



# ITTEFAQ IRON INDUSTRIES LTD.

Annual Report 2018



LOOKING  
BEYOND  
TOMORROW



## CONTENTS

Key Figures	2
Company Information	4
Vision	6
Mission	7
Strategy Goals	8
Core Values	9
Notice of Annual General Meeting	10
Code of Business Conduct & Ethics	15
Profiles of Directors	18
Company Profile	20
Organization Chart	25
Chief Executive Message	26
Director Report to Members	27
Last Five year Financial review	34
Pattern of Shareholding	36
Statement of Compliance with the code of Corporate Governance	45
Review Report to the Members	48

## FINANCIAL STATEMENTS

Auditor's Report to the Members	52
Balance Sheet	58
Profit and Loss Account	59
Statement of Comprehensive Income	60
Statement of Changes in Equity	61
Cash Flow Statement	62
Notes to the Financial Statement	63
Director Reports in Urdu	97
Proxy Form in Urdu & English	100



## KEY FIGURES

PKR in  
Million

Sales Revenue

**6,197.999,269**

(2017: 4,442.102,678)

PKR in  
Million

EBITDA

**650.000,000**

(2017: 430.704,533)

PKR in  
Million

Profit before Tax & Depreciation

**546.533,748**

(2017: 319.296,913)

PKR in  
Million

Profit after Taxation

**269.820,582**

(2017: 140.861,268)

PKR in  
Million

Earning per share

**2.06**

(2017: 1.55)



%

Return on Capital Employed

**12.420**

(2017: 4.80)

PKR in  
Million

Total Assest

**6,024.369,404**

(2017: 5,142.699,424)

%

Current Ratio

**2.6**

(2017: 1.52)

PKR in  
Million

Shareholder Equity

**3,240.056,429**

(2017: 2,934.413,263)

PKR in  
Million

Breakup value per share

**2.06**

(2017: 1.55)



# CORPORATE INFORMATION

## Board of Directors

Mian Muhammad Pervaiz Shafi  
Shahzad Javed  
Javed Sadiq  
Khalid Mustafa  
Khalida Pervaiz  
Sumbleen Usman  
Ayesha Fahid

Chairman  
Chief Executive  
Director  
Director  
Director  
Director  
Director

## Hr & R Committee

Javed Sadiq  
Khalida Pervaiz  
Sumbleen Usman

Chairman  
Member  
Member

## Chief Financial Officer

Amir Munir Bhatti (FCMA)

## Audit Committee

Javed Sadiq  
Adnan Younas  
Khalid Mustafa  
Khalida Pervaiz  
Ayesha Fahid

Chairman  
Committee Sec.  
Member  
Member  
Member

## Share Registrar

M/s. Corplink (Pvt.) Ltd  
Share Registrar & Corporate Consultants  
Wing Arcade, 1-K, Commercial  
Model Town, Lahore  
Tel; 042-35916714, Fax; 042-35869037  
Email; [corplink786@gmail.com](mailto:corplink786@gmail.com)

## Company Secretary

Muhammad Shahzad Bazmi (AFPA)

## Auditors

Kaleem & Co.  
Chartered Accountants  
H.No.134, C Link 4, St # 2  
Cavalary Ground Lahore

## Registered Office

40 B-II, Gulberg III, Lahore  
Tel: 042-35765021-26, Fax; 042-35759546  
Email;

## Company Website

[www.ittefaqsteel.com](http://www.ittefaqsteel.com)

## Mills

8-KM Manga Raiwind Road  
Near Rousa Stop  
Tel: 042-35397001-8

## Legal Advisor

Muhammad Shahzad Bazmi  
Advocate High Court  
40 B-II, Gulberg III, Lahore  
Tel: 042-35765021-26, Fax; 042-35759546  
Email: [mshehzadbazmi@yahoo.com](mailto:mshehzadbazmi@yahoo.com)

## Bankers

National Bank of Pakistan  
Bank of Punjab  
Soneri Bank Ltd.

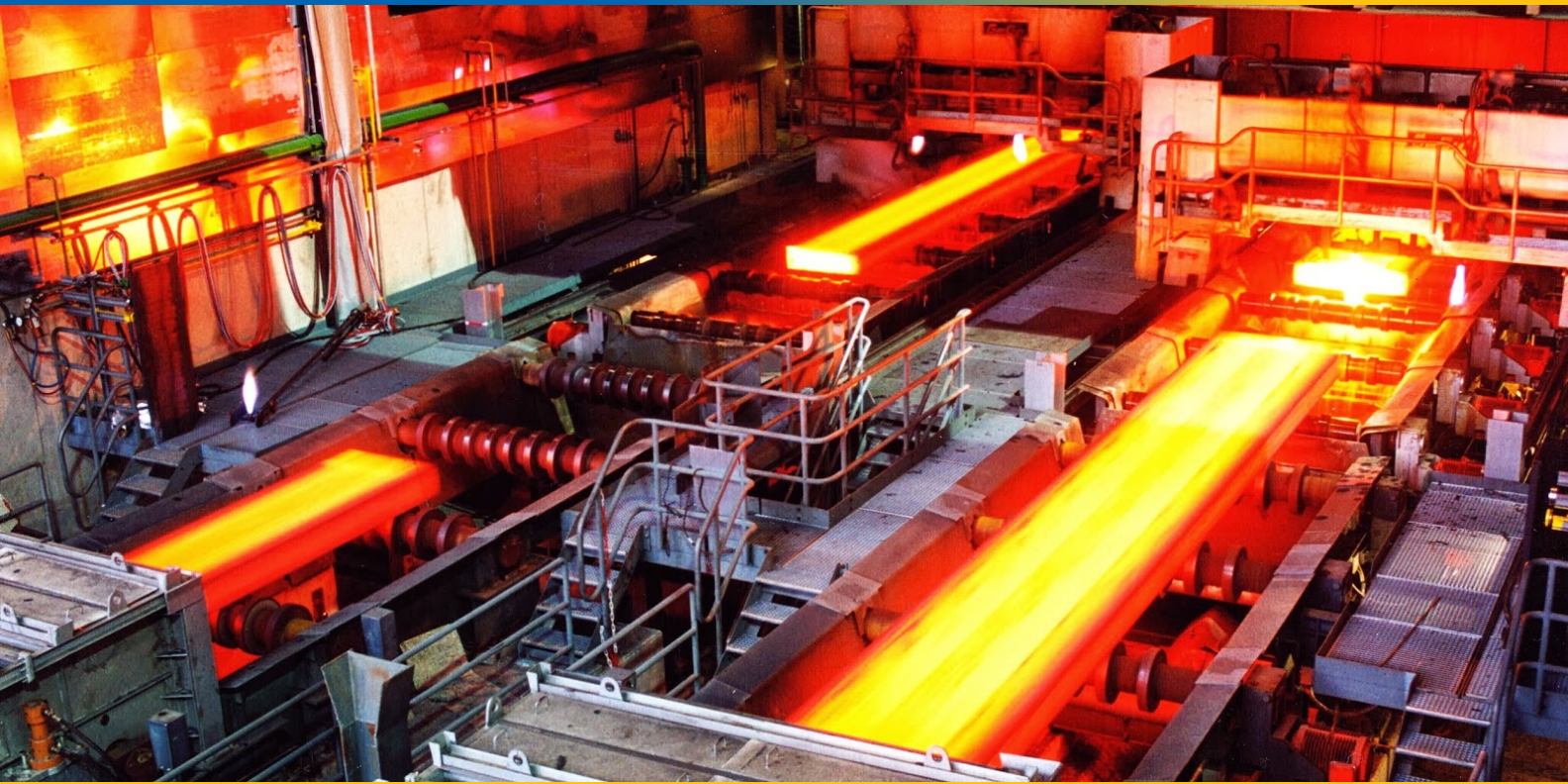


# ITTEFAQ IRON INDUSTRIES LIMITED

## Vision STATEMENT

To contribute to the society by creating better value, innovative technology, high quality Steel products and superior services.





## MISSION STATEMENT

Ittefaq Steel aims to proceed on its path to be the leading provider of quality steel products, through employees empowerment with safe and environmentally sound practice.

# STRATEGIC GOALS

Providing Customer Satisfaction by serving with superior quality production of Steel bar, Girder etc at lowest cost. Ensuring Security and Accountability for employees, production facilities and products.

Ensuring efficient Resource Management by managing human, financial, technical and infrastructural resources so as to support all our strategic goals and to ensure highest possible value addition to stakeholders.





## CORE VALUES

Striving for continuous improvement and innovation with commitment and responsibility; Treating stakeholders with respect, courtesy and competence; Practicing highest personal and professional integrity; Maintaining teamwork, trust and support with open and candid communication; and Ensuring cost consciousness in all decisions and operations.



## NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 13<sup>th</sup> Annual General Meeting of the members of ITTEFAQ IRON INDUSTRIES LIMITED will be held on Thursday, October 25, 2018 at 12:00 noon at registered office, 40 B II, Gulberg-III, Lahore to transact the following business.

### ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on Saturday, October 28, 2017.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2018 together with the Directors and Auditors Report thereon.
3. To consider and approve payment of Rs:0.50 (5%) per Share as cash dividend and 10% bonus shares for the year ended June 30, 2018 as recommended by the Board of Directors to comply with the requirement of Section 5(A) of the Income Ordinance, 2001
4. To appoint Auditors for the year ending June 30, 2019 and to fix their remuneration. The present auditor M/s. Kaleem & Co., Chartered Accountants, the retiring auditors, who being eligible, have offered themselves for re-appointment.
5. Any other Business with the permission of the Chairman.

**BY ORDER OF THE BOARD**

Muhammad Shahzad Bazmi  
Company Secretary.

Lahore:  
October 3, 2018

## NOTES:

### 1. Book closure

Share transfer books of the Company will remain closed from October 18, 2018 to October 25, 2018(both days inclusive). Physical transfers/ CDS transaction IDs received in order by the Company's Share Registrar, M/s. Corplink(Pvt.) Limited Wings Arcade,1-K, Commercial, Model Town, Lahore, up to the close of business on October 17, 2018 will be treated in time.

2. The individual members or representatives of corporate members of the Company in CDC must bring original National Identity Card or Passport, CDC Account and Participant ID Numbers to prove identity and verification at the time of Meeting. CDC account holders will further have to follow the under-mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

#### a) For Attending AGM

.In case of individuals, the account holder or sub-account holder whose securities and registration details are uploaded as per the Regulations, shall produce proof of his/her identity by showing original Computerized National Identity Card(CNIC), at the time of the meeting.

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

#### b) For Appointing Proxy


A member entitled to attend and vote at the above meeting may appoint a person/representative as Proxy to attend and vote on his behalf at the Meeting. The instrument of Proxy duly executed in accordance with the Articles of Association of the Company must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. Form of Proxy is available at Company Website.

#### c) For Zakat

Members are requested to submit declaration (CZ-50 ) as per Zakat &Ushr Ordinance, 1980, for Zakat exemption and advise change in address, if any.

## 3- E-DIVIDEND

As per section 242 of the Companies Act, 2017, in case of Public Listed Company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice,



all shareholders are requested to update their bank account detail in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our share Registrar, M/s Corplink (Pvt.) Limited E-Dividend mandate form is available on the Company website at [www.ittefaqsteel.com](http://www.ittefaqsteel.com)

Please note that after 31<sup>st</sup> October, 2017 all cash dividends, declared by the company, will only be remitted to designated bank account and not otherwise, so please ensure an early update of your particular to avoid any inconvenience in future.

#### **4-CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS**

With reference to SRO 787 (I/2014 dated 8<sup>th</sup> September, 2014) issued by SECP, shareholders have an option to receive Annual Audited Financial Statements and Notice of Annual General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Share Registrar, M/s Corplink (Pvt.) Limited Wings Arcade, 1-K Commercial, Model Town, Lahore, to update our record if they wish to receive Annual Audited Financial Statement and Notice of Annual General Meeting through email. However, if a shareholder, in addition, requests for a hard copy of the Audited Financial Statements, the same shall be provided free of cost within Seven (07) Days of receipt of such request.

#### **5-Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001:**

The current prescribed rates for the deduction of withholding tax from payment of dividend by the companies are as under:

- For filers of income tax returns: 15%
- For non-filers of income tax returns: 20%

The income tax is deducted from the payment of dividend according to the Active Tax-Payers List (ATL) provided on the website of FBR. Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts held by the shareholders.

