,897,529
Accumulated depreciation	-	5,261,290	85,663,986	2,933,964	33,168,707	15,163	145,842	11,247,243	266,266	27,494,601	52,590	960,932	2,026,667	169,237,251
Net book Value	63,325,863	64,112,278	1,987,767,067	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,558,660,278
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	
Year ended June 30, 2015														
Opening Net book value	63,325,863	64,112,279	1,987,767,067	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,558,660,278
Additions	-	7,553,771	334,203,673	-	-	-	18,500	167,061	2,061,420	79,205,634		744,200	-	425,135,343
Disposals														
Cost	-	-	-	-	-	-	-	-	-	(4,597,510)	-	-	-	(4,597,510)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	1,167,750	-	-	-	1,167,750
Written down value	-	-	-	-	-	-	-	-	-	(3,429,760)	-	-	-	(3,429,760)
Depreciation charged for the year	-	(2,510,253)	(55,234,204)	(688,228)	(7,878,934)	(1,907)	(72,293)	(5,223,113)	(199,359)	(11,141,577)	(20,810)	(1,685,218)	(5,676,667)	(91,817,188)
Closing Net book value	63,325,863	69,157,797	2,266,736,536	26,840,897	217,233,473	74,364	662,786	99,268,231	2,744,767	115,743,031	187,293	4,182,214	22,696,666	2,889,555,373
As At June 30, 2015														
Cost	63,325,863	77,129,341	2,437,931,748	30,463,089	258,281,114	91,434	880,921	115,713,584	3,210,402	154,221,459	260,693	6,828,614	30,400,000	3,178,441,062
Accumulated depreciation	-	7,971,543	171,195,190	3,622,192	41,047,641	17,070	218,135	16,450,353	466,235	38,478,428	73,400	2,646,400	7,713,334	288,885,689
Net book Value	63,325,863	69,157,797	2,266,736,536	26,840,897	217,233,473	74,364	662,786	99,268,231	2,744,767	115,743,031	187,293	4,182,214	22,696,666	2,889,555,373
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	

Rupees		Note	2015	2014
5.1.1	The depreciation for the year has been allocated as follows:			
	Cost of sales	28	72,037,446	65,093,296
	Administrative Expenses	30	18,773,742	11,780,136
			90,811,188	76,873,432

Plant & machinery aggregating to Rs. 286.747 million [2014: 494.361 million] has temporarily been leased out to Mughal Steel Metallurgies Corporation Limited.

5.1.2 Details of operating assets disposed off during the year:

The details of operating assets disposed off during the year, having net book value in excess of Rs. 50,000 each are as follows:

Description	Cost	Accumlated depreciation	Net book value	Sales proceeds	Loss	Mode of disposal	Particulars of purchaser
Motor vehicle	1,638,000	522,148	1,115,852	1,092,946	22,906	Company's policy	Employee - executive
"	1,220,000	271,497	948,503	610,000	338,503	"	"
"	813,490	182,835	630,655	406,745	223,910	"	"
"	920,320	186,270	734,050	500,000	234,050	"	"
	4,591,810	1,162,750	3,429,060	2,609,691	819,369		

Rupees		2015	2014
5.2	Capital-work-in-progress:		
	Tangible assets under development:		
	Civil work	-	7,685,773
	Plant & machinery	389,385,291	292,027,252
	Intangible assets under development:		
	Software	7,001,500	7,001,500
		396,386,791	306,714,525

		Opening balance	Expenditure	Transfers to operating assets	Closing balance
Rupees			2015		
5.2.1	Following is the movement in capital work in progress:				
	Tangible assets under development:				
	Civil work	7,685,773	697,657	8,383,430	-
	Plant & machinery	292,027,252	416,184,272	318,826,233	389,385,291
	Intangible assets under development:				
	Software	7,001,500	-	-	7,001,500
	June 30, 2015	306,714,525	416,881,929	327,209,663	396,386,791

Rupees	Opening balance	Expenditure	Transfers to operating assets	Closing balance
			2014	
Tangible assets under development:				
Civil work	-	7,685,773	-	7,685,773
Plant & machinery	-	292,027,252	-	292,027,252
Intangible assets under development:				
Software	6,369,000	632,500	-	7,001,500
June 30, 2014	6,369,000	300,345,525	-	306,714,525

Rupees		2015	2014
6.	**LONG-TERM LOAN TO EMPLOYEES**		
	(Secured)		
	Executive employees	2,235,340	1,442,715
	Less: recoverable within one year	(483,720)	(618,180)
		1,751,620	824,535

6.1 These loans have been provided to employees under their terms of employment on interest free basis. Loans under the scheme have been provided to facilitate purchase of motor vehicles and are repayable over a period up to five years from date of disbursement. The loans are secured by registration of the vehicle in the name of the Company and against post dated cheques. These loans are classified as 'loans and receivables' under IAS 39 (Financial Instruments - Recognition and Measurement) which are required to be carried at amortized cost, however, due to immaterial impact of discounting, these are carried at cost.

6.2 The maximum aggregate amount of loans at the end of any month during the year was Rs. 3.391 million (2014: Rs. 1.442 million). No amount was due from Directors or Chief Executive as at June 30, 2015 (2014: Nil).

Rupees		Note	2015	2014
6.3	**Reconciliation of carrying amount of loan:**			
	Opening balances		1,442,715	1,899,895
	Add: disbursements		2,406,000	-
			3,848,715	1,899,895
	Less: repayments		(1,613,375)	(457,180)
	Closing balances		2,235,340	1,442,715
7.	**LONG-TERM DEPOSITS**			
	Related party			
	- Al-Bashir Steel Industries (Private) Limited		500,000	500,000
	Other long-term deposits	7.1	17,758,313	17,683,313
			18,258,313	18,183,313

7.1 This mainly includes deposits with various utility companies.

7.2 Long-term deposits are classified as 'loans and receivables' under IAS 39 (Financial Instruments - Recognition and Measurement) which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

Rupees		2015	2014
8.	**STORES, SPARE PARTS & LOOSE TOOLS**		
	Stores, spare parts & loose tools :		
	- in hand	215,872,022	189,241,050
	- in-transit	25,412,606	-
		241,284,628	189,241,050

8.1 Stores and spare parts may include items which may be of capital nature but are not distinguishable.

Rupees		Note	2015	2014
9.	**STOCK-IN-TRADE**			
	Raw material			
	- in hand		2,539,081,770	1,082,698,119
	- in-transit		1,892,235,358	1,052,690,308
			4,431,317,128	2,135,388,427
	Finished goods		381,047,176	547,927,209
			4,812,364,304	2,683,315,636
10.	**TRADE DEBTS**			
	(Considered good - unsecured)			
	Due from related parties	10.1		
	- Mughal Steel Metallurgies Corporation Limited		-	141,686,862
	- Fine Steel		31,319,948	-
			31,319,948	141,686,862
	Due from Others		441,922,948	179,362,601
			473,242,896	321,049,463

10.1 The maximum amount due from above related parties at the end of any month during the year was Rs. 262.384 million. (2014: Rs. 166.586 million).

Rupees		Note	2015	2014
11.	**ADVANCES**			
	(Considered good)			
	Employees - secured	11.1		
	- Executives		4,489,800	1,858,641
	- Others		7,550,075	6,141,217
			12,039,875	7,999,858
	Other advances - unsecured			
	- Suppliers		323,852,480	286,359,591
	- Against expenses		61,520	190,245
			335,953,875	294,549,694

11.1 These are provided to employees under their terms of employment. These are secured against gratuity. Directors & Chief Executive have not received any advances from the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

Rupees		Note	2015	2014
11.1.1	Reconciliation of carrying amount of advances to employees:			
	Opening balance		7,999,858	6,495,025
	Add: disbursements		20,283,177	7,968,122
			28,283,035	14,463,147
	Less: repayments		(16,228,160)	(6,463,289)
	Closing balance		12,054,875	7,999,858
12.	SHORT-TERM DEPOSITS & PREPAYMENTS			
	Prepayments		2,415,383	687,650
	Letters of credit		2,986,517	8,144,419
	Deposit against deferred letters of credit		447,895,827	-
			453,297,727	8,832,069
13.	REFUNDS DUE FROM THE GOVERNMENT			
	Advance income tax - net		554,788,110	297,273,252
	Export regulatory duty refundable	13.1	54,148,408	54,148,408
	Sales tax refundable		259,291,089	218,476,281
			868,227,607	569,897,941

13.1 Government of Pakistan (GoP) imposed regulatory duty on export of scrap and steel products with the objective to protect the local steel industry. This duty was not applicable in respect of goods manufactured and exported from raw material imported under the Duty and Tax Remission Scheme (DTRE) or in manufacturing bonded warehouse. However, the company under protest deposited the regulatory duty to clear the export consignments at that time. This fact is also evident from the subsequent withdrawal of duty by Federal Board of Revenue (FBR) from exports made out of finished goods manufactured from raw material imported in manufacturing bonded ware house or under DTRE regime. The matter is currently pending before The Customs Appellate Tribunal. The Management is rigrously contesting the case. The Management and legal advisor are of the opinion that the matter would be decided in favor of the Company.