In this regard, all shareholders who hold shares jointly are requested to provide

shareholding proportions of Principal shareholder and Joint-holders in respect of shares held by them to our Shares Registrar, in writing as follows:

<b>ITTEFAQ IRON INDUSTRIES LIMITED</b>					
<b>FORM OF JOINT SHAREHOLDING PROPORATION</b>					
Folio/CDC Account no.	Names of principal and joint shareholders	Total shares	Percentage of shares held (proportion)	CNIC no (copy attached)	Signatures

#### **6-Video conferencing facility**

Pursuant to provisions of SECP Circular No.10 of 2014 dated May 21,2014, if the Company receives consent from members holding aggregate 10% or more shareholding, residing in geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city.

**7.** Members requested to notify any changes in their mailing addresses to the Company's Share Registrar as soon as possible.

**8.** For any query/information, the shareholders may contact corporate affairs department, 042-35765029, email address info@ittefaqsteel.com or Company's Share Registrars, M/s Corplink (Pvt.) Limited, Wings Arcade,1-K Commercial, Model Town, Lahore. Phone:042-35916714, 042-35916719. Email:corplink@gmail.com

**BY ORDER OF THE BOARD**



Muhammad Shahzad Bazmi  
Company Secretary.

Lahore:  
October 3, 2018





# CODE OF CONDUCT

The Code of Conduct sets out the Company's objectives and its responsibilities to various stakeholders and the ethical standards required from its Directors and employees to meet such objectives and responsibilities.

## **FINANCIAL DISCLOSURE**

All transactions should be accurately reflected in the books of accounts according to applicable accounting principles. Falsification of the Company's books, any of the recorded bank accounts and transactions is strictly prohibited.

## **CONFLICT OF INTEREST**

The Directors and employees of the Company must recognize that in the course of performing their duties, they may be out into a position where there is a conflict in the performance of such duty and a personal interest they may have. It is the overriding intention of the Company that all business transactions conducted by it are on arm's length basis.

## **COMPLIANCE WITH LAWS, DIRECTIVES & RULES**

Compliance with all applicable laws, regulations, directives and rules including those issued by the Board of Directors and Management.

## **CONFIDENTIALITY**

Confidentiality of the Company's internal confidential information must be maintained and upheld, which includes proprietary, technical, business, financial, joint-venture, customer and employee information that is not available publicly.

## **TIME MANAGEMENT**

The Directors and the employees of the Company shall ensure that they adopt



efficient and productive time management schedules.

## **BUSINESS INTEGRITY**

The Directors and employees will strive to promote honesty, integrity and fairness in all aspects of the Company's business and their dealings with vendors, contractors, customers, Joint Venture participants and Government officials.

## **INSIDER TRADING**

Every Director and employee who has knowledge of confidential material information is prohibited from trading in securities of the Company.

## **HEALTH, SAFETY & ENVIRONMENT**

The Company, its Directors and employees will Endeavour to exercise a systematic approach to health, safety and environmental management, in order to achieve continuous performance improvement.

## **INVOLVEMENT IN POLITICS, GIFTS & BRIBARY**

Company shall not make payments or other contributions to political parties and organizations. Employees must ensure that if they elect to take part in any form of political activity in their spare time, such activity does not and will not have any adverse effects on the Company and such activities must be within the legally permissible limits. The Directors and employees shall not give or accept gifts, entertainment, or any other personal benefit or privilege that could influence business dealings.

## **COMPLIANCE**

All Directors and employees must understand and adhere to the Company's business practices and Code of Conduct. They must commit to individual conduct in accordance with the Company's business practices and Code of Conduct and



observe both the spirit and the letter of the Code in their dealings on the Company's behalf.

## **ACCOUNTABILITY**

Failure to adhere to the Company's business practices or Code of Conduct may result in disciplinary action, which could include dismissal.



## PROFILE OF DIRECTORS

### **Mr. Shahzad Javed , Chief Executive Officer / Director**

Mr. Shahzad Javed is the son of Mian Muhammad Javed Shafi; one of the most eminent industrialists of the country with a superior vision and dynamic brand of leadership. Mr. Shahzad Javed had held the directorships at , Ittefaq Sugar Mills Ltd., Ittefaq Power Ltd, Kashmir Feeds Ltd and Ittefaq Bio Tech Pvt Ltd.

Mr. Shahzad Javed is instrumental in making strategic decisions for the Company and has led the Company to become one of the leading players in steel sector. He did early education from Aitchison College Lahore Pakistan. Further he did his B.Sc from United State of America. He is an enthusiastic and devoted industrialist.

### **Mr. Mian Muhammad Pervaiz Shafi, Director**

Mr. Pervaiz has a rich and diversified experience of 40 years in iron and steel industry and is renowned as one of the most experienced industrialists of the steel industry. He has also served as the Director of Ittefaq Sugar and Kashmir Sugar Mills Ltd. Under his leadership the Company expects to achieve new heights and can further excel in the steel industry. Mr. Pervaiz is also serving as a member of audit committee of the Company.

### **Mr. Javed Sadiq, Director**

Mr. Sadiq is serving as an independent director and has brought significant diversity to the board of Ittefaq Iron Industries (Formerly Ittefaq Sons Limited). Previously, he has served on the boards of National Investment Trust, Regional Development Finance Corporation, Lahore University of Management Sciences and State Cement Corporation and currently holds directorships in The United Insurance Co. of Pakistan and Green star Social Marketing. Having a remarkable history of more than four decades, Mr. Sadiq has served various prestigious organizations including National Development Finance Corporation as Director, EVP Karachi, SVP Zonal Head Lahore, Overseas Employment Corporation as Manager Marketing Planning and Development, MICAS Association Pakistan as Deputy General Manager, Decca Ltd. London as System and O&M Analyst and BBC London in audience Research Development. He has also worked with First national Bank Modaraba as the CEO and Industrial Development Bank of Pakistan as a Chairman.

Mr. Sadiq has also rendered consultancy services to NDFC for the affairs related to Karachi Electric, Wapda and National Book Foundation. Also, he has provided his consultancy for the billion, transmission and distribution departments of KE.

Mr. Sadiq is also a member of audit committee of the Company. He holds the degree of B.A (Hons.) from University of Liverpool, England and is also an M.A in International



Relations & Economy from University of Manchester, England.

**Mr. Khalid Mustafa, Director**

Mr. Khalid Mustafa is a graduate from M.A.O College, Lahore. He has a vast and illustrious experience of transport and steel business having served in the sectors in various capacities. He possesses keen interest in Pakistan Politics and sports. He was elected as councillor in local body election thrice and has also served as chairman bait-ul-mall Lahore.

**Mrs. Khalida Pervaiz, Director**

Mrs. Khalida Pervaiz is daughter of Mian Khalid Siraj who was ex-partner of Ittefaq Foundries. She has also served as director in Ittefaq Sugar Mills Ltd. At present she is on the board as well as a member of Human Resource Committee & Remuneration and has taken numerous initiatives for the development of HR function of the Company. She is also supervising a charitable institution and actively participates in social work.

**Mrs. Ayesha Fahid, Director**

Mrs. Ayesha Fahid is a graduate from Lahore College. Her presence on the board and as a member of Audit Committee has brought numerous initiatives to set high standards and benchmarks for the performance of the Company. She also aims to work for the improvement of product portfolio of the Company and expanding its customer base.

**Mrs. Sumbleen Usman, Director**

Mrs. Usman is a graduate from Lahore College. Apart from serving the board she is supervising the procurement of raw materials and is also serving as a member of HR & Remuneration Committee.



## COMPANY PROFILE

Ittefaq the name of itself has over the years become synonymous with quality structural steel in Pakistan.

Ittefaq steel is made up of 1000 team-mates whose goal is to take care of the customers. We are accomplished this by being the safest highest quality and most productive steel products company in Pakistan. We are committed to doing this while being cultural and environmental stewards in communities where we live and work. We are succeeding by working together.

The company's attention is focused on customer's satisfaction, development of products, research and quality control however, the main concern since the beginning has been to emphasize on investment in the national manpower, as it is the real capital of the company.

The company's long term investment in a combination of advanced technologies with the highly trained and motivated work force has been the key factor in bringing us to this point in our development. Today, by the grace of ALLAH we are leading a way in heavy industry by providing structure and alloy steel in the form of billet & bars in all type of industrial, residential sectors.

### Product Profile

Ittefaq Steel is the leading steel rolling mill in Pakistan with the capability to manufacture international quality products with various standards, such as DIN, ASTM etc. the company has created a name for itself and is known as the pioneer in steel products. Our state of the arts rolling mill can produce structure steel (with close tolerance and the required mechanical properties) and cater to stringent requirements for critical applications. Highly responsive and flexible production capability producing tailor made solution has resulted in Ittefaq Steel become a preferred supplier to key customers of structural steel in the region. Ittefaq steel is also able to minimize the leading time required to provide consistent international quality structural steel angles flat bars, channels, round and girders in a wide range of sizes.

## PRODUCTS

### DEFORMED BARS

Ittefaq Steel has been shaping steel for the nation for more than 50 Years. Our Deformed steel bars of Grade 40 and Grade 60 are produced in all American and



British Standards Sizes from 10mm to 50mm. The Deformed bars are manufactured in a state of the art fully computerized plant. Well trained staff operates the plant with thorough quality control at all stages of manufacturing process. Ittefaq steel has also introduced international quality ittefaq thermex TMT bars.

### **GIRDER, T-IRON, I & BEAM, CHANNEL & ANGEL**

I-Beam are commonly made of structured steel. A common type of I-Beam is the Rolled Steel joist (RJS). These sections have parallel flanges. Ittefaq Steel is manufacturing I & H-Beam, Girder, T-Iron, Channel and Angle that has no match in strength and durability. All these products are available in different sizes as per your need and convenience.

### **STEEL BILLETS**

Ittefaq Steel has quickly emerged as one of the most productive mills in Pakistan producing high quality industrial steel conforming to international standards industrial section, angles girders, channels, rounds, and special shapes. Throughout our melt shop from steel scrap to billets we maintain strict control over the composition of our steel. Ittefaq steel quality system is based in the key principals of ISO and is focused on production products consistently right, to meet the customer requirements.

## **PRODUCTION FACILITIES**

### **INDUCTION FURNACES**

Melt shop is the heart of steel making operation at ittefaq. Here, steel scrap is transformed in to a semi-finished product (Called a Billet) of correct size and chemistry, in two medium frequency induction furnace each having of 15 ton capacity per heat

### **LADLE REFINING FURNACES**

Ladle Refining Furnace with a capacity of 20 ton per heat is used for refining liquid steel to produce high quality alloy steel. LRF reduces the dissolved gas content and helps in improved quality with better content and helps in improved quality with better recover of Ferro Alloys.



## **AOD CONVERTER**

A.O.D is an improved Air-Oxygen Decarburization (AOD) Converter. At Ittefaq Steel, our AOD has a capacity of 22 tons per heat for making Stainless Steel and low carbon alloy steels.

## **CONTINUOUS CASTING**

The two strand 6/11 radius continuous caster is occupied with special features, for the production of 100mm X 100mm to 200mm x 200mm steel billet.

## **BAR ROLLING MILL**

Fully automatic rolling of 20" straight with auto controlled re-heating furnace has the capacity to roll steel bars from 10mm to 50mm size according to international standards.

## **STRUCTURAL MILL**

A 24" modern structural mill has been recently installed with a rolling capacity of 35-40 ton per hour to produce Ms Joist, Ms Channel, Ms Angle, Ms T-Iron, Round Bar and other shapes of steel structure.

### **Quality**

Ittefaq iron industries limited is committed to supply quality products strictly as per customer requirement. A well equipped metallurgical laboratory has always been need of the day to ensure products being produced as per requisite standards for this purpose company have established a well equipped modern steel testing laboratory to ensure strict quality control at all stages i.e. from induction of raw material to the dispatch of finish products.

Quality assurance laboratory installed is one of the most modern laboratories in Pakistan equipped with the following testing facilities required for quality production of steel and R & D purpose for further advancement in the relevant field.

### **Emission Spectrometer**

A twenty seven channel optical Emission spectrometer for direct analysis of solid metallic samples of ferrous metals with high precision accuracy least inter element



interference particularly for trace element analysis of world famous German Spectro Lab brand has been installed and Commissioned under foreign experts for quick and accurate analysis of results and to print out reports in addition to save analysis data for traceability.

### **LECO CS – 230 Analyzer**

LEO CS – 230 has been installed to determine precisely carbon & sulphur contents of steel and other carbonaceous material over a wide range of composition. The equipment is of German origin and has been designed for more accurate results in quick basis with built in computer to print out analysis report.

### **Universal Tensile Testing Machine**

A modern hydraulic tensile testing machine with maximum load capacity 2000KN is installed with servo control to test various metallic and non-metallic materials for tension, compression, bending and shearing strength. It is capable of testing the characteristic of material on physical and technological properties machine is equipped with computer software and printer. It can control the test procedures as the set programs and can also display record, process and print the test results and can draw test curves automatically in real time. This machine has been recently imported installed and commissioned under the supervision of foreign experts and is presently the biggest capacity computerized machine in any steel industry in Pakistan. Besides this, there is already a 1000-KN capacity machine in the mechanical testing lab to share the load of testing.

Moreover this machine complies with ISO 7500-1, ISO-6892, ISP-15630, ASTM-A-730, ASTM-E4, ASTM-E9, ASTM-D 76, JISZ 2841 standards.

### **Hardness Testing**

Two latest model hardness testers have been installed in the laboratory for determining brinell Rockwell and Vickers hardness of ferrous nonferrous and hard alloys with complete measuring range.

### **Metallography**

Metallography is a powerful material investigation tool. Its lead to establish product



reliability and to determine the failure of materials. Keeping in view the vital role of Metallography laboratory has been installed and is under functioning. The laboratory comprises of a metallurgical microscope equipped with reflected illumination which provides bright field, dark field, polarization observation and photography. Moreover a computer system with image analyzer software is attached to the microscope for online microstructure analysis.

### **Chemical Analysis**

In addition to above mentioned testing facilities, there exists a complete and up to date chemical laboratory for analysis of ferrous and Ferro alloys. A dedicated and experienced R & D team is engaged in developing new products and upgrading existing formulations. We develop and produce products to meet the entire satisfaction of the customer. We continuously upgrade the product based in the feedback from end user. Our field representative keep a track of performance of each supply and forward the feedback to our technical experts. Who analyze and make necessary changes, if required. Our valued customers are assured of best quality material.

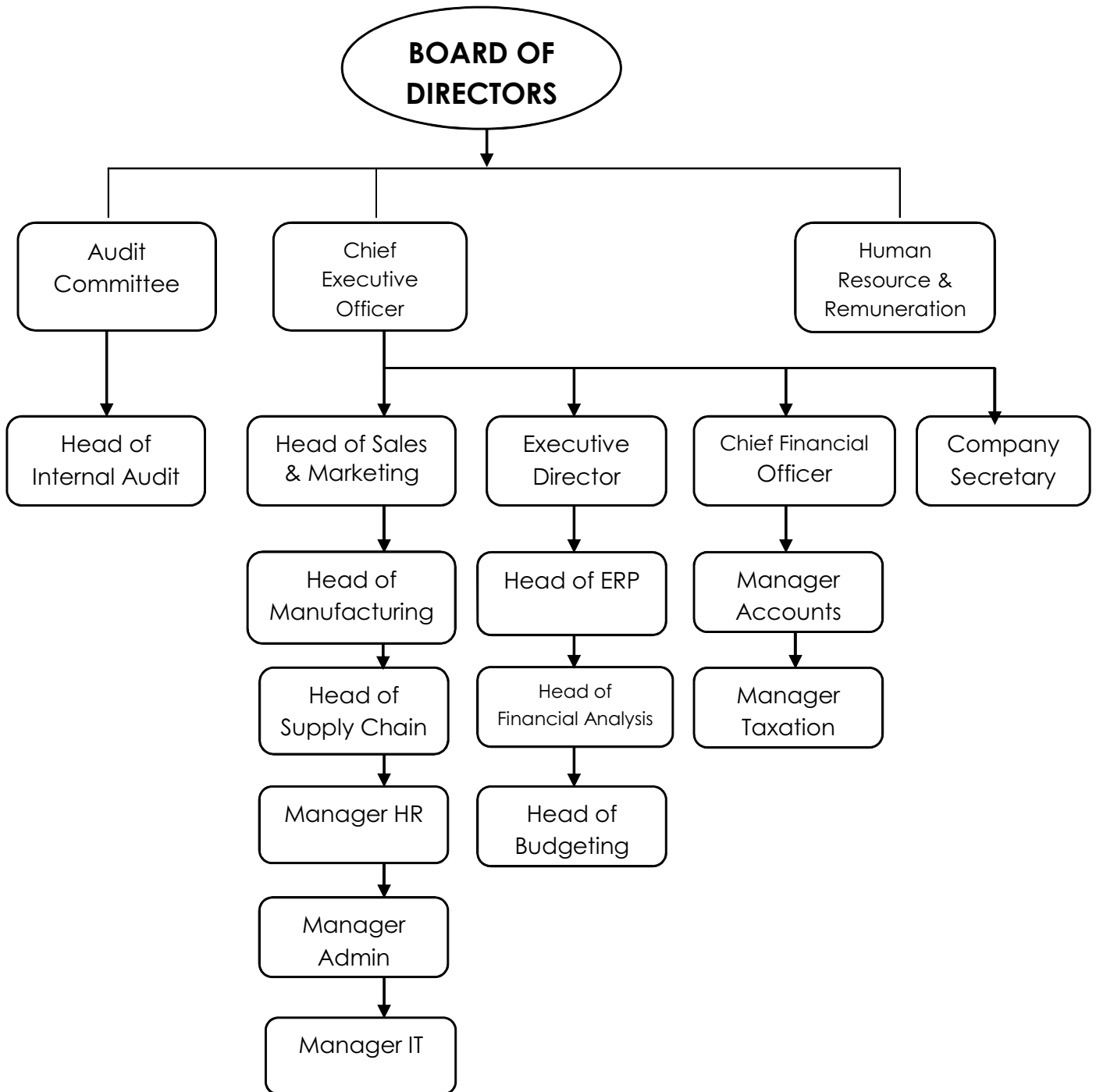
### **Sample Preparation**

The goal of metallo graphic specimen preparation is to reveal the true structure of the material. True structure enables the analyst to examine a specimen surface that show a precise image of the material. Mechanical preparation (i.e) (cutting, grinding and polishing) is the most common method of preparing samples for microscopic examination.

A complete range of equipment for cutting, grinding, fine grinding, cold mounting and embedding, hot compression mounting has been installed in the metallographic laboratory for proper preparation of samples for metallographic.



# ORGANOGRAM OF COMPANY





## CHIEF EXECUTIVE MESSAGE

### Dear Shareholders:

I am really pleased to share with you a snapshot of our excellent performance during the financial year ending on June 30, 2018.

Throughout the year, by making our best efforts, we laid down the foundation of our success brick by brick and block by block and achieved all our targets set for the period in spite of over-all challenges faced by the steel industry and political instability in the country. The company achieved highest ever production level and turnover in its history. This year we earned Rs 6.5 billion gross profit which is 67% higher as compared to the last year.

The importance of infrastructure cannot be over-emphasized for the development of any country and

steel industry in this regard plays a very vital role. The government should come forward and facilitate the sector enabling it to play its due role in development of the country.

In the short as well as long run the prospects for the industry's expansion and growth are quite bright due to the ongoing China Pakistan Economic Corridor (CPEC) projects and the government's decision to start the construction of Diamer-Bhasha dam.

Being a lead player we are fully focused and committed to achieving maximum possible value for our shareholders by fully exploiting the growth potential of the industry. In the near future, we are going to get installed a new furnace and re-modification rolling mill as part of our expansion program. We are also taking steps to get an LNG connection for our mills to overcome the shortage of natural gas. For the consumer/domestic construction market, we are also going to launch a new brand by the name of Ittefaq Gold to further strengthen our position and enhance our over-all market share.

This year's tremendous achievements would not have been possible without the support of our shareholders and untiring efforts of our executive management team as well as the staff from top to bottom. I thank you all for your support and efforts toward making the company a significant player in the steel industry of the country.



# DIRECTORS' REPORT

It gives me great pleasure in presenting you the Company's 13th Annual Report and Audited Accounts for the year ended 30th June 2018.





## OPERATING RESULTS (Rs. In Million)

PARTICULARS	2017-18	2016-17
Gross Sale	6679.991	4544.932
Net Sales	6197.999	4442.102
Operating Profit	544.042	319.554
Profit Before Tax	415.141	198.736
Profit After Tax	269.820	140.861

### Review Of Operating Results

I am really pleased to share with you a snapshot of our excellent performance during the financial year ending on June 30, 2018.

Throughout the year, by making our best efforts, we laid down the foundation of our success brick by brick and block by block and achieved all our targets set for the period in spite of over-all challenges faced by the steel industry and political instability in the country. The company achieved highest ever production level and turnover in its history. This year we earned Rs 619 Million gross profit which is 67% higher as compared to the last year. In current year, we are fully focused and committed to achieving maximum possible value for our shareholders by fully exploiting the growth potential of the industry. In the near future, we are going to get installed a new furnace and re-modification rolling mill as part of our expansion program. We are also taking steps to get an LNG connection for our mills to overcome the shortage of natural gas. For the consumer/domestic construction market, we are also going to launch a new brand by the name of Ittefaq Gold to further strengthen our position and enhance our over-all market share.

### 1. Dividend

The Board is pleased to propose a cash dividend of Rs:0.50 per share i.e 5% and 10% bonus shares for the year ended June 30, 2018.

### 2. Role of Chief Executive Officer (CEO) / Managing Director (MD)

CEO/MD is responsible for execution of Company's long term strategy with a view to creating shareholders value. The CEO/MD takes execution of Company's long term strategy with a view to creating shareholders value. The CEO/MD takes all day to day decisions to accomplish Company's short and long term objective/plans. He acts as a direct liaison between the Board and the Company management. He also communicates in behalf of the Company to share holder, employees, Govt. authorities, other stakeholders and the public. CEO/MD acts as a director, decision maker and leader. The communicator role involves interaction with the outside world, as well as the organization's management and employees; the decision making role involves high level decisions about policy and strategy. As a leader of the company, he motivates employees and inculcates requisite enthusiasm and spirit in them.



### **3. General**

The Directors of the Ittefaq Iron Industries Ltd. (IIL) are pleased to present annual report together with Audited financial statements of the company for the year ended 30<sup>th</sup> June 2018 and auditors' Report thereon.

### **4. Presentation of financial Statements**

Financial statements prepared by the Management present the Company's state of affairs, results of its operations, cash flows and changes in equity in a fair and accurate manner.

### **5. Accounting policies**

Appropriate accounting policies are consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

### **6. Books of Accounts**

Proper books of accounts are maintained. Compliance with IAS and IFRS International Reporting standards (IAS) and international Financial Reporting standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements.

### **7. Internal control System**

An internal control system is designed to provide reasonable assurance that the company ensures compliance of policies, plans and laws, efficient use of resources, accomplishment of goals besides availability and integrity of financial and management information. The internal control system of FCCL is very comprehensive, effective implemented and being monitored regularly. The company has increase its emphasis on control procedures of business unit to confirm that corporate policies are executed and corrections are applied as

and when required.

### **8. Best practices of Corporate Governance**

IIL, as a model corporate entity, pursues perfection by adherence to the best corporate and ethical practices. Braod practices of corporate Governance, as given in the Companies Act 2017, are being applied and implemented in true letter and spirit. All periodic financial statements of the Company were circulated to the Directors, duly endorsed by Chief Executive officer and Chief Financial Officer, for approval before publication. Quarterly unaudited Financial Statements along with Director's review were published and circulated to the shareholders and regulators within one Month. Half Yearly statements reviewed by Board after the closing date and shall be presented to the shareholders in the 13<sup>th</sup> annual General Meeting on 25<sup>th</sup> October for final approval.

#### **(a) . Shareholding Pattern.**

Pattern of shareholding of the Company in accordance with Listed Companies (Code of Corporate Governance) Regulation, 2017 and the Companies Act 2017, as on 30<sup>th</sup> June 2018, is attached on page 83 of the report.

#### **(b). Shareholders' Information.**

To update the shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to Pakistan Stock Exchange. Quarterly, Half Yearly and Annual Financial Statements are accordingly circulated within stipulated time frame to all concerned. Likewise, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time laid down in Listed Companies (Code of Corporate Governance) Regulation, 2017 and the



Companies Act 2017. These are also uploaded immediately on Company's website.

#### **9. Human Resource Committee**

The Committee comprises of three members including its Chairman. Three members are non-executive directors, while chairman of the Committee is an independent director. During this year, two meetings of the Human Resource Committee were held with the attendance.

#### **10. Role of Chairman**

Leads the Board of Directors, represents the Group and acts as an overall custodian of the Group on behalf of the Board and stakeholders. Responsible for ensuring the Board's effectiveness, he empowers the Board as a whole to play a full and constructive role in the development and determination of the Company's strategy and overall objective.

#### **11. Board Composition**

Company board comprises of two independent directors, seven Non-Executive Directors (Including Chairman) and one Executive Director (CEO/MD). The diverse knowledge, expertise and skills of the members enhance the effectiveness of our board. Our board composition represents the interests of all categories of shareholders.

#### **12. Performance Evaluation of the Board**

Pursuant to Listed Companies (Code of Corporate Governance) Regulations, 2017 the Board of Directors approved a comprehensive mechanism for evaluation of Board's own performance. The Human Resources and Remuneration Committee will undertake a formal process for evaluation of performance of the Board as a whole and its Committees.