Rupees		Note	2015	2014
14.	OTHER RECEIVABLES			
	(Considered good)			
	Other receivables		2,958,795	2,088,796
	Related parties			
	- Current portion of long-term loans to employees	6	483,720	618,180
	- Mughal Steel Metallurgies Corporation Limited		-	2,400,000
			483,720	3,018,180
	Accrued markup	15.1	889,410	-
			4,361,925	5,106,976

Rupees		Note	2015	2014
15.	**SHORT-TERM INVESTMENTS**			
	Held-to-maturity investments:			
	Term deposit receipts	15.1	524,620,436	-

15.1 The above instruments carry profit ranging from 6.40 % to 8.25 %.

Rupees		Note	2015	2014
16.	**CASH AND BANK BALANCES**			
	Cash in hand		332,271	724,424
	Balances with banks:			
	- Current accounts		439,561,899	105,745,546
	- PLS saving accounts	16.1	10,429,806	10,875,777
			449,991,705	116,621,323
			450,323,976	117,345,747

16.1 These carry return up to 6% (June 2014: 7.5%) per annum.

Rupees				2015	2014
17.	**SHARE CAPITAL**				
	Authorized share capital				
	Number of Shares				
	2015	2014			
	150,000,000	150,000,000	Ordinary shares of Rs. 10/- each	1,500,000,000	1,500,000,000
	150,000,000	150,000,000		1,500,000,000	1,500,000,000
	Issued, subscribed & paid-up capital				
	Number of Shares				
	2015	2014			
	36,151,710	8,801,710	Ordinary shares of Rs. 10/- each allotted for consideration paid in cash	361,517,100	88,017,100
	58,579,553	58,579,553	Ordinary shares of Rs. 10/- each allotted for consideration other than cash	585,795,530	585,795,530
	14,659,890	14,659,890	Ordinary shares of Rs. 10/- each allotted as bonus shares	146,598,900	146,598,900
	109,391,153	82,041,153		1,093,911,530	820,411,530

17.1 Ordinary shares issued for consideration otherwise than cash represents shares issued against purchase of business comprising of assets and liabilities of Mughal Steel (AoP).

Rupees				2015	2014
17.2	Movement in share capital:				
	Number of Shares				
	2015	2014			
	82,041,153	82,041,153	Opening Balance	820,411,530	820,411,530
	27,350,000	-	Issuance of ordinary shares of Rs. 10/- each fully paid in cash	273,500,000	-
	109,391,153	82,041,153	Closing Balance	1,093,911,530	820,411,530

17.3 During the year, the Company has made an Initial Public Offering (IPO) through issuance of 27.350 million ordinary shares of Rs. 10/- each at a price of Rs. 34/- per share determined through book building process. Out of the total issue of 27.350 million ordinary shares, 20.5125 million shares were subscribed through book building by High Net Worth Individuals and Institutional Investors, while the remaining 6.8375 million shares were subscribed by the General Public and the shares have been duly allotted.

Rupees		Note	2015	2014
18.	CAPITAL RESERVE			
	Share premium reserve	18.1	603,500,176	-

18.1 This represents premium of Rs. 24/- per share received on public issue of 27,350,000 ordinary shares of Rs. 10/- each during the year. It has been accounted for in accordance with the provisions of Section 83 of the Companies Ordinance, 1984. This reserve can be utilized by the Company only for the purpose specified in section 83(2) of Companies Ordinance, 1984.

Rupees		Note	2015	2014
18.1.1	Movement in share premium reserve:			
	Opening balance		-	-
	Add: share premium @ 24/- per share against issuance of 27,350,000 ordinary shares		656,400,000	-
	Less: transaction costs related to issuance of shares		52,899,824	-
	Closing balance		603,500,176	-

Rupees		2015	2014 Restated
19.	EQUITY PORTION OF SPONSOR SHAREHOLDERS' LOAN		
	Equity portion of sponsor shareholders' loan	717,344,149	476,707,943

19.1 This represents equity portion of sponsor shareholder' loan (note. 21.2.3)

Rupees		Note	2015	2014
20.	REVENUE RESERVE			
	Un-appropriated profit	20.1	1,226,788,543	505,906,156

Rupees		Note	2015	2014
20.1	**Movement in un-appropriated profit:**			
	Opening balance		505,906,156	128,667,062
	Profit after taxation for the year		721,361,469	390,859,859
	Share issue costs		-	(1,501,200)
	Actuarial (loss) on remeasurement of retirement benefit obligation		(479,082)	(12,119,565)
	Closing balance		1,226,788,543	505,906,156
21.	**LONG-TERM FINANCING**			
	Loans from banking companies - secured	21.1	114,243,876	254,645,565
	Loans from related parties - unsecured	21.2	836,693,067	1,357,756,235
			950,936,943	1,612,401,800
21.1	**Loans from banking companies - secured**			
	Bank Alfalah Limited - LTFF (P&M)	21.1.1	43,433,500	130,300,500
	Bank Alfalah Limited - Term Finance	21.1.2	177,827,964	220,487,750
	MCB Bank Limited - Demand Finance	21.1.4	20,000,000	36,000,000
	MCB Bank Limited - LF I & II	21.1.5	12,404,317	56,627,474
			253,665,781	443,415,724
	Less: current maturity presented under current liabilities		(139,421,905)	(188,770,159)
			114,243,876	254,645,565

21.1.1 This represents outstanding amount of loan obtained from Bank Alfalah Limited under Long-term finance facility ("LTFF"). This loan was used for financing plant & machinery of new re-rolling mill. The principal was repayable in 4 years including grace period of 9 months in 12 equal quarterly installments with the last installment due in October 2015. It carries mark up @ SBP rate + 1.50 % p.a.

21.1.2 This represents outstanding amount of loan obtained from Bank Alfalah Limited under term finance facility. This loan was used for financing import and construction of electrical induction melting furnace and ancillary components. The principal was repayable in 4 years including grace period of 12 months in 12 equal quarterly installments with the last installment payable in October 2017. It carries mark up @ 6 MK + 2 % p.a.

21.1.3 The above facilities are secured against 1st exclusive charge of Rs. 100.000 million on land, building & steel structure of new re-rolling mill section by way of EM and TRM of Rs. 0.05 million, 1st hypothecation charge of Rs. 650.00 million on plant & machinery of new re-rolling mill, exclusive charge of Rs. 250.00 million on Plant & machinery of new Electric Furnace, CCM, Load Management System and auxiliary components and personnel guarantees of all directors (except independent director) including Chief Executive Officer.

21.1.4 This represents outstanding amount of loan obtained from MCB Bank Limited under demand finance facility. This loan was used for financing construction of building / civil works / electrical panel / wires and erection of induction furnace. The principal was repayable in 3 years including grace period of 6 months in 10 equal quarterly installments with the last installment payable in July 2016. It carries mark up @ 3 MK + 1.5 % p.a.

21.1.5 This represents outstanding amount of loan obtained from MCB Bank Limited under lease finance facility. This loan was used for financing electrical equipment and associated costs for grid station purchased directly from LESCO against their demand notices and two brand new medium frequency induction melting furnaces along with parts of related accessories. The principal was repayable in 3.5 years including grace period of 6 months in 12 equal quarterly installments with the last installment payable in January 2016. It carries mark up @ 3 MK + 1.5 % p.a.

21.1.6 The above facilities along with Short-term financing facilities are secured against 1st specific charge of Rs. 876.000 million over specific fixed assets of the Company (by way of equitable / token registered mortgage with respect to land & building and by hypothecation of machinery), 1st pari passu charge of Rs. 507.000 million, 2nd charge of Rs. 310.000 million and 5th charge of Rs. 100.000 million over current assets of the Company, making the aggregate charge amount as Rs. 917.000 million and personnel guarantees of all directors (except independent director) and Chief Executive Officer.

Rupees		Note	2015	2014 Restated
21.2	Loans from related parties - unsecured:			
	Mughal steel	21.2.1	-	964,004,469
	Sponsor shareholders' loan	21.2.2	836,693,067	393,751,766
			836,693,067	1,357,756,235

21.2.1 The loan was completely paid off / settled during the year.

Rupees		2015	2014
21.2.2	Sponsor shareholders' loan		
	Interest free loan	1,554,037,216	870,459,709
	Present value adjustment	(838,456,167)	(518,895,632)
	Unwinding of discount	121,112,018	42,187,689
	Present value of loan from sponsor shareholders	836,693,067	393,751,766

21.2.3 This represents interest free and unsecured loan received from the sponsor shareholders of the Company, which will be repaid through cash generated internally from operations, however, it is not repayable before 2020. It has been recognized at amortized cost using discount rate of 12% per annum. The resulting difference has been transferred to equity and is being amortized over the term of the loan.

This interest free loan has been discounted using market related interest on loans with similar terms and conditions and the resulting credit has been transferred to equity in the current year. The adjustment has been made retrospectively in accordance with IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". Consequently, loan from sponsor shareholders' as at June 30, 2014 has decreased by Rs. 518.895 million with a corresponding increase in equity portion of loan from sponsor shareholders by Rs. 518.895 million. This classification has no impact on basic or diluted earning per share of the Company for the year ended June 30, 2014.

Rupees		Note	2015	2014
22.	DEFERRED LIABILITIES			
	Retirement benefit obligation	22.1	59,652,572	35,258,666
	Deferred taxation - net	22.2	2,735,120	1,946,733
	Deferred income	22.3	2,833,500	2,763,245
			65,221,192	39,968,644

22.1	Retirement benefit obligation - unfunded gratuity plan		
	Amount recognized in balance sheet	59,652,572	35,258,666

The Company operates a defined benefit plan which comprises of an unfunded gratuity scheme for its permanent employees. The scheme defines the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the scheme. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out on June 30, 2015 using Projected Unit Credit method by an approved actuary. Details of the obligation as per the actuarial valuation is as follows:

Rupees		2015	2014
22.1.1	**Movement in balance sheet liability:**		
	Opening balance	35,258,666	15,579,684
	Expense charged to profit & loss account	27,405,993	6,215,282
	Remeasurements recognized in other comprehensive income	715,048	13,847,244
		63,379,707	35,642,210
	Less: benefits paid	(3,727,135)	(383,544)
	Present value of defined benefit obligation	59,652,572	35,258,666
22.1.2	**Movement in present value of defined benefit obligation:**		
	Opening liability	35,258,666	15,579,684
	Current Service cost	12,010,394	4,599,551
	Past service cost	10,970,749	-
	Interest cost on defined benefit obligation	4,424,850	1,615,731
	Actuarial (loss) on Remeasurements of retirement benefit obligation	715,048	13,847,244
	Benefits paid	(3,727,135)	(383,544)
	Present value of defined benefit obligation as June 30,	59,652,572	35,258,666
22.1.3	**Expense charged to profit & loss account consists of:**		
	Current Service cost	12,010,394	4,599,551
	Past service cost	10,970,749	-
	Interest cost	4,424,850	1,615,731
		27,405,993	6,215,282
22.1.4	**Amounts recognized in other comprehensive income are:**		
	Actuarial loss on retirement benefit obligation	715,048	13,847,244
22.1.5	**Expense charged to profit & loss account:**		
	Cost of sales	20,554,495	4,214,411
	Distribution cost	270,423	205,550
	Administrative expenses	6,476,075	1,795,321
		27,405,993	6,215,282
22.1.6	**Key actuarial assumptions used:**		
	Discount rate used for interest cost %	13.25%	10.50%
	Discount rate used for benefit obligation %	9.75%	13.25%
	Future salary increased %	8.75%	12.25%
	Next salary increase	01-Jul-16	01-Jul-15
	Pre-retirement mortality	SLIC 2001-2005	SLIC 2001-2005
		Set back 1 year	Set back 1 year
	Withdrawal rates	Age based	Age based
	Retirement assumption	Age 60	Age 60
	Actuarial valuation method used	Projected unit credit method	

Expenses of defined benefit plan is calculated by the actuary. Figure in this note are based on the latest actuarial valuation carried out as at June 30, 2015.

22.1.7 Sensitivity analysis for actuarial assumptions:

The sensitivity of the defined benefit obligation to changes in the weighted principle assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+ - by 100 bps	49,338,697	58,779,971
Salary increase	+ - by 100 bps	58,889,840	49,165,846

There is no significant change in the obligation if the life expectancy increases by 1 year.

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Based on actuary's advice, the amount of expected contribution to gratuity fund in 2015-16 will be Rs. 19.946 million.

The average duration of the defined benefit obligation is 9 years.

Rupees		2015	2014	2013
22.1.8	**Experience adjustments in respect of:**			
	Benefit obligation	715,048	13,847,244	993,973

Rupees		2015	2014
22.2	**Deferred taxation - net**		
	Opening balance	1,946,734	(3,095,976)
	Charge for the year		
	- Profit & loss account	1,024,352	6,770,389
	- Other comprehensive income	(235,966)	(1,727,679)
	Closing balance	2,735,120	1,946,734
22.2.1	**Net deferred tax liability recognized is as follows:**		
	Credit balance arising in respect of taxable temporary differences:		
	Accelerated depreciation allowance	258,316,901	144,186,201
	Debit balance arising in respect of deductible temporary differences:		
	Retirement benefit obligation	(11,470,506)	(4,399,118)
	Losses	(82,188,917)	(42,745,869)
	Minimum tax & tax credits	(161,922,358)	(95,094,480)
		(255,581,781)	(142,239,467)
		2,735,120	1,946,734

22.3 This represents unearned income in respect of vehicle loans to executive employees.

Rupees	Note	2015	2014
23. TRADE & OTHER PAYABLES			
Trade creditors			
- Local		112,032,539	123,063,481
- Foreign		3,055,198,443	-
		3,167,230,982	123,063,481
Advances from customers			
- Foreign		190,738,223	252,109,413
- Local			
- Others		43,792,907	82,347,254
- Mughal steel Metallurgies Corporation Limited (Related party)		71,144,669	-
		305,675,799	334,456,667
Murabahah - Secured	23.1	258,733,825	20,073,401
Salaries, wages & benefits payable		36,934,676	13,635,620
Utilities payable		126,557,923	72,690,824
Provision against regulatory duty	23.2	333,090,324	-
Accrued expenses		1,217,800	830,660
Withholding tax payable		2,779,410	622,010
Advance from related party	23.3	312,502,421	-
Workers' profit participation fund payable	23.4	38,156,726	20,927,908
		4,582,879,886	586,300,571

23.1 This represents Murabaha / Import Murabahah facility for purchase of used / bailed tires, direct reduced iron, cobble plates, steel scrap/billet, Ferro silicone / ferromanganese / Ferro chrome and silicone manganese etc. and retirement of LCs. This facility is operative for 180 days and carries profit rate of respective KIBOR + 1.25 % per annum. The facility is secured against 1st pari passu charge of Rs. 667.000 million over present and future current assets of the Company, ranking charge of Rs. 333.000 million over present and future current assets of the Company to be upgraded in to 1st pari passu charge within 180 days from the date of sanction advice. The aggregate available Short-term funded facilities amount to Rs. 750.000 million (2014: Rs. 750.000 million) out of which Rs. 491.266 million (2014: 729.927 million) remained unveiled at the year end.

23.2 The Company issued guarantees amounting to Rs. 333.090 million in favor of customs department on account of regulatory duty imposed on import of "Prime Alloy Steel Billet" from China vide SRO 568(I)/2014 dated 26.06.2014 as amended by SRO 18(I)/2015 dated 14.01.2015. Writ petition was filed by the Company in the Honorable Lahore High Court against the above notifications. The Honorable Lahore High Court (LHC) upon hearing the matter declared that the notification under SRO 568(1)/2014 as amended vide notification SRO 18(1)/2015 followed by replacement of the table to the RD notification through amending notifications SRO No. 121(I)/2015 and SRO NO. 131(I)/2015 both dated February 12, 2015 as applied to import of "Prime Alloy Steel Billet" from China as illegal, without lawful authority and with no legal affect. However, the Sindh High Court (SHC) passed an order in favor of the department due to which the collector of customs refused to release the guarantees against which further writ petitions were filed with the Honorable Supreme Court of Pakistan. The Honorable Supreme Court of Pakistan has subsequently to the reporting date dismissed the writ petitions filed by taxpayers against levy of regulatory duty by Government of Pakistan on goods covered under FTA. Consequently, the Company has recognized provision against the related guarantees issued.

23.3 This represents unsecured Short-term advance from Mughal Energy Limited. It carries markup @ 9.50 % per annum.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

Rupees		Note	2015	2014
23.4	**Workers' profit participation fund payable:**			
	Opening balance		20,927,908	6,161,494
	Allocation for the year		38,156,726	20,927,908
			59,084,634	27,089,402
	Paid during the year		(20,927,908)	(6,161,494)
	Closing balance		38,156,726	20,927,908

24. ACCRUED PROFIT / INTEREST / MARK-UP

	Note	2015	2014
Accrued profit / interest / mark-up payable in respect of:			
Long-term borrowings		7,344,073	11,612,591
Short-term borrowings			
- Related party	23.3	15,329,630	-
- Others		20,548,734	28,900,342
		43,222,437	40,512,933

25. SHORT-TERM BORROWINGS
(Secured)

	Note	2015	2014
Banking and financial institutions:	25.1		
Cash finance		557,750,000	563,501,952
Running finance		203,640,075	66,174,717
Export running finance		400,000,000	200,000,000
Other financing facilities		733,662,153	1,973,064,822
		1,895,052,228	2,802,741,491
Temporary overdrawn	25.2	151,350,482	-
		2,046,402,710	2,802,741,491

25.1 The above facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current and future assets of the Company, personal guarantees of the Directors, pledge of stocks, lien over documents and title of ownership of goods imported under letters of credit, 1st pari passu charge of Rs. 507 million, 2nd charge of Rs. 310 million and 6th charge of Rs. 100 million over current assets, 1st pari passu charge of Rs. 800 million and against Trust Receipt duly executed in favor of bank.

These facilities carry mark-up at the rates ranging from SBP rate + 1% to 3 MK + 1.50% (2014: SBP rate +1 % to 3 MK+ 1.50 %) per annum payable quarterly.

The aggregate available short-term funded facilities amount to Rs. 5,550.000 million (2014: Rs. 4,864.000 million) out of which Rs. 3,654.948 million (2014: 2,061.26 million) remained unveiled at the year end.

25.2 This represents temporary overdraft due to cheques issued by the Company at the reporting date.

25.3 Facilities available for opening letters of credit / guarantee aggregate to Rs. 10,414.500 million (2014: Rs. 5,718.000 million) out of which Rs. 7,752.45 million (2014: Rs. 4,496.870 million) remained unutilized at the year end.

26. CONTINGENCIES AND COMMITMENTS

Contingencies:

i) The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF

Ordinance), thus rendering the Company liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. However, in 2013, a larger bench of Sindh High Court (SHC) passed an order declaring that the amendments introduced through Finance Act 2008 do not suffer from any constitutional and legal infirmity. Both the decisions of LHC and SHC are pending before Supreme Court for adjudication. The management is of the view that the decision of LHC will remain applicable to the Company as the Company's registered office is situated in its jurisdiction till the decision of Supreme Court. Accordingly, aggregate net of tax provision of Rs. 27.841 million has not been recorded in these financial statements. The outcome of the matter is presently undeterminable.

ii) Aggregate amount of guarantees given on behalf of the Company amounted to Rs. 319.771 million to various Government departments. (2014: Rs. 124.400 million).

iii) The Company has issued post dated cheques issued in favor of customs department aggregating to Rs. 508.918 million (2014: Rs. 410.235 million).