#### **13. Meetings of Board of Directors**

The Board meetings are held in every quarter of reviewing and approving the adopting of Company's financial statements, coupled with review and adoption of business Plan. During this year, six meetings of Board of Directors were held with the attendance.

#### **14. Committees of the Board**

Following Committees were constituted to work under the guidance of Board of Director.

#### **15. Audit Committee**

The Committee comprises of five members including its Chairman. Three members are non-executive directors, while chairman of the Committee is an independent director. During this year, five meetings of the Audit Committee were held with the attendance.

#### **16. Board of Director's Remuneration**

All Directors of the Company are Non-Executive Directors except the CEO/MD. The Directors are paid remuneration for attending the Board/Committee meeting, as per approval policy. The relevant details are indicated in notes.

#### **17. Qualifications of CFO and Head of Internal Audit.**

Chief Financial Officer and Head of Internal Audit possess the requisite qualification and experience as prescribed in the Listed Companies (Code of Corporate Governance) Regulation, 2017.

#### **18. Training of the Board Members.**

The Company takes keen interest in the professional development of its Board members and managed necessary trainings of its Board members as per the requirements of the Listed Companies (Code of Corporate Governance) Regulation, 2017.



### **19. Approval of Vision, Mission and Corporate Strategy by the Board.**

Pursuant to Listed Companies (Code of Corporate Governance) Regulation, 2017, the Board of Directors has carefully reviewed and approved the Vision, Mission and Corporate Strategy of the Company. It comprehensively states the ideology with which IIL was incorporated. We ensure that our Vision and Mission set the direction for our overall corporate strategy. The entire organization is connected and driven by the purpose and it serves the decision making criterion on our day to day business.

### **20. Code of Conduct.**

Pursuant to Listed Companies (Code of Corporate Governance) Regulation, 2017, IIL adheres to the best ethical standards in the conduct of business. Accordingly, the Code of Conduct of the Company is approved by the Board of Directors and placed on the website of the company.

### **21. Listed Companies (Code of Corporate Governance) Regulations, 2017.**

During the year Security and Exchange Commission of Pakistan (SECP) issued Listed Companies (Code of Corporate Governance) Regulations, 2017 for listed companies, revising the previous regulations. The Board of Directors is fully aware of the requirements of the revised Code which is applicable since 1<sup>st</sup> January 2018 and is making necessary arrangements to ensure compliance. As part of compliance of the code, we confirm the following:-

- a.** The financial statements prepared by Company Management present fairly its state of affairs, results of its operations, cash flows and changes in equity.
- b.** Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting

estimates are based on reasonable and prudent judgments.

**c.** International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures, there from, has been adequately disclosed and explained.

**d.** The system of internal control is sound in design and is effectively implemented and monitored.

**e.** There are no significant doubts upon the Company's ability to continue as a going concern.

### **22. Salient Aspects of Company's Control and Reporting Systems**

The Company complies with all the requirements of the Companies Act 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017. To fulfill this role, the Board is responsible to implement overall corporate governance guidelines in the Company, including approval of the strategic direction as recommended by the Management, approving and monitoring capital expenditures, Appointing, removing and creating succession policies for the senior management, establishing and monitoring the achievement of management's goal and ensuring the integrity of internal control and management information systems. The Board is also responsible for approving and monitoring financial and other reporting.

### **23. Relations with Company Personnel**

Relations between the management and the workers continued to remain cordial, based on mutual respect and trust. The company has allocated funds for Provident



Fund and Profit Participation Fund for its employees. Considerable investment has been made for welfare of staff in order to provide safe and conducive environment.

#### **24. Gratuity Funds Investment.**

The Company also operates funded Gratuity Fund Scheme covering all its permanent employees in accordance with Gratuity Fund Rule.

#### **25. Related Party Transactions.**

Pursuant to Listed Companies (Code of Corporate Governance) Regulation, 2017, the Company adheres to the highest ethical standards in the conduct of business. Policy on Related Party Transactions of the Company is approved by the Board of Directors.

#### **26. External Auditors.**

M/s Kaleem & Co, chartered accountants, has completed the Annual Audit for the year ended 30th June 2018 and will retire on conclusion of the Annual General Meeting. In view of the good corporate governance practices, the Board has recommended, for approval by the shareholders duly endorsed by Audit Committee, the appointment of M/s Kaleem & Co, Chartered Accountants, as External Auditors of the Company for the year ending 30'June 2019.

#### **27. Social Environmental Policy.**

IIIL follows the best possible ethical standards in the conduct of business. Accordingly, Social Environmental Policy of the Company, duly approved by the Board of Directors, is placed on the website of the Company.

#### **28. Whistle Blowing Policy.**

Pursuant to Listed Companies (Code of Corporate Governance) Regulation, 2017, IIIL is committed to achieve high standards of integrity, ethical values and accountability. Accordingly, whistle blowing policy of the

Company is approved by the Board of Directors and placed on Company's website, which enables officers and employees to share their concerns which are addressed through necessary corrective measures.

#### **29. Disclosures.**

To the best of our knowledge, Directors (except as shown on page 36 of the report on pattern of shareholding), Chief Executive/Managing Director, CFO, Company Secretary, Company Auditors, their spouses and their minor children have not undertaken any trading in shares of the Company during the FY 2017 -18.

# MESSAGES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

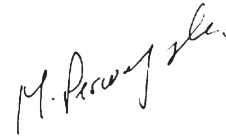
The directors endorse the contents of the Chairman's and Chief Executive Officer's messages. **ACKNOWLEDGEMENTS**

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 cooperation would be forthcoming in future years.

On behalf of the Board



Shahzad Javed  
(CEO)



Mian Muhammad Pervaiz Shafi  
(Director)

Lahore : Sep 26, 2018



# Last Five year Financial Review

(Amounts in PKR Mn.)	FY12	FY13	FY14	FY15	FY16	1QFY17	FY18
Income Statement	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Sales	3,215	3,138	4,110	3,842	3,917	959	6198
Cost of Goods Sold	2,917	2,853	3,749	3,490	3,562	876	5578
Gross Profit	298	286	361	352	356	83	620
EBITDA	383	360	463	440	433	98	650
Operating Profit	271	248	311	304	307	67	544
Financial Charges	170	157	176	183	149	26	82
Profit before Taxation	100	87	132	115	152	42	415
Profit after Taxation	65	56	87	65	88	33	270
<b>Balance Sheet</b>							
Non-Current Assets	1,744	1,754	1,710	1,596	1,471	1,441	1802
Current Assets	2,072	2,356	2,550	3,142	2,536	2,510	4218
Total Assets	3,816	4,110	4,260	4,738	4,006	3,950	6020
Share Capital	895	895	895	895	895	895	1312
Total Equity (including surplus on revaluation of assets)	1,598	1,653	1,604	1,671	1,762	1,795	3944
Non-Current Liabilities	532	449	377	328	366	366	266
Deferred Liabilities	15	17	156	146	137	138	161
Current Liabilities	1,671	1,990	2,122	2,593	1,741	1,651	1648
Total Liabilities	2,218	2,457	2,656	3,067	2,244	2,156	2075
Total Equity and Liabilities	3,816	4,110	4,260	4,738	4,006	3,950	6020
Total Number of Issued Shares of PKR 100 each (mn)#	8.9	8.9	8.9	8.9	8.9	8.9	13.12
<b>Financial Ratios</b>							
Gross Margin(1)	9.3%	9.1%	8.8%	9.2%	9.1%	8.7%	9.99%
Operating Profit Margin(2)	8.4%	7.9%	7.6%	7.9%	7.8%	7.0%	8.77%
Net Margin(3)	2.0%	1.8%	2.1%	1.7%	2.3%	3.4%	4.35%
EBITDA Margin(4)	11.9%	11.5%	11.3%	11.5%	11.1%	10.3%	10.49%
EBIT Margin(5)	8.4%	7.8%	7.5%	7.8%	7.7%	7.1%	8.37%
Earnings Per Share (PKR) (6)	0.73	0.63	0.97	0.73	0.99	0.36	2.06%
Current Ratio (x) (7)	1.24	1.18	1.20	1.21	1.46	1.52	2.6%
Breakup Value Per Share (PKR) (8) (excluding surplus on revaluation of assets)	11.96	13.11	14.70	15.69	16.93	17.38	25
Breakup Value Per Share (PKR)(9) (including surplus on revaluation of assets)	17.86	18.48	17.93	18.68	19.70	20.06	30
Working Capital Turnover (x) (10)	2.40	2.80	2.80	1.79	2.05	1.97*	2.4
Inventory Days(11)	150	144	114	122	109	98	106
Receivable Days(12)	29	30	22	29	40	45	36
Payable Days(13)	29	67	61	60	48	38	24
Inventory Turnover(14)	2.00	2.08	2.64	2.46	2.76	3.05*	2.84



(Amounts in PKR Mn.) Income Statement	FY12 Audited	FY13 Audited	FY14 Audited	FY15 Audited	FY16 Audited	1QFY17 Audited	FY18 Audited
Receivable Turnover(15)	10.39	10.15	13.76	10.23	7.49	6.62	8.25
Payable Turnover(16)	10.31	4.50	4.88	5.04	6.24	7.97	12.68
Asset Turnover(17)	84.6%	79.2%	98.2%	85.4%	89.6%	96.4%	111.9%
Return on Asset(18)	1.7%	1.4%	2.1%	1.4%	2.0%	3.3%	4.87%
Return on Equity (including surplus on revaluation) (19)	4.2%	3.5%	5.3%	4.0%	5.1%	7.3%	7.59%
Return on Equity (excluding surplus on revaluation) (20)	6.5%	5.0%	7.0%	4.8%	6.1%	8.5%	.74%
Return on Fixed Asset(21)	4.2%	3.2%	5.0%	3.9%	5.8%	9.0%	17.09%
Debt to Equity (including surplus on revaluation) (22)	1.03	0.91	0.98	1.21	0.88	0.87	0.42
Debt to Equity(excluding surplus on revaluation)(23)	1.53	1.29	1.20	1.45	1.02	1.00	.51
Debt to Assets(24)	0.43	0.37	0.37	0.43	0.39	0.39	0.34

#### Notes:

- (1) Gross Margin is calculated by dividing the gross profit for the year with the net sales of the same year
  - (2) Operating Profit Margin is calculated by dividing the operating profit for the year with the net sale of the same year
  - (3) Net Margin is calculated by dividing the profit after tax of the year with the net sales of the same year
  - (4) EBITDA Margin is calculated by dividing the earnings before interest, tax, depreciation and amortization of the year with the net sales of the same year
  - (5) EBIT Margin is calculated by dividing the earnings before interest and tax of the year with the net sales of the same year
  - (6) Earnings per Share is calculated by dividing the profit after tax of the year with the total number of current issued shares (i.e 89,471,240 ordinary shares)
  - (7) Current Ratio is calculated by dividing the total current assets of the year with the total current liabilities of the same year
  - (8) Breakup Value per Share excluding surplus on revaluation of fixed assets is calculated by dividing the Net equity less revaluation of fixed assets with the total number of current issued shares (i.e 89,471,240 ordinary shares)
  - (9) Breakup Value per Share including surplus on revaluation of fixed assets is calculated by dividing the Net equity of the year with the total number of current issued shares (i.e 89,471,240 ordinary shares)
  - (10) Working Capital Turnover is calculated by dividing the net sales of the year with the working capital of the same year
  - (11) Inventory Days is calculated by dividing 300 with the inventory turnover ratio
  - (12) Receivable Days is calculated by dividing 300 with the receivable turnover ratio
  - (13) Payable Days is calculated by dividing 300 with the payable turnover ratio
  - (14) Inventory Turnover is calculated by dividing the Cost of Goods Sold of the year with average of inventory
  - (15) Receivable Turnover is calculated by dividing the Net Sales of the year with average of receivables
  - (16) Payable Turnover is calculated by dividing the Cost of Goods Sold of the year with average of payables
  - (17) Asset Turnover is calculated by dividing the Net Sales of the year with the average total assets
  - (18) Return on Assets is calculated by dividing the Profit after Tax of the year with the average total assets
  - (19) Return on Equity is calculated by dividing the Profit after Tax of the year with the average equity (including surplus on revaluation of assets)
  - (20) Return on Equity is calculated by dividing the Profit after Tax of the year with the average equity (excluding surplus on revaluation of assets)
  - (21) Return on Fixed Assets is calculated by dividing the Profit after Tax of the year with the average non-current assets
  - (22) Debt to Equity is calculated by dividing the total debt of the year (including mark-up payable and short term liabilities) with the equity (including surplus on revaluation of assets) of the same year
  - (23) Debt to Equity is calculated by dividing the total debt of the year (including mark-up payable and short term liabilities) with the equity (excluding surplus on revaluation of assets) of the same year
  - (24) Debt to Assets is calculated by dividing the total debt of the year (including mark-up payable and short term liabilities) with the total assets of the same year
- \* these ratios are calculated by annualizing the numbers of 1QFY17