Commitments:

i) Non-capital commitments	2,012,185,698	1,088,478,251
ii) Capital commitments	-	8,254,250

iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

Rupees		Note	2015	2014
	Not later than one year		1,440,000	1,440,000
	Later than one year and not later than five years		7,200,000	7,200,000
			8,640,000	8,640,000
27.	**SALES - NET**			
	Gross local sales		10,622,384,143	3,749,086,260
	Less: sales tax		(17,009,179)	(26,048,063)
	Net local sales	27.1	10,605,374,964	3,723,038,197
	Export sales		1,635,896,888	2,249,634,495
			12,241,271,852	5,972,672,692

27.1 This includes sale of raw material amounting to Rs. 94.495 million (2014: Rs. 174.782 million). The related cost has been included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2015

Rupees		Note	2015	2014
28.	**COST OF SALES**			
	Opening stock of raw material		1,082,698,119	410,248,164
	Add: purchases		9,896,962,554	4,831,006,248
			10,979,660,673	5,241,254,412
	Less: closing stock of raw material		(2,539,081,770)	(1,082,698,119)
	Raw material consumed		8,440,578,903	4,158,556,293
	Wages, salaries & other benefits	28.1	287,726,672	138,794,400
	Stores, spare parts & loose tools consumed		783,027,839	537,042,306
	Fuel and power		1,165,479,709	804,133,990
	Repair & maintenance		6,403,886	1,450,160
	Other manufacturing expenses		48,932,040	33,890,682
	Depreciation	5.1.1	72,037,446	65,093,296
	Cost of goods manufactured		10,804,186,495	5,738,961,127
	Add: opening stock of finished goods		547,927,209	53,662,217
	Less: transfer to capital work-in-progress		(13,900,768)	-
	Less: closing stock of finished goods		(381,047,176)	(547,927,209)
			10,957,165,760	5,244,696,135

28.1 This includes Rs. 20.554 million (2014: 4.214 million) on account of retirement benefit charge.

28.2 Cost of sales include Rs. 90.391 million (2014: 173.164 million) on account of cost of raw material sold.

Rupees		2015	2014
29.	**DISTRIBUTION COST**		
	Salaries & other benefits	3,872,869	810,744
	Travelling	175,803	-
	Freight & forwarding	42,157,565	3,142,719
	Sales promotion & marketing expenses	15,640,340	7,535,400
		61,846,577	11,488,863

29.1 This includes Rs. 0.270 million (2014: 0.205 million) on account of retirement benefit charge.

Rupees		Note	2015	2014
30.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		19,200,000	9,000,000
	Salaries & other benefits	30.1	43,509,817	31,767,009
	Traveling & conveyance		3,023,059	3,872,234
	Postage, telephone & fax		1,294,965	597,663
	Printing, stationery & office supplies		1,571,560	399,316
	Legal & professional charges		3,809,309	3,424,018
	Entertainment		366,770	723,170
	Fee & subscription		4,437,177	1,095,170
	Rent, rates & taxes		1,440,000	1,581,000
	Repair and maintenance		1,324,165	231,190
	Computer expenses		984,121	216,500
	Vehicle running & maintenance		1,862,920	2,471,734
	Utilities		14,728,808	10,019,659
	Insurance		478,943	1,963,365
	Miscellaneous		32,601	-
	Depreciation	5.1.1	18,773,742	11,780,136
			116,837,977	79,142,164

30.1 This includes Rs. 6.581 million (2014: 1.796 million) on account of retirement benefit charge.

Rupees		Note	2015	2014
31.	**OTHER CHARGES**			
	Workers' profit participation fund		38,156,726	20,927,908
	Loss on de-recognition of available for sale investments		-	561,600
	Charity & donations	31.1	3,064,471	3,384,094
	Loss on sale of store items		119,984	-
	Balances written off		1,957,013	-
	Auditors' remuneration	31.2	1,070,000	905,000
	Loss on sale of fixed assets		819,369	-
			45,187,563	25,778,602

31.1 The directors or their spouse had no interest in the donee's fund.

Rupees		Note	2015	2014
31.2	**Auditors' remuneration:**			
	Audit fee		1,000,000	885,000
	Review report on code of corporate governance		50,000	-
	Out of pocket expenses		20,000	20,000
			1,070,000	905,000

		2015	2014
32.	**OTHER INCOME**		
	Income from financial assets:		
	Return on saving accounts	2,016,182	183,214
	Balances written back	1,557,236	-
	Return on held-to-maturity investments	4,644,711	-
		8,218,129	183,214
	Income from non-financial assets:		
	Exchange gain - net	1,757,950	-
	Rental income from related party	4,800,000	3,480,000
		14,776,079	3,663,214
33.	**FINANCE COST**		
	Profit / interest / mark-up:		
	- Advance from related party	15,329,630	-
	- Short-term borrowings	291,530,275	183,436,681
	- Long-term financing	34,198,144	26,798,430
		341,058,049	210,235,111
	Bank & other charges	8,974,206	7,364,783
		350,032,255	217,599,894

33.1 Borrowing cost capitalized during the year amounted to Rs. 6.769 million (2014: Rs. 21.601 million). The rate of mark-up has been disclosed in Note. 21 to the financial statements.

Rupees		Note	2015	2014
34.	**TAXATION**			
	Current		-	-
	Prior		2,591,978	-
	Deferred		1,024,352	6,770,389
			3,616,330	6,770,389

34.1 **Relationship between income tax expense and accounting profit:**

	2015	2014
Profit before taxation	722,385,821	397,630,248
Tax on accounting profit at the applicable tax rate of 33% (2014: 34%)	238,387,321	135,194,284
Tax effect of amounts that are admissible for tax purposes	(107,544,136)	(62,439,156)
Tax effect of amounts that are inadmissible for tax purposes	43,904,556	18,931,944
Tax effect of tax credits, losses	(114,495,107)	(79,269,695)
Income subject to final and minimum taxation	(60,252,633)	(12,417,378)
Effect of prior year	2,591,978	-
Tax effect of timing differences	1,024,352	6,770,389
	3,616,330	6,770,389
Average rate of tax	1%	2%

34.1.1 The tax provision is calculated by considering the tax applicable on exports and trading income along with provisions of section 113, 113C and tax credits available under the Income Tax Ordinance, 2001.

34.1.2 The income tax assessments of the Company have been finalized up to and including the assessment year 2002-2003. Tax returns of subsequent years are deemed to be assessed under provisions of the Income Tax Ordinance, 2001, unless selected for audit by the taxation authorities. The Commissioner of Income Tax may at any time during the period of five years from date of filing of return, select the deemed assessment order for audit.

34.1.3 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for a tax year and does not distribute cash dividend within six months of the end of said tax year or distributes dividends to such extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax is not applicable in case of the Company, as the reserves of the Company after declaration of dividend by the Board of Directors remains below 100% of the paid up capital of the Company. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements.

Rupees		Note	2015	2014
35.	**BASIC AND DILUTED EARNINGS PER SHARE**			
	Profit after taxation attributable to ordinary shareholders		721,361,469	390,859,859
	Weighted average number of ordinary shares outstanding at the end of the year	35.1	88,878,653	82,041,153
	Basic earnings per share		8.12	4.76

Rupees		Note	2015	2014
35.1	Weighted average number of ordinary shares outstanding at the end of the year:			
	Shares outstanding as at beginning of the year		82,041,153	82,041,153
	Weighted average of shares issued during the year		6,837,500	-
			88,878,653	82,041,153

35.2 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the earnings per share if the option to convert is exercised.

Rupees		Note	2015	2014
36.	CASH & CASH EQUIVALENTS AT THE END OF THE YEAR			
	Cash and bank balances		450,323,976	117,345,747
	Temporary overdrawn		(151,350,482)	-
	Short-term running and cash finances		(761,390,075)	(629,676,669)
			(462,416,581)	(512,330,922)

37. NET CASH GENERATED FROM / (USED IN) OPERATIONS

	2015	2014
Profit before taxation	724,977,799	397,630,248
Adjustments for non-cash charges and other items:		
Depreciation	90,871,188	76,873,432
Finance costs	350,032,255	217,599,894
Loss on de-recognition of 'available-for-sale' investments	-	561,600
Retirement benefit charge	27,405,993	6,215,282
Balances written back	(11,557,236)	-
Balances written off	1,957,013	-
Loss on sale of fixed assets	819,369	-
Provision against regulatory duty	186,372,238	-
Return on 'held-to-maturity' investments	(4,644,711)	-
Provision for workers' profit participation fund	38,156,726	20,927,908
	689,352,835	322,178,116
Profit before working capital changes	1,414,330,634	719,808,364
Effect on cash flow due to working capital changes		
(Increase) in current assets:		
Stores, spare parts & loose tools	(52,043,578)	(48,779,348)
Stock-in-trade	(1,982,330,587)	(2,210,340,167)
Trade debts	(154,150,446)	(90,488,841)
Advances	(41,404,181)	(221,510,590)
Short-term deposits & prepayments	(444,465,658)	(2,458,998)
Refunds due from the Government	(40,814,808)	36,578,612
Other receivables	1,500,001	2,598,173
	(2,713,709,252)	(2,534,401,159)
Increase in current liabilities:		
Trade and other payables	3,647,817,409	306,003,753
	2,348,438,791	(1,508,589,042)

Rupees		2015	2014
38.	PLANT CAPACITY AND ACTUAL PRODUCTION		
	Total installed capacity (MT)		
	Melting	366,000	294,000
	Re-Rolling	688,000	688,000
	Installed capacity availability (MT)		
	Melting	72,250	48,000
	Re-Rolling	229,688	187,500
	Actual production (MT)		
	Melting	59,557	46,732
	Re-Rolling	180,230	112,771

38.1 Low production during the period is due to power and gas shutdowns. Total installed capacity is based upon 24 hours of electricity available. Installed capacity is based upon electricity available and availability of manufacturing units.

Rupees		2015	2014
39.	NUMBER OF EMPLOYEES		
	Number of employees as at the end of the year	575	416
	Weighted average number of employees	537	349

40. RELATED PARTY DISCLOSURES

Related parties comprise entities with common directorship or under influence, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been specifically been disclosed elsewhere in these financial statements, are as follows:

Rupees	2015	2014
Entities under significant influence:		
Mughal Steel (Sole Proprietor)		
- Sale	49,964,266	1,542,627,120
- Service charges	12,717,230	-
- Rental Income	-	1,080,000
Fine steel (Sole Proprietor)		
- Sale	169,051,433	-
- Service charges	25,732,476	-
Entities with common directorship:		
Mughal Steel Metallurgies Corporation Limited		
- Sale	2,756,249	163,759,595
- Rental income	4,800,000	2,400,000
Al-Bashir Steels (Private) Limited		
- Rent paid	1,440,000	1,440,000

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method. Outstanding balances with related parties as at year end have been disclosed in relevant notes. There are no transactions with key management personnel other than under the terms of employment. Any transactions, if any, with key management other than under terms of employment have been disclosed in relevant notes. Transactions, with key management under terms of employment have been disclosed in note 41.

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	Chief Executive		Directors		Executives	
Rupees	2015	2014	2015	2014	2015	2014
Managerial remuneration	6,000,000	3,000,000	13,200,000	6,000,000	37,312,509	19,699,891
Other allowances	-	-	-	-	16,730,330	6,580,062
	6,000,000	3,000,000	13,200,000	6,000,000	54,042,839	26,279,953
Number of persons	1	1	5	3	34	23

41.1 Aggregate amount charged in these financial statements in respect of meeting fee for independent director aggregates to Rs. 30,000/-. Chief Executive Officer, Executive Directors and some of the Executives are provided with Company maintained cars in accordance with their terms of employment. Executives include employees whose annual basic salary is more than Rs. 500,000/-. The remuneration to directors include Rs. 7.209 million on account of remuneration to four non-executive directors.

41.2 The Company bears travelling expenses of Chairman, Chief Executive and all Directors relating to travel for official purposes including expenses incurred in respect of attending Board Meetings.

41.3 The Chief Executive, Directors and Executives as above represent key management personnel of the Company, i.e. the personnel having authority and responsibility for planning, directing and controlling the activities of the Company.

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

42.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company, 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 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. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

42.2 Financial instruments by category:

Rupees		Loans & receivables		Held to maturity			
		2015	2014	2015	2014	2015	2014
	Financial assets						
	Maturity up to one year:						
	Trade debts	473,242,896	321,049,463	-	-	473,242,896	321,049,463
	Advances	12,039,875	7,999,858	-	-	12,039,875	7,999,858
	Short-term deposits & prepayments	447,895,827	-	-	-	447,895,827	-
	Other receivables	4,361,925	5,106,976		-	4,361,925	5,106,976
	Short-term Investments	-	-	524,620,436	-	524,620,436	-
	Cash and bank balances	450,323,976	117,345,747	-	-	450,323,976	117,345,747
	Maturity after one year:						
	Long-term loan to employees	1,751,620	824,535	-	-	1,751,620	824,535
	Long-term deposits	18,258,313	18,183,313	-	-	18,258,313	18,183,313
		1,407,874,432	470,509,892	524,620,436	-	1,932,494,868	470,509,892
	Financial liabilities						
	Maturity up to one year:						
	Trade and other payables					3,903,177,627	230,293,986
	Accrued profit / interest / mark-up					43,222,437	40,512,933
	Short-term borrowings					2,346,402,710	2,802,741,491
	Current maturity of long term liabilities					139,421,905	188,770,159
	Maturity after one year:						
	Long-term financing					950,936,943	1,612,401,800
						7,383,161,622	4,874,720,369
	Off balance sheet financial instruments						
	Letters of credit					2,012,185,698	1,096,732,501
	Letters of guarantee					649,861,899	124,400,000
						2,662,047,597	1,221,132,501

42.2.1 The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

42.3 Financial risk factors

The Company has exposure to the following risks arising from financial instruments:

i) Credit risk
ii) Liquidity risk
iii) Market risk

42.3.1 Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its investments, trade debts, other receivables and its balances with banks. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counter party limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. Out of total financial assets of Rs. 1,932.495 million (2014:

Rs. 470.510 million), the financial assets that are subject to credit risk amount to Rs. 1,469.991 million (2014: Rs. 460.343 million)

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

Rupees	2015	2014
Held-to-maturity		
Short-term Investments	524,620,436	-
Loans & receivables		
Long-term deposits	18,258,313	18,183,313
Trade debts	473,242,896	321,049,463
Other receivables	3,878,205	4,488,796
Bank balances	449,991,705	116,621,323
	945,371,119	460,342,895
	1,469,991,555	460,342,895

Concentration of credit risk:

The Company identifies concentration of credit risk by reference to type of counterparty. Maximum exposure to credit risk by type of counterparty is as follows:

Rupees	2015	2014
Customers	473,242,896	321,049,463
Banking companies and financial institutions	975,501,551	116,621,323
Others	21,247,108	22,672,109
	1,469,991,555	460,342,895

Credit quality and impairment:

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

Counterparties without external credit ratings:

These include customers which are counterparties to local trade debt against sale of steel products. The analysis of ages of trade debts of the Company as at the reporting date is as follows:

The aging of trade debts at the reporting dates is:

Rupees	2015	2014
- Not yet due	229,069,817	109,728,272
- Past due 31-90 days	240,363,762	207,331,575
- Past due 91-180 days	2,842,391	3,989,616
- Past due 181-360 days	966,926	-
	473,242,896	321,049,463

Customer credit risk is managed according to Company's policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed and based on an extensive credit rating. Outstanding customer receivables are regularly monitored.

Detail of trade debts from related party is disclosed in their respective notes.

Counterparties with external credit ratings:

These include banking companies and financial institutions which are counterparties to cash deposits, term deposits, margin deposits and accrued return thereon etc. The credit risk on liquid funds held with these counterparties is limited because the counter parties are banks with reasonable high credit ratings.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate. Following are the credit ratings of the counterparties with external credit ratings:

		Rating	
	Agency	Short-term	Long-term
Bank balances			
Allied Bank limited	PACRA	A1+	AA+
Askari Bank Limited	JCR-VIS	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA
Bank of Punjab	PACRA	A1+	AA-
BankIslami Pakistan Limited	PACRA	A1	A+
Dubai Islamic Pakistan Limited	JCR-VIS	A1	A+
Habib Bank Limited	JCR-VIS	A1+	AAA
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	A+	A1+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
Samba Bank Limited	JCR-VIS	A1	AA
Silk Bank Limited	JCR-VIS	A2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A1	A
United Bank Limited	JCR-VIS	A1+	AA+

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non performance by these counterparties on their obligations to the Company. Accordingly the credit risk is minimal.

42.3.2 **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner unfavorable to the Company. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note. 25 to the financial statements is a detail of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Exposure to liquidity risk:

Contractual maturities of financial liabilities, including estimated interest payments:

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, except, for loan from sponsor shareholders which has been discounted (note. 21.2.3) and include estimated interest payments and exclude the impact of netting agreements.

Rupees			2015		
	Carrying ammount	Contractual cash flows	Withing 1 year	Between 1 & 5 years	After 5 year
Non-derivative financial liabilities					
At amortized cost					
Long-term financing	1,090,338,648	1,123,270,10[illegible]	155,877,532	130,699,503	836,693,067
Short-term borrowings	2,046,402,710	2,046,402,710	2,046,402,710	-	-
Trade and other payables	3,903,177,627	3,903,177,627	3,903,177,627	-	-
Accrued profit / interest / mark-up	43,222,437	43,222,437	43,222,437	-	-
	7,083,1[illegible],622	7,116,072,875	6,148,680,306	130,699,503	836,693,067

Rupees			2014		
	Carrying ammount	Contractual cash flows	Withing 1 year	Between 1 & 5 years	After 5 year
Non-derivative financial liabilities					
At amortized cost					
Long-term financing	1,801,171,959	1,863,890,531	209,676,350	296,457,946	1,357,756,235
Short-term borrowings	2,802,741,491	2,802,741,491	2,802,741,491	-	-
Trade and other payables	230,293,986	230,293,986	230,293,986	-	-
Accrued profit / interest / mark-up	40,512,933	40,512,933	40,512,933	-	-
	4,874,720,369	4,937,438,941	3,283,224,760	296,457,946	1,357,756,235

42.3.3 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 the financial instruments. The objective of market risk management is tot manage and control market risk exposures within acceptable parameters, while optimizing return.

Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The company is mainly exposed to currency risk on import of raw materials.

The Company's exposure to foreign currency risk is as follows:

Rupees	2015 USD	2014 USD
Outstanding letter of credits	30,010,850	-
The following exchange rate has been applied as at the reporting date (PKR)	101.78	-

At the reporting date, if the PKR had strengthened / weakened by 5% against USD with all other variables held constant, profit after tax would have been higher / lower by Rs. 152.725 million (2014: Nil)

Price risk:

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments trading in market.

The Company does not hold any investments which is exposed it to price risk.