# The Company changed the par value of its shares from PKR 100/- per share to PKR 10/- per share on 24/11/2016. Currently the issued capital of the Company consists of 89,471,240 ordinary shares



THE COMPANIES ACT, 2017

FORM 34

(Section 227(2)(f))

PATTERN OF SHAREHOLDING

1.1 Name of the Company 

ITTEFAQ IRON INDUSTRIES LIMITED
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2.1. Pattern of holding of the shares held by the shareholders as at 

<b>30-06-2018</b>
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2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
66	1	100	1,358
2,457	101	500	1,224,573
1,248	501	1,000	1,239,841
940	1,001	5,000	2,493,424
184	5,001	10,000	1,491,334
57	10,001	15,000	750,900
43	15,001	20,000	783,250
24	20,001	25,000	576,500
20	25,001	30,000	570,999
12	30,001	35,000	393,643
19	35,001	40,000	736,883
8	40,001	45,000	346,000
14	45,001	50,000	693,675
3	50,001	55,000	158,500
3	55,001	60,000	177,500
3	60,001	65,000	191,750
4	70,001	75,000	296,024
5	75,001	80,000	391,500
5	80,001	85,000	415,000
3	85,001	90,000	266,524
11	95,001	100,000	1,098,000
2	100,001	105,000	207,500
1	115,001	120,000	118,500
1	120,001	125,000	123,000
1	125,001	130,000	125,500



3	135,001	140,000	414,000
4	145,001	150,000	593,834
1	155,001	160,000	160,000
1	165,001	170,000	170,000
2	170,001	175,000	347,500
2	175,001	180,000	356,000
3	185,001	190,000	567,000
1	190,001	195,000	192,000
8	195,001	200,000	1,599,997
1	210,001	215,000	212,000
1	225,001	230,000	227,896
1	240,001	245,000	242,000
1	245,001	250,000	250,000
1	250,001	255,000	254,500
1	275,001	280,000	280,000
1	280,001	285,000	285,000
1	285,001	290,000	287,000
2	295,001	300,000	600,000
2	310,001	315,000	624,200
1	325,001	330,000	327,868
1	385,001	390,000	389,500
1	395,001	400,000	400,000
1	415,001	420,000	420,000
1	495,001	500,000	500,000
1	525,001	530,000	526,000
1	545,001	550,000	547,000
1	560,001	565,000	565,000
1	580,001	585,000	585,000
1	600,001	605,000	600,524
1	630,001	635,000	631,500
1	635,001	640,000	640,000
1	680,001	685,000	681,000
1	895,001	900,000	900,000
1	915,001	920,000	920,000
1	950,001	955,000	954,000
2	995,001	1,000,000	2,000,000
1	1,185,001	1,190,000	1,190,000
1	1,205,001	1,210,000	1,208,500
1	1,265,001	1,270,000	1,267,500



1	1,440,001	1,445,000	1,444,000
1	1,495,001	1,500,000	1,500,000
1	1,670,001	1,675,000	1,672,370
1	1,690,001	1,695,000	1,690,900
1	1,720,001	1,725,000	1,723,000
1	2,110,001	2,115,000	2,115,000
1	2,185,001	2,190,000	2,187,000
1	2,440,001	2,445,000	2,444,000
1	3,055,001	3,060,000	3,058,490
1	5,195,001	5,200,000	5,198,160
1	5,260,001	5,265,000	5,260,630
1	5,310,001	5,315,000	5,310,090
1	5,380,001	5,385,000	5,381,173
1	6,170,001	6,175,000	6,170,820
1	6,305,001	6,310,000	6,309,780
1	8,045,001	8,050,000	8,049,800
1	8,200,001	8,205,000	8,205,000
1	8,240,001	8,245,000	8,243,480
1	8,690,001	8,695,000	8,690,860
1	8,775,001	8,780,000	8,778,690

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5,212

**131,221,240**

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<b>2.3 Categories of shareholders</b>	<b>Share held</b>	<b>Percentage</b>
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	14,026,850	10.6895%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	1,267,500	0.9659%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	1,329,200	1.0129%
2.3.6 Modarabas and Mutual Funds	15,113,177	11.5173%
2.3.7 Share holders holding 10% or more	0	0.0000%
2.3.8 General Public		
a. Local	95,513,114	72.7878%
b. Foreign	2,000	0.0015%
2.3.9 Others (to be specified)		
Joint Stock Companies	3,873,899	2.9522%
Others	95,500	0.0728%



## Categories of Share Holders

As on 30th June, 2018

**ONLY FOR INFORMATION  
NOT FOR PRINTING**

S. No.	NAME	HOLDING	% AGE
<b><u>DIRECTORS, CEO THEIR SPOUSES &amp; MINOR CHILDREN:</u></b>			
1	MIAN MUHAMAMD PERVAIZ SHAFI (CDC)	10,000	0.0076%
2	MRS. AYESHA FAHID (CDC)	10,000	0.0076%
3	MR. USMAN JAVED (CDC)	5,198,160	3.9614%
4	MR. KHALID MUSTAFA (CDC)	10,000	0.0076%
5	MR. JAVAID SADIQ (CDC)	10,000	0.0076%
6	MRS. SUMBLEEN USMAN (CDC)	10,000	0.0076%
7	MRS. KHALIDA PERVEZ (CDC)	8,778,690	6.6900%
		<b>14,026,850</b>	<b>10.6895%</b>
<b><u>ASSOCIATED COMPANIES:</u></b>			
		<b>0</b>	<b>0.0000%</b>
<b><u>NIT &amp; ICP:</u></b>			
1	CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	1,267,500	0.9659%
		<b>1,267,500</b>	<b>0.9659%</b>
<b><u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS:</u></b>			
		<b>0</b>	<b>0.0000%</b>
<b><u>INSURANCE COMPANIES:</u></b>			
1	ADMJEE LIFE ASSURANCE COMPANY LIMITED-ISF (CDC)	200,000	0.1524%
2	ADMJEE LIFE ASSURANCE COMPANY LIMITED-IMF (CDC)	547,000	0.4169%
3	DAWOOD FAMILY TAKAFUL LIMITED (CDC)	58,000	0.0442%
4	DAWOOD FAMILY TAKAFUL LIMITED (CDC)	312,200	0.2379%
5	DAWOOD FAMILY TAKAFUL LIMITED (CDC)	212,000	0.1616%
		<b>1,329,200</b>	<b>1.0129%</b>
<b><u>MODARABAS</u></b>			
1	B.R.R. GUARDIAN MODARABA. (CDC)	82,000	0.0625%
		<b>82,000</b>	<b>0.0625%</b>
<b><u>MUTUAL FUNDS:</u></b>			
1	CDC - TRUSTEE AL-AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	1,444,000	1.1004%
2	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC)	526,000	0.4008%
3	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND (CDC)	17,500	0.0133%
4	CDC - TRUSTEE JS ISLAMIC FUND (CDC)	1,723,000	1.3130%



5	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT (CDC)	287,000	0.2187%
6	CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	954,000	0.7270%
7	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT (CDC)	389,500	0.2968%
8	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	2,781	0.0021%
9	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND (CDC)	192,000	0.1463%
10	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II (CDC)	5,500	0.0042%
11	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND (CDC)	631,500	0.4812%
12	CDC - TRUSTEE NAFA STOCK FUND (CDC)	2,187,000	1.6667%
13	CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	227,896	0.1737%
14	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	920,000	0.7011%
15	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	681,000	0.5190%
16	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	1,208,500	0.9210%
17	MC FSL - TRUSTEE JS GROWTH FUND (CDC)	2,444,000	1.8625%
18	MCBFSL - TRUSTEE JS VALUE FUND (CDC)	1,190,000	0.9069%
		<b>15,031,177</b>	<b>11.4548%</b>

#### **JOINT STOCK COMPANIES:**

1	ABA ALI HABIB SECURITIES (PVT) LIMITED (CDC)	180,000	0.1372%
2	ADAM SECURITIES LIMITED	29	0.0000%
3	ALI HUSAIN RAJABALI LIMITED (CDC)	175,000	0.1334%
4	ASDA SECURITIES (PVT.) LTD. (CDC)	10,000	0.0076%
5	BMA CAPITAL MANAGEMENT LTD. - MF (CDC)	10,000	0.0076%
6	BRR FINANCIAL SERVICES (PVT.) LTD. (CDC)	5,000	0.0038%
7	DAWOOD EQUITIES LIMITED- MF (CDC)	1,000	0.0008%
8	FANCY PETROLEUM SERVICES (PVT.) LIMITED (CDC)	188,000	0.1433%
9	FIRM DECON INTERNATIONAL (PVT.) LIMITED (CDC)	5,000	0.0038%
10	FIRST STREET CAPITAL (PVT.) LTD. (CDC)	100,000	0.0762%
11	HAJI MOHAMMAD ISMAIL MILLS LIMITED (CDC)	280,000	0.2134%
12	KASHMIR FEEDS LIMITED (CDC)	1,672,370	1.2745%
13	KHAWAJA SECURITIES (PVT.) LIMITED (CDC)	585,000	0.4458%
14	M/S RANG COMMODITIES (PVT) LTD (CDC)	172,500	0.1315%
15	MUHAMMAD BASHIR KASMANI (PRIVATE) LIMITED (CDC)	4,000	0.0030%
16	MUHAMMAD SALIM KASMANI SECURITIES (PVT.) LTD. (CDC)	150,000	0.1143%
17	NCC - PRE SETTELEMENT DELIVERY ACCOUNT (CDC)	5,000	0.0038%
18	PEARL SECURITIES LIMITED - MF (CDC)	6,500	0.0050%
19	RAH SECURITIES (PVT) LIMITED (CDC)	5,000	0.0038%
20	RAO SYSTEMS (PVT.) LTD. (CDC)	7,500	0.0057%
21	RS PUBLISHERS (PRIVATE) LIMITED (CDC)	500	0.0004%
22	SALIM SOZER SECURITIES (PVT.) LTD. (CDC)	285,000	0.2172%
23	SHADAB INNOVATIONS (PRIVATE) LIMITED (CDC)	26,500	0.0202%
		<b>3,873,899</b>	<b>2.9522%</b>



**OTHERS**

1	DAWOOD FAMILY TAKAFUL LIMITED EMPLOYEES P.F (CDC)	28,500	0.0217%
2	TRUSTEE-FIRST DAWOOD INV. BANK LTD. & OTHER EMPLOYEES P.FUND (CDC)	2,000	0.0015%
3	TRUSTEE-GHANI VALUE GLASS LTD EMPLOYEES PROVIDENT FUND (CDC)	15,000	0.0114%
4	TRUSTEE OF NOVO NORDISK PHARMA (PVT) LTD STAFF GRATUITY FUND (CDC)	50,000	0.0381%
		<b>95,500</b>	<b>0.0728%</b>

**EXECUTIVES**

**0 0.0000%**

**SHARES HELD BY THE GENERAL PUBLIC (FOREIGN):**

2,000 0.0015%

**SHARES HELD BY THE GENERAL PUBLIC (LOCAL):**

95,513,114 72.7878%

**95,515,114 72.7894%**

**TOTAL 131,221,240 100.0000%**

**SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:**

NIL

**SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL:**

1	MRS. KHALIDA PERVEZ (CDC)	8,778,690	6.6900%
2	MR. MUHAMMAD HASNAIN TARIQ SHAFI (CDC)	8,690,860	6.6231%
3	MR. ATIF MUBARIK (CDC)	8,243,480	6.2821%
4	MR. SHAHZAD JAVED	8,205,000	6.2528%
5	RANA NISAR AHMAD	8,049,800	6.1345%
		<b>41,967,830</b>	<b>31.9825%</b>