Interest rate risk:

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

Rupees	2015	2014
Financial assets:		
Fixed rate instruments		
Short-term Investments	524,620,436	-
Financial liabilities:		
Fixed rate instruments		
Sponsor shareholders' loan	836,693,067	393,751,766
	836,693,067	393,751,766
Variable rate instruments		
Long-term financing	253,665,781	443,415,724
Short-term borrowings	1,895,052,228	2,802,741,491
	2,148,718,009	3,246,157,215

Fair value sensitivity analysis for fixed rate instruments:

The company does not account for any fixed rate financial instruments at fair value through profit and loss, therefore, a change in interest rate at the reporting date would not affect the profit and loss account.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at reporting date would have increased / decreased profit for the year by Rs. 27.635 million (2014: 19.943 million)

The related markup rates for variable rate financial instruments are indicated in the related notes to the interim financial statements. The sensitivity analysis prepared is not necessarily indicative of the effects on the profit for the period and assets / liabilities of the Company.

42.4 Fair value

The carrying values of all financial assets and financial liabilities reflected in the financial statements approximate their fair values except Long term deposits and Long-term loans to employees. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

43. OPERATING SEGMENTS

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

(i) Revenue from steel products represents 100% of the total revenue of the company

(ii) Majority of the sale is made to customers within the country.

(iii) All non-current assets of the Company as at June 30, 2015 are located in Pakistan.

44. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and;

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

Rupees	Note Unit	2015	2014
Total debt	Rupees	3,136,761,558	4,603,913,450
Less: cash and bank balances	Rupees	(450,323,976)	(117,345,747)
Net debt	Rupees	2,686,437,582	4,486,567,703
Total equity	Rupees	3,341,544,398	1,803,025,629
Total capital employed	Rupees	6,327,981,980	6,289,593,332
Gearing	Percentage	42%	71%

Total debt comprises of Long-term financing from banking companies, Long-term loan from related parties & Short-term borrowings.

There was no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirement, except those, related to maintenance of debt covenants commonly imposed by the providers of debt finance which the Company has complied with.

45. CORRESPONDING FIGURES

The corresponding figures have been rearranged or reclassified, wherever necessary, for the purpose of better presentation, however, no material significant reclassifications other than those disclosed below have been made:

Reclassification from component	Reclassification to component	Rupees
Reclassified from component	Reclassified to component	Rupees
Long-term deposits	Long-term deposits	
- Lesco	- Others	12,525,000
Long-term deposits & loans	Long-term loans to employees	
- Long-term loan to employees	- Loan to employees	824,535
Long-term loans from related parties	Long-term financing	
Loan from	Long-term loans from related parties	
- Mughal Steel (AoP)	- Loan from Mughal Steel (AoP)	964,004,469
- Sponsor shareholders	- Loan from sponsor shareholders	393,751,766
Plant & machinery	Plant & machinery	
- Plant & machinery	- Coal gasification plant	28,235,000
Capital work-in-progress	Capital work-in-progress	
- Civil work	- Plant & machinery	44,928,985
Trade & other payables	Trade & other payables	
- Accrued liabilities	- Salaries, wages & benefits payable	13,635,620
	- Utilities payable	72,690,824
	- Other payables	830,660
Sales	Sales	
- Sales	- Sales tax	26,048,063
Sales	Cost of sales	
- Sales tax	- Raw material consumption	1,285,845
	- Stores, spare parts & loose tools consumed	114,210,284
Cost of Sales	Administrative Expenses	
- Depreciation	- Depreciation	2,593,205
Administrative expenses	Other charges	
- Charity & donations	- Charity & donations	3,384,094
- Auditors' remuneration	- Auditors' remuneration	905,000

NOTES TO THE FINANCIAL STATEMENTS
for the year ended June 30, 2015

Reclassification from component	Reclassification to component	Rupees
Profit & loss	Other charges	
- Workers' profit participation fund	- Workers' profit participation fund	20,927,908
- Loss on de-recognition of available for sale investments	- Loss on de-recognition of available for sale investments	561,600
Administrative expense	Distribution cost	
- Salaries & benefits	- Salaries & benefits	810,744

46. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on September 30, 2015 proposed a final cash dividend of Rs. 0.5 per ordinary share i.e. 5% (2014: Rs. Nil per share) amounting to Rs. 54.695 million (2014: Rs. Nil) and bonus shares in proportion of 1.5 shares for every 10 shares held i.e. 15% (2014: Nil%) for the year ended June 30, 2015 subject to approval of members at the forthcoming annual general meeting. These financial statements do not include the effect of the above proposals which will be accounted for in the period in which it is approved by the members.

47. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 30, 2015 by the Board of Directors of the Company.

48. GENERAL

The figures have been rounded off to the nearest rupee.

MUGHAL IRON & STEEL INDUSTRIES LIMITED

PATTERN OF SHAREHOLDDING

As on June 30, 2015

PATTERN OF SHAREHOLDDING
As on June 30, 2015

No. of shareholder	Having shares From	To	Shares held	Percentage
73	1	100	2019	0.0018
6063	101	500	3026868	2.7670
724	501	1000	721697	0.6597
687	1001	5000	1798216	1.6438
106	5001	10000	898500	0.8214
33	10001	15000	442500	0.4045
24	15001	20000	458000	0.4187
12	20001	25000	285000	0.2605
9	25001	30000	256000	0.2340
4	30001	35000	138500	0.1266
5	35001	40000	197000	0.1801
6	40001	45000	262100	0.2396
6	45001	50000	300000	0.2742
2	50001	55000	104500	0.0955
3	55001	60000	174500	0.1595
4	60001	65000	256500	0.2345
1	65001	70000	68000	0.0622
2	70001	75000	150000	0.1371
3	80001	85000	255000	0.2331
1	90001	95000	92500	0.0846
9	95001	100000	900000	0.8227
1	100001	105000	101000	0.0923
1	105001	110000	110000	0.1006
1	115001	120000	120000	0.1097
1	120001	125000	125000	0.1143
2	130001	135000	269000	0.2459
1	140001	145000	143000	0.1307
1	145001	150000	150000	0.1371
2	170001	175000	350000	0.3200
4	195001	200000	800000	0.7313
2	200001	205000	405000	0.3702
1	220001	225000	223500	0.2043
1	225001	230000	230000	0.2103
1	245001	250000	250000	0.2285
1	280001	285000	280500	0.2564
1	295001	300000	300000	0.2742
1	345001	350000	347000	0.3172
1	435001	440000	439000	0.4013
3	445001	450000	1344500	1.2291
2	495001	500000	1000000	0.9142
1	500001	505000	503904	0.4606
2	595001	600000	1200000	1.0970
1	615001	620000	619700	0.5665
1	875001	880000	880000	0.8045
1	995001	1000000	1000000	0.9142
1	1205001	1210000	1207500	1.1038
1	1565001	1570000	1568000	1.4334
1	1595001	1600000	1600000	1.4626
1	1950001	1955000	1951960	1.7844
2	1995001	2000000	4000000	3.6566
1	2410001	2415000	2415000	2.2077
1	24430001	24435000	24433140	22.3356
1	24435001	24440000	24437144	22.3392
1	25795001	25800000	25799905	23.5850
7821	**Company Total**		109391153	100.0000

CATEGORY OF SHAREHOLDERS

As on June 30, 2015

Particulrs	No of Folio	Balance Share	Percentage
Sponsors, Directors, Ceo and Children	9	82041153	74.9980
Banks, DFI and NBFI	3	710000	0.6490
Insurance Companies	1	29000	0.0265
Modarabas and Mututal Funds	15	4680200	4.2784
General Public (Local)	7691	13715697	12.5382
General Public (Foreign)	67	505531	0.4621
Others	35	7709572	7.0477
Company Total	7821	109391153	100.0000

Folio No	Name	Code	Balance Held	Percentage
000000000001	Mirza Javaid Iqbal	001	25799905	23.5850
000000000002	Jamshed Iqbal	001	24437144	22.3392
000000000003	Muhammad Mubeen Tariq Mughal	001	24433140	22.3356
000000000004	Fahad Javaid	001	2000000	1.8283
000000000005	Khurram Javaid	001	1951960	1.7844
000000000006	Fazeel Bin Tariq	001	2415000	2.2077
000000000007	Waleed Bin Tariq	001	503904	0.4606
000000000008	Mateen Jamshed	001	500000	0.4571
000000000009	Syed Salman Ali Shah	001	100	0.0001
003079000042	Soneri Bank Limited - Ordinary Shares	004	600000	0.5485
003939019898	Invest Capital Investment Bank Limited	004	10000	0.0091
006247000063	Saudi Pak Industrial & Agricultural Investment Co. Ltd.- PMD	004	100000	0.0914
003277015009	Century Insurance Company Ltd.	005	29000	0.0265
005371000028	Cdc - Trustee MCB Pakistan Stock Market Fund	006	1568000	1.4334
005959000027	Cdc - Trustee Atlas Stock Market Fund	006	450000	0.4114
010603000021	Cdc - Trustee APF-Equity Sub Fund	006	75000	0.0686
010728000027	Cdc - Trustee HBL - Stock Fund	006	280500	0.2564
010801000027	Cdc - Trustee NAFA Islamic Asset Allocation Fund	006	446000	0.4077
011056000028	Cdc - Trustee HBL Multi - Asset Fund	006	175000	0.1600
012336000023	Cdc - Trustee Lakson Equity Fund	006	619700	0.5665
013714000025	Cdc - Trustee HBL Pf Equity Sub Fund	006	110000	0.1006
014415000021	Cdc - Trustee NAFA Pension Fund Equity Sub-Fund Account	006	134000	0.1225
014431000029	Cdc - Trustee NAFA Islamic Pension Fund Equity Account	006	85000	0.0777
014761000029	Cdc - Trustee PIML Islamic Equity Fund	006	7500	0.0069
014977000024	Cdc - Trustee NAFA Islamic Principal Protected Fund - Ii	006	125000	0.1143
015727000022	Cdc - Trustee Pakistan Pension Fund - Equity Sub Fund	006	135000	0.1234
015974000023	Cdc - Trustee NAFA Islamic Stock Fund	006	448500	0.4100
016030000025	Cdc - Trustee PIML Value Equity Fund	006	21000	0.0192
000935038040	Trustee City Schools Provident Fund Trust	010	5000	0.0046