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

<u>S. No.</u>	<u>NAME</u>	<u>SALE</u>	<u>PURCHASE</u>
NIL			

## Categories of Shareholding required under Code of Corporate Governance (CCG) As on June 30, 2018

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

**Associated Companies, Undertakings and Related Parties (Name Wise Detail):**

- -

**Mutual Funds (Name Wise Detail)**

1	CDC - TRUSTEE AL-AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	1,444,000	1.1004%
2	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC)	526,000	0.4008%
3	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND (CDC)	17,500	0.0133%
4	CDC - TRUSTEE JS ISLAMIC FUND (CDC)	1,723,000	1.3130%
5	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT (CDC)	287,000	0.2187%
6	CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	954,000	0.7270%
7	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT (CDC)	389,500	0.2968%
8	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	2,781	0.0021%
9	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND (CDC)	192,000	0.1463%
10	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II (CDC)	5,500	0.0042%
11	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND (CDC)	631,500	0.4812%
12	CDC - TRUSTEE NAFA STOCK FUND (CDC)	2,187,000	1.6667%
13	CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	227,896	0.1737%
14	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	920,000	0.7011%
15	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	681,000	0.5190%
16	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	1,208,500	0.9210%
17	MC FSL - TRUSTEE JS GROWTH FUND (CDC)	2,444,000	1.8625%
18	MCBFSL - TRUSTEE JS VALUE FUND (CDC)	1,190,000	0.9069%

**Directors and their Spouse and Minor Children (Name Wise Detail):**

1	MIAN MUHAMAMD PERVAIZ SHAFI (CDC)	10,000	0.0076%
2	MRS. AYESHA FAHID (CDC)	10,000	0.0076%
3	MR. USMAN JAVED (CDC)	5,198,160	3.9614%
4	MR. KHALID MUSTAFA (CDC)	10,000	0.0076%
5	MR. JAVAID SADIQ (CDC)	10,000	0.0076%
6	MRS. SUMBLEEN USMAN (CDC)	10,000	0.0076%
7	MRS. KHALIDA PERVEZ (CDC)	8,778,690	6.6900%



<b>Executives:</b>	-	-
<b>Public Sector Companies &amp; Corporations:</b>	-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>	1,411,200	1.0754%

**Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)**

1	MRS. KHALIDA PERVEZ (CDC)	8,778,690	6.6900%
2	MR. MUHAMMAD HASNAIN TARIQ SHAFI (CDC)	8,690,860	6.6231%
3	MR. ATIF MUBARIK (CDC)	8,243,480	6.2821%
4	MR. SHAHZAD JAVED	8,205,000	6.2528%
5	RANA NISAR AHMAD	8,049,800	6.1345%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

<u>S. No.</u>	<u>NAME</u>	<u>SALE</u>	<u>PURCHASE</u>
NIL			



# STATEMENT OF COMPLIANCE

with the Code of Corporate Governance

Name of Company : ITTEFAQ IRON INDUSTRIES LIMITED

YEAR ENDED: JUNE 30, 2018

1. The total number of directors are 7 (Seven) as per the following:
  - a) Male : 4
  - b) Female : 3
2. The composition of board is as follows:
  - a) Independent Directors:
    - Mr. Javed Sadiq
  - b) Other-Non Executive Director:
    - Mr. Khalid Mustafa
    - Mrs. Khalida Pervaiz
    - Mrs. Sumbleen Usman
    - Mrs. Ayesha Fahid
  - c) Executive Director :
    - Mian Muhammad Pervaiz Shafi
    - Mr. Shahzad Javed
3. The Directors have confirmed that none of them is serving as Director on more than five listed companies including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/ mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved/amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board /shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board 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 at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these regulations.
9. The Company takes keen interest in the professional development of its Board members and managed necessary trainings of its Board members as per the



requirements of the Listed Companies (Code of Corporate Governance) Regulation, 2017.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit , including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) **Audit Committee**

Javed Sadiq	Chairman
Adnan Younas	Committee Sec
Khalid Mustafa	Member
Khalida Pervaiz	Member
Ayesha Fahid	Member

b) **Hr & R Committee**

Javed Sadiq	Chairman
Sumbleen Usman	Member
Khalida Pervaiz	Member

13. The terms of reference of the aforesaid committees have been formed , documented and advised to the committee for compliance.
14. The frequency of meeting (quarterly/half year/yearly) of the committee were as per following:

	<b><u>NAME</u></b>	<b><u>Total Meeting Held</u></b>
a)	<b>Audit Committee</b>	5
b)	<b>HR &amp; Remuneration Committee</b>	2

15. The board has set up an effective internal audit function. The auditors are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditor of the Company has confirmed he has been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan , that he, spouses and minor children do not hold shares of the Company and firm is compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditor has not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditor has confirmed that he has observed IFAC



guidelines in this regard.

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

Mian Muhammad Pervaiz Shafi  
Chairman

Shahzad Javed  
Chief Executive Officer

Lahore: Dated September 26, 2018



## REVIEW REPORT TO THE MEMBERS

### ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

**KALEEM & COMPANY**  
CHARTERED ACCOUNTANTS

Lahore: Dated September 26, 2018

Engagement Partner: Muhammad Kaleem Rathor



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# Financial Statements

For the year ended 30 June 2018





ITTEFAQ IRON INDUSTRIES LTD.



# AUDITOR'S REPORT

AS AT 30 June 2018



To the Members of **Ittefaq Iron Industries Limited**

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the annexed financial statements of **Ittefaq Iron Industries Limited** (the Company), which comprise the statement of financial position as at **June 30, 2018**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### **Basis for Opinion**

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

### **Key Audit Matters**

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



S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p data-bbox="352 317 600 342"><b>Companies Act, 2017</b></p> <p data-bbox="352 373 785 428"><i>(Refer note 2.1 to the annexed financial statements.)</i></p> <p data-bbox="352 459 785 625">The provisions of the Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time during this financial year in the preparation of its financial statements.</p> <p data-bbox="352 657 785 911">Keeping in view the changes brought forth by the application of the above mentioned provisions, the resulting relative changes in the applicable financial reporting framework and additional disclosures in the financial statements, we consider the implementation of the new act as a key audit matter.</p>	<p data-bbox="807 373 1331 457">We reviewed and developed an understanding of the requirements of the provisions of the Fourth Schedule, and :</p> <ul data-bbox="850 489 1331 768" style="list-style-type: none"> <li data-bbox="850 489 1331 600">• Reviewed the management's process for accounting for the required changes and additions in the disclosures to the financial statements;</li> <li data-bbox="850 632 1331 768">• Verified the accuracy and appropriateness of the disclosures provided in the financial statements in conformity with the relevant provisions.</li> </ul>
2.	<p data-bbox="352 942 663 968"><b>Valuation of Stock-in-trade</b></p> <p data-bbox="352 999 785 1054"><i>(Refer note 14 to the annexed financial statements.)</i></p> <p data-bbox="352 1085 785 1251">Inventory forms a material portion of the Company's assets. We identified the valuation of the stock-in-trade as a key audit matter due to its materiality and its direct effect on the profitability of the Company.</p>	<p data-bbox="807 999 1331 1083">Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul data-bbox="850 1115 1331 1892" style="list-style-type: none"> <li data-bbox="850 1115 1331 1169">• Attending physical inventory counts performed by the company;</li> <li data-bbox="850 1201 1331 1337">• Evaluating the management's instructions and procedures for recording and controlling the results of the Company's physical inventory counts;</li> <li data-bbox="850 1369 1331 1480">• Observing the management's count procedures and compliance with management's instructions and performance of procedures;</li> <li data-bbox="850 1512 1153 1537">• Performing test counts;</li> <li data-bbox="850 1589 1331 1644">• Inspecting the inventory to assess its condition;</li> <li data-bbox="850 1682 1331 1848">• Obtaining an understanding of internal controls over purchases and valuation of stock- in-trade and testing, on a sample basis, their design, implementation and operating effectiveness;</li> <li data-bbox="850 1879 1331 1892">• Comparing, on a sample basis,</li> </ul>



		<p>specific purchases with underlying supporting documents and/or agreements, if any;</p> <ul style="list-style-type: none"> <li>• Comparing calculations of the allocation of directly attributable costs with the underlying supporting documents;</li> <li>• Obtaining an understanding of management's determination of net realizable value and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and</li> <li>• Comparing the net realizable value, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.</li> </ul>
<p><b>3.</b></p>	<p><b>Revenue Recognition</b></p> <p><i>(Refer note 18 to the annexed financial statements.)</i></p> <p>Revenue consists of local sales of deformed steel bars, girder, t-iron, I &amp; H beam, channel and angle. Revenue is a material item of the financial statements from a quantitative and qualitative perspective. Due to the matters stated above and revenue being a key performance indicator, we consider it a key audit matter.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;</li> <li>• Assessing the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>• Comparing a sample of revenue transactions recognized during the year with the sale invoices, delivery orders and other relevant underlying documentation;</li> <li>• Comparing, on a sample basis, specific revenue transactions recorded prior and subsequent to the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and</li> </ul>



		<ul style="list-style-type: none"> <li>Inspecting credit notes issued to record sales returns subsequent to year end, if any.</li> </ul>
<b>4.</b>	<p><b>Determination of carrying amount of Property, Plant, &amp; Equipment</b></p> <p><i>(Refer note 13 to the annexed financial statements.)</i></p> <p>The property, plant, and equipment is a significant and material amount in the financial statements of the Company. We considered this a key audit matter because it involved the exercise of significant assumptions by the management due to determination of the depreciation rate on the different classes of assets and the Company adopting the revaluation model to measure some of them.</p>	<p>Audit procedures we conducted to assess the carrying amount of the property, plant, and equipment, among others, were as follows:</p> <ul style="list-style-type: none"> <li>Determining the policy adopted to capitalize items in property, plant, and equipment and assessing its appropriateness in accordance with the applicable financial reporting;</li> <li>Reviewing the accuracy of the implementation of the policy to capitalize items in property, plant, and equipment;</li> <li>Recalculation of the depreciation expense in the financial statements to assess its accuracy and appropriateness in accordance with the accounting policy;</li> <li>Verifying, on a sample basis, the additions and deletions to property, plant and equipment and checking their underlying supporting evidence for sufficiency and appropriateness; and</li> <li>Engaging an external valuer listed on the panel of approved firms by the State Bank of Pakistan to evaluate the accuracy of the amount of revaluation surplus in the financial statements.</li> </ul>

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

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

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

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



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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

We communicate with the board of directors regarding, among other matters, the planned scope and



timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

- (a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**Muhammad Kaleem Rathor**  
(Engagement Partner)

**Kaleem & Company**  
Chartered Accountants



Lahore

Date: September 26, 2018

# BALANCE SHEET

## EQUITY & LIABILITIES

### SHARE CAPITAL & RESERVES

Authorized Share Capital

Issued Subscribed and Paid-up Share Capital

Capital Reserves

Equity Portion of Sponsors Loan

Unappropriated Profit

Surplus on Revaluation of Fixed Assets

### NON-CURRENT LIABILITIES

Sponsors Loans -subordinated

Deferred Liabilities

### CURRENT LIABILITIES

Trade and Other Payables

Finance Cost Payable

Short Term Borrowings

Current Portion of Long Term Liabilities

Contingencies & Commitments

## ASSETS

### NON-CURRENT ASSETS

Property, Plant & Equipments

Capital W.I.P

Long-Term Security Deposits

### CURRENT ASSETS

Stores, Spares & Loose Tools

Stock in Trade

Trade Debts - considered good

Advances, Deposits, Prepayments & Other Receivables

Taxes Refundable

Cash & Bank Balances

<u>Notes</u>	<u>2018 RUPEES</u>	<u>2017 RUPEES</u>
4.1	3,000,000,000	3,000,000,000
4.2	1,312,212,400	1,312,212,400
5.1	774,507,925	774,507,925
	35,606,842	49,724,864
	1,117,729,263	797,968,074
	<b>3,240,056,430</b>	<b>2,934,413,263</b>
6	705,455,113	229,871,741
7	266,247,972	244,264,194
8	168,274,311	132,980,560
9	400,814,539	474,704,584
	18,286,947	18,580,147
10	1,225,234,093	935,472,278
11	-	83,342,994
	<b>1,644,335,579</b>	<b>1,512,100,002</b>
12	-	-
	<b>6,024,369,405</b>	<b>5,053,629,761</b>
13	1,772,805,148	1,332,684,239
	10,325,712	2,834,248
	18,808,026	19,103,526
14	248,995,725	137,202,627
	2,488,103,617	1,434,987,235
	826,766,553	680,207,444
15	364,927,330	284,712,980
16	141,303,942	51,087,429
17	152,333,352	1,110,810,033
	<b>4,222,430,519</b>	<b>3,699,007,748</b>
	<b>6,024,369,405</b>	<b>5,053,629,761</b>

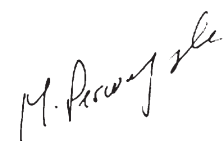
The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2018

	NOTE	2018 RUPEES	2017 RUPEES
Sales-Net	18	6,197,999,269	4,442,102,678
Cost of Sales	19	(5,578,257,662)	(4,070,358,212)
<b>Gross Profit</b>		<b>619,741,607</b>	<b>371,744,466</b>
Distribution Cost	20	20,450,119	13,216,251
Administrative Expenses	21	55,249,060	38,973,373
<b>Operating Profit</b>		<b>544,042,428</b>	<b>319,554,842</b>
Other Income	22	7,056,825	5,318,825
		<b>551,099,253</b>	<b>324,873,667</b>
Finance Cost	23	103,693,135	111,407,620
Workers Profit Participation Fund		22,370,306	10,673,302
Workers Welfare Fund		9,894,195	4,055,855
<b>Profit Before taxation</b>		<b>415,141,617</b>	<b>198,736,890</b>
Taxation	24	(145,321,034)	(57,875,622)
<b>Profit After taxation</b>		<b>269,820,583</b>	<b>140,861,268</b>
Earning Per Share	25	<b>2.06</b>	<b>1.55</b>

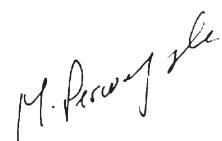
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DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	<b>NOTE</b>	<b>2018 RUPEES</b>	<b>2017 RUPEES</b>
Profit after taxation		<b>269,820,583</b>	<b>140,861,268</b>
<b>Other Comprehensive Income/(Loss)</b>			
Remeasurement of defined benefits plan	8.1.2	836,854	971,343
Deferred tax on remeasurement of defined benefit plan		(251,056)	(310,830)
		<b>585,798</b>	<b>660,513</b>
Total Comprehensive Income		<b>270,406,381</b>	<b>141,521,781</b>

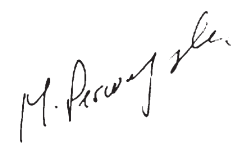
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DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Issued Subscribed and paid up Capital	Capital	Revenue	Equity Portion of Sponsors Loan	Total Equity
	Share Premium	Accumulated Profit	Rupees		
Balance as on July 1, 2016	894,712,400	-	620,873,150	62,718,864	1,578,304,414
Total Comprehensive income for the year ended 30th June, 2017	-	-	141,521,781	-	141,521,781
Decrease in deferred Tax due to rate change	-	-	-	922,336	922,336
Less: Unwinding of discount	-	-	13,916,336	(13,916,336)	-
Issuance of shares	417,500,000	843,350,000	-	-	1,260,850,000
Shares issue cost	-	(68,842,075)	-	-	(68,842,075)
Incremental Depreciation transferred from Surplus on Rev. of fixed assets	-	-	21,656,807	-	21,656,807
<b>Balance as on June 30, 2017</b>	<b>1,312,212,400</b>	<b>774,507,925</b>	<b>797,968,074</b>	<b>49,724,864</b>	<b>2,934,413,263</b>
Balance as on July 1, 2017	1,312,212,400	774,507,925	797,968,074	49,724,864	2,934,413,263
Total Comprehensive income for the year ended 30th June, 2018	-	-	270,406,381	-	270,406,381
Decrease in deferred Tax due to rate change	-	-	-	1,270,622	1,270,622
Less: Unwinding of discount	-	-	15,388,644	(15,388,644)	-
Issuance of shares	-	-	-	-	-
Shares issue cost	-	-	-	-	-
Incremental Depreciation transferred from Surplus on Rev. of fixed assets	-	-	33,966,164	-	33,966,164
<b>Balance as on June 30, 2018</b>	<b>1,312,212,400</b>	<b>774,507,925</b>	<b>1,117,729,263</b>	<b>35,606,842</b>	<b>3,240,056,430</b>

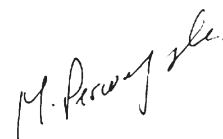
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DIRECTOR

# CASH FLOW STATEMENT

For the year ended 30 June 2018

## CASH FLOWS FROM OPERATING ACTIVITIES

	2018 RUPEES	2017 RUPEES
Profit Before Taxation	415,141,617	198,736,890
Adjustments for:		
Depreciation	131,392,131	120,560,023
Provision of Gratuity	6,874,928	5,650,570
Gain on Sale of Fixed Asset	-	(1,767,684)
Finance Cost	103,693,135	111,407,620
Prior Year Adjustment	(20,000)	(378,024)
	<b>241,940,195</b>	<b>235,472,505</b>
<b>Profit Before Working Capital Changes</b>	<b>657,081,812</b>	<b>434,209,395</b>
<b>Working Capital Changes</b>	<b>26</b>	
Cash Generated from/(used in) Operations	(1,465,572,985)	(155,087,064)
	<b>(808,491,173)</b>	<b>279,122,331</b>
Taxes Paid	(206,572,248)	(73,995,671)
Finance Cost Paid	(75,034,170)	(91,325,947)
Gratuity Paid	(4,991,260)	(3,585,643)
	<b>(286,597,678)</b>	<b>(167,289,620)</b>
<b>Net Cash from Operating Activities</b>	<b>(1,095,088,851)</b>	<b>110,252,970</b>

## CASH FLOWS FROM INVESTING ACTIVITIES

Fixed Assets Acquired	(6,432,230)	(5,453,704)
Capital Work in Progress	(63,669,922)	(270,945)
Proceeds from disposal of fixed asset	-	2,590,700
Security Deposits	295,500	305,500
<b>Net Cash used in Investing Activities</b>	<b>(69,806,652)</b>	<b>(2,828,449)</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	-	1,192,007,925
Long Term Loans	(83,342,994)	(146,633,713)
Short Term Borrowings	289,761,815	(47,305,550)
<b>Net Cash from / (used in) Financing Activities</b>	<b>206,418,821</b>	<b>998,068,662</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(958,476,682)</b>	<b>1,105,493,183</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>	<b>1,110,810,033</b>	<b>5,316,850</b>
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>152,333,352</b>	<b>1,110,810,033</b>

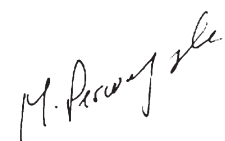
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CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR



# NOTES TO THE ACCOUNTS

For the year ended 30 June 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Ittefaq Iron Industries Limited ("The Company") (Formerly Ittefaq Sons Private Limited) was incorporated on February 20, 2004 and converted into public unquoted company on 05 January 2017. The company also changed its name from (Ittefaq Sons (Private) Limited) to (Ittefaq Iron Industries Limited) on 09 February 2017. The Company was listed on Pakistan Stock Exchange on 3rd July 2017. The principal activity of the company is manufacturing of Iron Bars and Girders. The registered office of the company is situated at 40, B-II Gulberg III M. M. Alam Road, Lahore.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of directives issued under the company's Act, 2017.
- Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis for Measurement

These accounts have been prepared under historical cost convention without any adjustments for the effects of inflation or current values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating fair value of an asset or liability, the Company takes into the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share based-payment transactions that are within the scope of IFRS-2, leasing transactions that are within the scope of IFRS-16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS-2 or value in use in IAS-36.



### **2.3 Functional and presentation currency**

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

### **2.4 Use of significant estimates and judgments**

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

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

- Property, plant and equipment and intangible assets (notes 3.1 and 3.3).
- Trade debts (note 3.6)
- Stores and spares (note 3.4)
- Stock-in-trade (note 3.5)
- Taxation (note 3.17)
- Staff retirement benefits (note 3.21)
- Impairment (note 3.8)
- Provisions and contingent liabilities (note 3.20 and 3.27)

### **2.5 Change in accounting standards, interpretations and amendments to published approved accounting standards**

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

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



these financial statements (Refer note 33.4 to these financial statements).

- The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of significant additional disclosures which have been included in these financial statements.

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

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

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

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

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas:
  - (a) Measurement of cash-settled share-based payments;
  - (b) Classification of share-based payments settled net of tax withholdings;
  - (c) Accounting for a modification of a share-based payment from cash settled to equity-settled.

The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

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



- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have material impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the



potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
  
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting any impact of the standard on Company's financial reporting.
  
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
  
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period;



and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments are not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1 Property plant and equipments**

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 derecognition (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.

### **3.2 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 working-progress. These are transferred to specific assets as and when these are available for use. All costs or expenditures attributable to work-in-progress are capitalized and apportioned to buildings and plant and machinery at the time of commencement of commercial operations.

### **3.3 Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are recognised when it is probable that the expected future economic benefits will flow to the entity and the cost of the asset can be measured



reliably. Cost of the intangible asset (i.e. computer software) includes purchase cost and directly attributable expenses incidental to bring the asset for its intended use.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged over the estimated useful life of the asset on a systematic basis applying the straight line method at the rate of 33.33%.

Useful lives of intangible operating assets are reviewed, at each date of statement of financial position and adjusted if the impact of amortisation is significant.

The carrying amount of the intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversal of impairment losses are also recognised in the profit or loss, however, it is restricted to the original cost of the asset.

### **3.4 Stores, spares and loose tools**

Store and spares are valued at moving average cost or net realizable value (NRV). Item in transit is valued at cost comprising invoice value plus other charges paid thereon.

### **3.5 Stock In Trade**

Stock-in-trade is valued at lower of average cost and net realizable value except waste which is valued at net realizable value determined on the basis of contract prices. Average cost and net realizable value are defined as under:

#### **Cost is determined as follows:**

- For Raw Materials, Weighted average cost.
- For Work-in-Process, At weighted average manufacturing cost (Direct Labour, Material and Appropriate Manufacturing Overheads)
- Finished Goods
- Net Realizable Value, Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **3.6 Trade Debts and Other Receivables**

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

### **3.7 Directors / Sponsors Loan**



The company has discounted loan using market based interest rate on loans with similar terms and conditions.

### **3.8 Impairment**

The management of the Company reviews carrying amounts of its assets including receivables and advances and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

### **3.9 Surplus On Revaluation Of Fixed Assets**

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

### **3.10 Prior Year**

This includes adjustments, where considered necessary, to existing provision for tax made in previous years arising from assessments framed during the period for such years.

### **3.11 Sales Tax And Federal Excise Duty**

Revenues, expenses and assets are recognized net of amount of sales tax and federal excise duty except:

- Where amount incurred on a purchase of asset or service is not recoverable from the taxation authority, the tax / duty is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables or payables that are stated with the amount of sales tax and federal excise duty included.

The net amount of sales tax and federal excise duty recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.



### **3.12 Assets Subject to Finance Lease**

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the assets on reducing balance method at the rates specified in schedule. Depreciation of leased assets is charged to profit and loss account.

Depreciation on additions is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

The finance cost is calculated at the interest rates implicit in the lease and are charged to profit and loss account.

### **3.13 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.

### **3.14 Foreign Currencies**

Foreign Currency transactions are converted into Pak Rupees using the rates prevailing on the date of transaction while monetary assets & liabilities are converted into Pak Rupees using the rates of exchange prevailing at the balance sheet date. Exchange gains and losses on conversion are charged to income currently.

### **3.15 Trade and Other Payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received. Whether or not billed to the Company. Provisions are recognized when the Company has a present legal or constructive obligations as results of past events, It



is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **3.16 Earnings Per Share**

The company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit and 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 using profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the affects of all dilutive potential ordinary shares.

### **3.17 Taxation**

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

#### **Current**

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

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

#### **Deferred**

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

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



### **3.18 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, cheques in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, running finance under mark-up arrangements and short term loans which form an integral part of the Company's cash management.

### **3.19 Borrowings and their cost**

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.

Borrowings are recorded at the proceeds received. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction and commissioning of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

### **3.20 Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed periodically and adjusted to reflect the current best estimate.

### **3.21 Employee Benefits**

The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by independent actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. All assumptions are reviewed at each reporting date.

### **3.22 Revenue Recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sale of goods is recorded when significant risks and rewards of ownership are transferred to the customer;
- Interest and rental income are recognized on accrual basis.
- Sale of scrap is recognized on actual realization basis.



### **3.23 Foreign currency transactions**

Transactions in foreign currencies are translated in Pakistan rupees (functional and presentation currency) at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange approximating those prevalent at the date of statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

### **3.24 Dividend and other appropriations**

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

### **3.25 Financial instruments**

#### **3.25.1 Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### **(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### **(c) Held to maturity**

Held to maturity are financial assets with fixed or determinable payments and fixed maturity that are quoted in an active market, where management has the intention and ability to hold till maturity are carried at amortised cost.

#### **(d) Available for sale financial assets**

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.



They are included in non-current assets unless management intends to dispose of the investments within twelve months from the reporting date. Available for sale financial assets in such case are classified as short term investments in the statement of financial position.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised as "Other comprehensive income" are included in the profit or loss as gains and losses on disposal of short term investments. Interest on available for sale securities calculated using effective interest method is recognised as profit or loss. Dividends on available for sale equity instruments are recognised in the profit or loss when the Company's right to receive payments is established.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using effective interest rate method.