CATEGORY OF SHAREHOLDERS
As on June 30, 2015

Folio No Name		Code	Balance Held	Percentage
001826064154	Trustees-Indus Motor Company Ltd Employees Pension Fund	010	100000	0.0914
001826064162	Trustees-Indus Motor Company Ltd Employees Provident Fund	010	200000	0.1828
001826085548	Pinnacle Recycling (Private) Limited	010	101000	0.0923
003038043962	Premier Cables (Pvt.) Limited	010	50000	0.0457
003079000521	Trustee - SBL Gratuity Fund Scheme	010	100000	0.0914
003277001339	Premier Fashions (Pvt) Ltd	010	35000	0.0320
003277026972	Westbury (Private) Ltd	010	1207500	1.1038
003277045542	Naveena Exports (Pvt) Ltd	010	10000	0.0091
003277061491	M/S Rang Commodities (Pvt) Ltd	010	201000	0.1837
003277081682	Trustees Of Cresent Steel & Allied Products Ltd-Pension Fund 010 1685 0.0015			
003277083462	Nadeem International (Pvt.) Ltd.	010	20000	0.0183
003277086315	Skyline Enterprises (Pvt) Ltd	010	143000	0.1307
003277086759	Soorty Enterprises (Pvt) Ltd.	010	439000	0.4013
003277089567	Liberty Power Tech Limited	010	200000	0.1828
003525087235	Maple Leaf Capital Limited	010	1	0.0000
003939012232	AMCAP Securities Pvt Limited	010	3000	0.0027
004804025436	Shafi Lifestyle (Pvt) Limited	010	15000	0.0137
004804025444	Ever Fresh Farms (Pvt) Limited	010	10000	0.0091
004895000026	DJM Securities (Private) Limited	010	7000	0.0064
005298000028	Maan Securities (Private) Limited	010	1000	0.0009
005736000015	NCC - Pre Settlement Delivery Account	010	26000	0.0238
005884000026	Ismail Iqbal Securities (Pvt) Ltd.	010	880000	0.8045
006684000029	Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Ltd.	010	44000	0.0402
006882000025	AWJ Securities (Private) Limited.	010	3000	0.0027
007302000023	Habib Ullah Sheikh (Pvt) Ltd.	010	64000	0.0585
007450000026	Dawood Equities Ltd.	010	5000	0.0046
010181000024	Horizon Securities Limited	010	204000	0.1865
011692000021	ABA Ali Habib Securities (Pvt) Limited	010	1600000	1.4626
012666000585	Trustees Of Pharmevo Pvt. Ltd. Employees Provident Fund	010	3050	0.0028
012666000601	Trustees Of Karachi Sheraton Hotel Employees Provident Fund	010	336	0.0003
012690000566	Trustee Thall Limited- Employees Retirement Benefit Fund	010	4000	0.0037
013748000691	Akhuwat	010	7000	0.0064
013904000022	Cyan Limited	010	2000000	1.8283
014118000027	ASDA Securities (Pvt.) Ltd.	010	20000	0.0183

MUGHAL IRON & STEEL INDUSTRIES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF THE SIXTH (6TH) ANNUAL GENERAL MEETING OF MUGHAL IRON & STEEL INDUSTRIES LIMITED

Notice is hereby given that the 6th Annual General Meeting of Mughal Iron & Steel Industries Limited ("the Company") will be held on Saturday, October 31, 2015 at 3:00 p.m. at Pearl Continental Hotel, Lahore to transact the following business:

Ordinary Business

1. To confirm the minutes of the Annual General Meeting of the Company held on October 31, 2014.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Reports thereon.

3. To consider and approve the payment of final cash dividend of 5% (i.e. Rs. 0.5 per ordinary share of R.s 10/- each) as recommended by the Board of Directors for the year ended June 30, 2015. No interim dividend was declared during the year.

4. To appoint external auditors for the financial year 2015-16 and to fix their remuneration. The Board of Directors has recommended, as suggested by the Audit Committee, the appointment of M/s. Fazal Mahmood & Co., Chartered Accountants, the retiring auditors, being eligible, as auditors of the Company for the year ending June 30, 2016.

Special Business

5. To approve the issue of bonus shares in proportion of 1.5 shares for every 10 shares held i.e. 15% as recommended by the Board of Directors, and if deemed appropriate pass the following ordinary resolution:

   RESOLVED that a sum of Rs. 164,086,729/- out of the Company's reserves be capitalized and applied towards the issue of 16,408,672 ordinary shares of Rs. 10/- each and allotted as fully paid bonus shares to the members who are registered in the books of the Company as at the close of the business on October 23, 2015, in proportion of 1.5 shares for every 10 shares held and that such new shares shall rank pari passu with the existing ordinary shares.

   FURTHER RESOLVED that fractional entitlement of the members shall be consolidated in to whole shares and sold in the stock market and the sale proceeds shall be donated to any registered charitable institution.

   FURTHER RESOLVED that the Company Secretary be and is hereby authorized to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of bonus shares.

6. To authorize the Company, to vary the terms of contract mentioned in the prospectus and utilize surplus funds received from Initial Public Offering of ordinary shares for the purpose of capital expenditure instead of utilization in working capital by way of passing the following ordinary resolution:

   RESOLVED that consent and approval of Mughal Iron & Steel Industries Limited (the "Company") be and is hereby accorded under Section 58 of the Companies Ordinance, 1984 (the "Ordinance") for variation in the terms of contract mentioned in the prospectus.

   FURTHER RESOLVED that the Company is hereby authorized to invest the funds amounting to Rs. 529.9 million comprising of Rs. 147.0 million in respect of funds reserved for working capital at lower limit and Rs. 382.9 million being the surplus funds received at upper limit raised from Initial Public Offering of ordinary shares, for capital expenditure purpose instead of utilization in working capital.

   FURTHER RESOLVED that the Chief Executive and Company Secretary of the Company be and hereby authorized singly to do all the necessary acts, deeds and things in connection therewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the foregoing resolution.

7. To authorize the Company, subject to the approval of the Securities and Exchange commission of Pakistan, to transmit its quarterly accounts by placing the same on the Company's website instead of circulating by post to the shareholders, as and by way of passing the following ordinary resolution:

   RESOLVED that subject to the approval of the Securities and Exchange Commission of Pakistan, the Company be and hereby authorized to transmit its quarterly accounts by placing the same on the Company's website, instead of circulating them by post to the shareholders.

   FURTHER RESOLVED that the Company Secretary be and is hereby authorized to do all the necessary and required acts, deeds and things in connection therewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the foregoing resolution.

Lahore: October 09, 2015

(By Order of the Board)
Pervez Iqbal
Company Secretary

STATEMENT UNDER SECTION 160(1)(b) OF THE ORDINANCE:

This statement sets out the material facts concerning the Special Business listed at agenda items 5,6 and 7, to be transacted at the 6th Annual General Meeting of the Company to be held on October 31, 2015.

Agenda Item No. 4.

The Directors of the Company are of the view that the Company's financial position and its reserves justify the issue of bonus shares in the proportion of 1.5 shares for every 10 shares held; i.e. @ 15%. The Directors of the Company have no interest in this issue except to the extent of their respective shareholdings in the Company. Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules 1996, a certificate of free reserves has been issued by the Auditors.

Agenda Item No. 5.

During the year, the Company issued 27.350 million ordinary shares at a price of Rs. 34/- per share. The principal purpose of the issue was to raise capital for procurement of new induction furnace and balancing modernization and replacement of re-rolling mills, with any excess fund raised to be utilized for meeting working capital requirements. In this regard, the Company raised additional funds of Rs. 529.9 million from its Initial Public Offering of ordinary shares, which as per prospectus were to be utilized in working capital.

However, the Board of Directors in pursuance of its business and growth strategy and considering its future plans for expansion has resolved that it would be more viable to utilize these funds for capital expansion rather than working capital subject to the approval of the shareholders.

The Directors of the Company have no interest in this matter except to the extent of their respective shareholdings in the Company.

Agenda Item No. 6.

The Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. 19 of 2004 has allowed listed companies to place their quarterly accounts on their website instead of sending the same by post subject to approval of the shareholders and permission of SECP.

In this regard approval of shareholders is sought for transmitting the quarterly accounts through Company's website following which the Company will apply for permission for the same from SECP. This would ensure prompt disclosure of information to the shareholders, as well as saving of costs associated with printing and dispatch of accounts by post. The Company, however, will supply the printed copies of accounts to the shareholders on demand at their registered address free of cost.

NOTES:

1. Share transfer books of the Company will remain closed from October 24, 2014 to October 31, 2015 (both days inclusive). Physical transfers/CDS Transaction IDs received in order at the Company's Share Registrar, M/s. THK Associates (Pvt.) Limited 2nd Floor, State Life Building No.3, Dr. Ziauddin Road, Karachi, up to the close of business on October 23, 2014 will be treated in time for the above entitlements to the transferees and to determine voting rights of the shareholders for attending the meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. A Proxy must be a member of the Company. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. Form of proxy is enclosed.

3. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For attending the meeting

a. Individual CDC shareholders are requested to bring with them their CNIC / Passport in original along with Participants' ID Numbers and their Account Numbers to prove his/her identity at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For appointing proxies

a. In case of individuals, the account holder and/ or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

NOTICE OF THE SIXTH (6TH) ANNUAL GENERAL MEETING OF MUGHAL IRON & STEEL INDUSTRIES LIMITED

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

4. Pursuant to SRO No. 787(1)/2014 dated 8th September 2014, the SECP has allowed circulation of Audited Financial Statements along with notice of Annual General Meeting to the members through email. Therefore, all members who wish to receive soft copy of the Annual Report shall fill the consent form for electronic transmission and send it to registered office of the Company, 31-Shadman 1, Lahore. Form of Consent is enclosed herewith and also available online at the Company's website.

5. Shareholders are requested to notify / submit the following, in case of book entry securities in CDS to respective CDS participants and in case of physical shares to the Company's Share Registrar M/s. THK Associates (Pvt.) Limited 2nd Floor, State Life Building No.3, Dr. Ziauddin Road, Karachi, if not earlier provided / notified:-

a) Change in their addresses;

b) Valid and legible photocopies of National Tax Number (NTN), both for individuals & corporate entities; and

Pursuant to the provisions of Finance Act, 2015 effective 1 July 2015, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No.	Nature of shareholder	Rate of deduction
1	Filers of income tax Return	12.5%
2	Non -Filer of income tax Return	17.5%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website. Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

c) Dividend mandate information i.e. Title of Bank Account, Bank Account Number, Bank's Name, Branch Address, CNIC, NTN and Cell / Landline Number(s) of Transferee(s) towards direct credit of cash dividend through e-dividend mechanism, if announced by the Company at later stage.

The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated 5 April 2013 has advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc.

6. Members who desire to stop deduction of zakat from their dividend may submit a declaration on non-judicial stamp paper duly signed as required under the law.

7. SECP has also directed vide SRO No. 779(1)2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Valid CNIC Number of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar M/s. THK Associates (Pvt.) Limited 2nd Floor, State Life Building No.3, Dr. Ziauddin Road, Karachi. In case of non-availability of a valid copy of CNIC in the records of the Company, the Company will be constrained to withhold the Dividend Warrant in terms of section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon compliance with the aforesaid notifications.

8. The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2015 along with Auditors and Directors Reports thereon on its website: www.mughalsteel.com

MUGHAL IRON & STEEL INDUSTRIES LIMITED

FORM OF PROXY

FORM OF PROXY
6th ANNUAL GENERAL MEETING

I/We ____, being member(s) of Mughal Iron & Steel Industries Limited and holder of ______________ Shares as per Folio No._____CDC Participation ID # _________ and Sub Account # ________/CDC Investor Account ID #____________do hereby appoint ________________________________ of _______________________________ or failing him/her _______________________ of _______________________ having Folio No.______CDC Participation ID # _________ and Sub Account # ________/CDC Investor Account ID #____________as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Mughal Iron & Steel Industries Limited scheduled to be held on Saturday, 31 October 2015 at ________________, at ________________ Lahore, and at any adjournment thereof.

At witness my/our hand this________________day of ________________2015.

1. Name ________________________________
   N.I.C ________________________________
   Address ________________________________
   ____

Please affix here Revenue Stamps of Rs. 5/

Members Signature

2. Name ________________________________
   N.I.C ________________________________
   Address ________________________________
   ____

Note:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Share Registrar Office of the Company, M/s. THK Associates (Pvt.) Limited 2nd Floor, State Life Building No.3, Dr. Ziauddin Road, Karachi, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular# 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies:
   i) In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall 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 CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
   iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
   v) In case of a corporate entity, the Board of Directors' resolution/Power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Our environmental strategy is centered around the reduction of our carbon footprint. To do this, we strive to reduce the materials that we use and to reuse and recycle as far as possible.

Securities and Exchange Commission of Pakistan has also championed the cause of environmental conservation by encouraging Corporates to review their distribution of Annual and Periodic Accounts by allowing electronic transmission of these to shareholders subject to their consent.

We have assessed the impact of this provision - not only will this initiative help Corporates to create greater value for shareholders by reducing costs, it will also help reduce Pakistan's carbon footprint with only a small effort. Estimates suggest that every 500 e-copies will help save 29 trees and reduce carbon emissions by 170 kg annually.

Please help us by signing up for an e-copy and saving a tree.

Fill out the enclosed consent form, and send it to the below mentioned mailing/email address & let us know you CARE!

Share Registrar Office

M/s. THK Associates (Pvt.) Limited
2nd Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi 75530, Pakistan.
Phone: +92 (21) 111-000-322
Fax: +92 (21) 5655595
Email: secretariat@thk.com.pk

Principal Office

Mughal Iron & Steel Industries Limited
31-A, Shadman I,
Lahore-54000
Email: fahadhafeez@mughalsteel.com

CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Share Registrar Office

M/s. THK Associates (Pvt.) Limited
2nd Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi 75530, Pakistan.
Phone: +92 (21) 111-000-322
Fax: +92 (21) 5655595
Email: secretariat@thk.com.pk

Principal Office

Mughal Iron & Steel Industries Limited
31-A, Shadman I,
Lahore-54000
Email: fahadhafeez@mughalsteel.com

Subject: CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Dear Sirs,

I/we, being the shareholder(s) of Mughal Iron & Steel Industries Limited ("Company"), do hereby consent and authorize the Company for electronic transmission of the Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the Company of any change in my Email address.

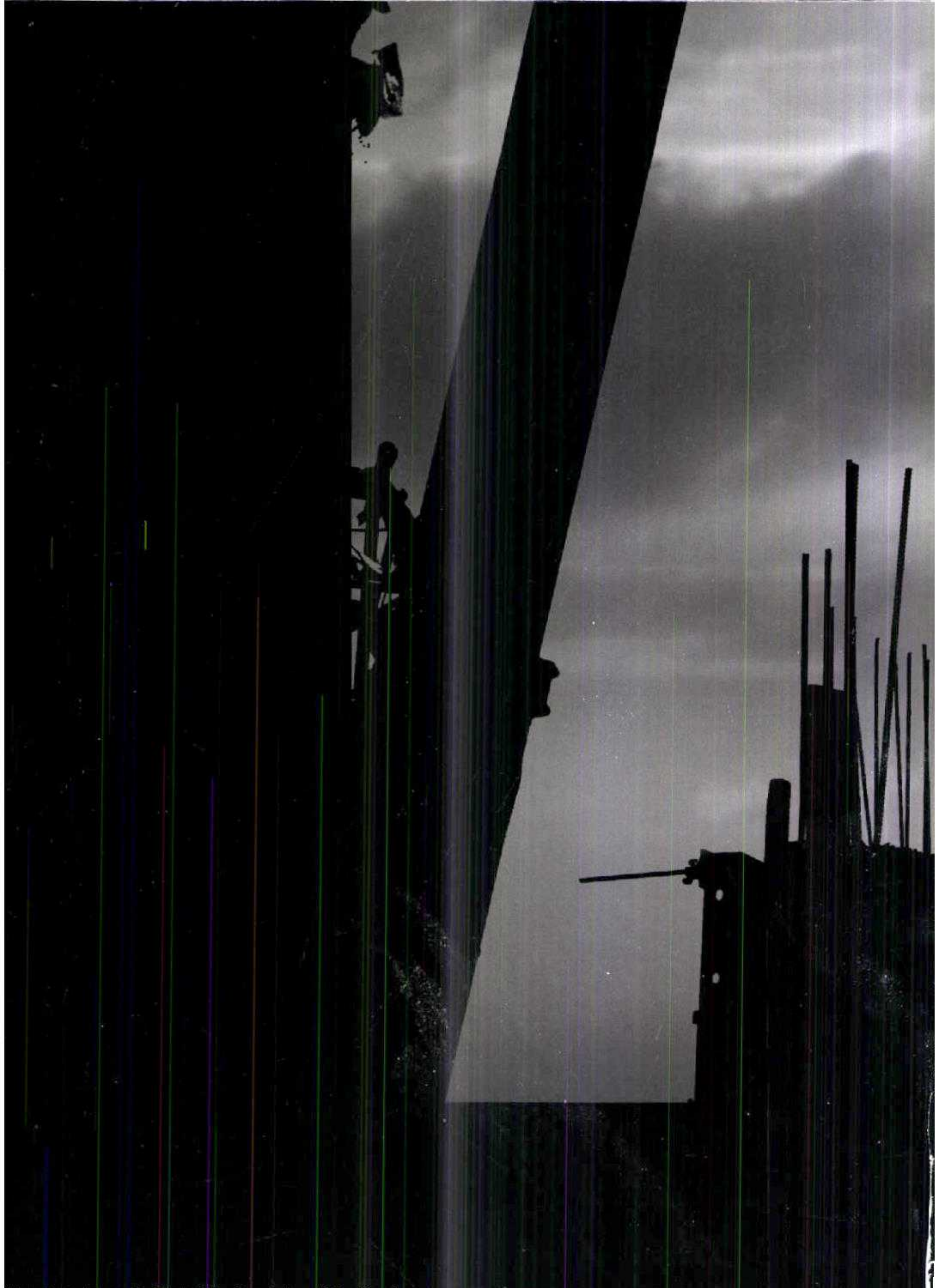
I understand that the transmission of Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email shall meet the requirements as mentioned under Section 50, 158 and 233 of the Companies Ordinance, 1984.

1. Name of Shareholder(s): ______________________
2. Fathers / Husband Name: ______________________
3. CNIC: ______________________
4. NTN: ______________________
5. Participant ID / Folio No: ______________________
6. E-mail address: ______________________
7. Telephone: ______________________
8. Mailing address: ______________________

____

Date: ______________________

____
Signature:
(In case of corporate shareholders, the authorized signatory must sign)



Mughal Iron & Steel Industries Limited
31-Shadaman 1 Lahore.
Tel: 042-35960841-3