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the profit or loss. Changes in the fair value of instruments classified as 'available for sale' are recognised in 'Other comprehensive income' until derecognised or impaired, when the accumulated fair value adjustments recognised in unrealised surplus on revaluation of investments are included in the profit or loss for the year.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each date of statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired.



### **3.25.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are initially measured at cost, which is the fair value of the consideration given.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

### **3.26 Off-setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **3.27 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from 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
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### **3.28 Contingent assets**

Contingent assets are disclosed when there is a possible asset that arises from 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. Contingent assets are not recognised until their realisation become virtually certain.

### **3.29 Investments**

All investments are initially recognized at cost being the fair value of consideration given.

These investments are being measured at fair value, being their market value at balance sheet date. The resulting gain or loss is included in profit or loss for the period. Whereas, cost is calculated on moving average basis.

Classification of investments is made based on the intended purpose of holding



such investments, which is as follows:

**3.29.1 Held for Trading Securities**

These are investments securities, which are acquired principally for the purpose of generating profit, from short-term fluctuations in price.

**3.29.2 Held to Maturity Securities**

These are investments securities with fixed or determinable payments and fixed maturity and the company has the positive intent and ability to hold till maturity.

**3.29.3 Available for sale securities**

These are investments, which do not fall under the category of held for trading or held to maturity.

**3.30 Transactions with Related Parties**

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price with reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller. Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.



			<u>Notes</u>	<u>2018 RUPEES</u>	<u>2017 RUPEES</u>
<b>4 SHARE CAPITAL</b>					
<b>Authorized Capital</b>					
	<b>2017</b>	<b>2016</b>			
	-----Number of shares-----				
	<b>300,000,000</b>	<b>300,000,000</b>	Ordinary shares of Rs.10/- each	<b>3,000,000,000</b>	<b>3,000,000,000</b>
<b>Issued, subscribed and paid-up</b>					
	121,750,000	121,750,000	Ordinary shares of Rs.10/- each fully paid in cash	1,217,500,000	1,217,500,000
	9,471,240	9,471,240	Ordinary shares of Rs.10/- each fully paid other than cash	94,712,400	94,712,400
	<b>131,221,240</b>	<b>131,221,240</b>		<b>1,312,212,400</b>	<b>1,312,212,400</b>
<b>5 CAPITAL RESERVES</b>					
<b>Capital Reserves</b>					
Share Premium				<b>774,507,925</b>	<b>843,350,000</b>
<b>5.1 Movement in Capital reserves</b>					
Opening Balance				774,507,925	-
Add: Premium of Rs: 20.2/- per share of 41,750,000 shares.				-	843,350,000
Less: Transaction Cost				-	68,842,075
Closing Balance				<b>774,507,925</b>	<b>774,507,925</b>
<b>5.2</b>			Capital reserves represents premium of Rs: 20.2/- per share received on public issuance of 41,750,000 shares of Rs: 10/- each during the year. This reserve has been accounted for in accordance with section 81 of the Companies Act, 2017. This reserve can be utilized by the Company only for the purpose specified in section 81 (2) of the Companies Act, 2017.		
<b>6 SURPLUS ON REVALUATION OF FIXED ASSETS</b>					
<b>Opening Balance</b>				333,147,452	364,534,129
<b>Add:</b> Revaluation during the year				506,218,061	-
				<b>839,365,513</b>	<b>364,534,129</b>
<b>Less: Transferred to equity in respect of:</b>					
Incremental depreciation on revalued Asset				33,966,164	21,656,807
Related deferred tax liability				14,556,927	9,729,870
				<b>48,523,091</b>	<b>31,386,677</b>
Closing Balance - Gross				790,842,422	333,147,452
<b>Less: Related Deferred tax liability</b>					
Related Deferred Tax Liability on Revaluation Surplus				103,275,711	116,650,922
Effect of change in tax rate				(3,331,475)	(3,645,341)
Amount realized during the year on account of incremental depreciation				(14,556,927)	(9,729,870)
				<b>85,387,309</b>	<b>103,275,711</b>
<b>Closing Balance - Net</b>				<b>705,455,113</b>	<b>229,871,741</b>
<b>6.1</b>			The revaluation surplus on property, plant and equipments is a capital reserve and is not available for distribution to the shareholders of the company in accordance with section 241 of the Companies Act, 2017.		
<b>7 DIRECTORS / SPONSORS LOAN</b>					
Interest free loan				316,329,215	316,329,215
Present value adjustment				(72,065,021)	(92,233,624)
Unwinding of discount				21,983,777	20,168,603
Present value of loan from sponsor shareholders				<b>266,247,972</b>	<b>244,264,194</b>



- 7.1 This represents interest free and unsecured loan received from the directors / sponsor shareholders of the Company, which will be repaid through cash generated internally from operations. It has been recognized at amortized cost using discount rate of 9% per annum. The resulting difference has been transferred to equity and is being amortized over the term of the loan.
- 7.2 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" and comparative figures have been restated.

<b>8 DEFERRED LIABILITIES</b>		<b>2018</b>	<b>2017</b>
Staff Retirement Gratuity	<b>8.1</b>	26,015,028	23,294,506
Deferred Tax	<b>8.2</b>	142,259,283	109,686,054
		<b>168,274,311</b>	<b>132,980,560</b>

**8.1 Movement in the net liability recognized in the balance sheet is as follows:**

Opening liability		23,294,506	20,258,236
Amount recognized during the year	<b>8.1.1</b>	6,874,928	5,650,570
Remeasurements chargeable in other comprehensive income	<b>8.1.2</b>	836,854	971,343
Benefits paid during the year		(4,991,260)	(3,585,643)
<b>Closing liability</b>		<b>26,015,028</b>	<b>23,294,506</b>

**8.1.1 The amount recognized in the profit and loss account is as follows:**

Current service cost		5,263,015	4,311,827
Interest cost		1,611,913	1,338,743
<b>Expense chargeable to Profit and loss</b>		<b>6,874,928</b>	<b>5,650,570</b>

**8.1.2 The amount recognized in the Other Comprehensive Income is as follows:**

Actuarial (gain)/loss		69,401	4,210,141
Experience Adjustments		767,453	(3,238,798)
<b>Total remeasurements chargeable in other comprehensive income</b>		<b>836,854</b>	<b>971,343</b>

**a) Changes in present value of defined benefit obligations**

<b>Present value of defined benefit obligations</b>		23,294,506	20,258,236
Current Service Cost		5,263,015	4,311,827
Interest Cost on defined benefit obligations		1,611,913	1,338,743
Benefits paid during the year		(4,991,260)	(3,585,643)
Actuarial Adjustment		-	-
Remeasurements:		-	-
Actuarial (gain)/losses from changes in financial assumptions		69,401	4,210,141
Experience adjustments		767,453	(3,238,798)
<b>Present value of defined benefit obligations</b>		<b>26,015,028</b>	<b>23,294,506</b>

**b) Principal actuarial assumptions**

The principal actuarial assumptions used in the actuarial valuation of this scheme by applying projected unit credit method as on 30 June are as follows:

Discount rate used for interest cost	7.75%	12.50%
Discount rate used for year end obligation	9.00%	7.75%

**c) Expected rate of salary increase in future years**

Salary Increase for year 2018	N/A	6.75%
Salary Increase for year 2019	8.00%	6.75%
Salary Increase for year 2020	8.00%	6.75%
Salary Increase for year 2021	8.00%	6.75%
Salary Increase for year 2022	8.00%	6.75%
Salary Increase for year 2023	8.00%	6.75%
Salary Increase for year 2024 onward	8.00%	6.75%
Net salary is increased at	1-Jan-19	1-Jan-18
Expected mortality rate	SLIC 2001-2005	SLIC 2001-2005
Withdrawal rates	Setback 1 Year	Setback 1 Year
Retirement assumption	Age-Based	Age-Based
Estimated expense to be charged to Profit and Loss in 2019 is Rs. 7,556,007/-.	Age 60	Age 60

**d) Year and sensitivity analysis (± 100 bps) on defined benefit obligation**

	<b>2018</b>	<b>2017</b>
	<b>Rupees</b>	
Discount rate + 100 bps	24,322,748	17,825,350
Discount rate - 100 bps	27,982,506	20,553,777
Salary increase + 100 bps	28,020,207	20,553,777
Salary increase - 100 bps	24,258,266	17,803,393

The average duration of defined obligation is 6 year.



**8.2 The Deferred Tax Liability/(Asset) comprises of Temporary differences relating to:**

**Taxable Temporary Differences**

Accelerated Tax Depreciation  
Revaluation surplus  
Equity portion of Directors / Sponsors Loan

**Deductible Temporary Differences**

Minimum tax available for carry forward  
Unused Tax Losses  
Staff Retirement Benefits-Gratuity

	2018 RUPEES	2017 RUPEES
Accelerated Tax Depreciation	178,802,413	181,686,704
Revaluation surplus	135,647,452	103,275,710
Equity portion of Directors / Sponsors Loan	21,983,777	22,340,156
Minimum tax available for carry forward	(112,027,536)	(112,027,536)
Unused Tax Losses	(75,839,693)	(78,367,683)
Staff Retirement Benefits-Gratuity	(6,307,130)	(7,221,297)
	<b>142,259,283</b>	<b>109,686,054</b>

**9 TRADE AND OTHER PAYABLES**

Sundry Creditors	206,432,040	329,929,605
Advances from Customers	58,535,831	75,322,724
Accrued Expenses	73,114,362	46,882,797
Security Deposits Payable	1,896,292	2,081,664
Others Payables	28,571,512	6,683,802
Workers' Profit Participation Fund	22,370,306	9,748,137
Workers' Welfare Fund	9,894,195	4,055,855
	<b>400,814,539</b>	<b>474,704,584</b>

**9.1 Workers' profit participation fund**

Balance as at 01 October	9,748,137	14,182,928
Allocation for the year	22,370,306	10,673,302
Less: Amount adjusted / paid	(9,748,137)	(15,108,093)
Balance as at 30 September	<b>22,370,306</b>	<b>9,748,137</b>

**10 SHORT TERM BORROWINGS-SECURED**

Bank of Punjab Ltd.	348,581,786	349,626,412
National Bank of Pakistan Ltd.	702,779,212	585,845,866
Soneri Bank Ltd.	173,873,095	-
	<b>1,225,234,093</b>	<b>935,472,278</b>

10.1 Short term borrowings were obtained from various commercial banks. The borrowings are secured against charge over Raw Material, Finished Goods, Imported Chemicals and the personal guarantees of all the directors of the company. Mark-up rate charged at the rate ranging from 3-months to 6-months KIBOR plus 2.00% to 2.25% per annum. These loan will expire within the period ranging from January 2019 to February 2019.

**11 CURRENT PORTION OF LONG TERM LIABILITIES**

Bank Islami	11.1	-	83,342,994
		<b>-</b>	<b>83,342,994</b>

11.1 The loan is secured against mortgage of Land, Building, Plant & Machinery and the personal guarantees of all the directors of the company. Mark-up is charged at the rate ranging from 3-months to 6-months KIBOR plus 2.25% to 2.5% per annum. The loans will be expired on the dates ranging from 31 March, 2016 to 1 September, 2017.

**12 CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

a) For the tax period of September 2016 to June 2017, a Show Cause Notice dated 09.11.2017 was issued by Deputy Commissioner Inland Revenue, E & C Unit 20, Zone-III, LTU, Lahore alleging that the Company has not further tax under section 3(1A) of the Sales Tax Act, 1990 at the rate of 2% on the supplies made to unregistered persons. Against the aforesaid order, Company filed WP No. 105986/2017 before the Honorable Lahore High Court, Lahore, which was decided in favour of the Company vide judgment dated 19.12.2017. This judgment was challenged by the department vide appeal No. 135102/2018 before the Division Bench of Lahore High Court, which is pending adjudication. The administration of the Company is pursuing the above-said case diligently, and there is likelihood of its success in the said case.

b) Through WP No. 180139/2018, the Company has challenged the legality and validity of the demand of regulatory duty imposed by the Federal Government through notification No. S.R.O. 568(I)/2014 dated 26th June, 2014 on the import of billets through a demand notice dated 29/04/15 for the tax period of 2014-15. The said petition is pending before the Lahore High Court, Lahore and interim relief against recovery has also been granted to the Company. The administration of the Company is pursuing the above-said case diligently, and there is likelihood of its success in the said case.

**12.2 Commitments**

Commitments under Letters of Credit for raw materials and spares as at 30 June 2018 amounted to Rs. 151 million (2017: Rs. Nil).



13 PROPERTY, PLANT & EQUIPMENTS

PARTICULARS	C O S T / Revalued Amount		Rate %	Depreciation		WDV As At 30-06-2018
	As At 01-07-2017	As At 30-06-2018		As At 01-07-2017	For The Year	
Land	62,875,000	372,006,250	-	-	-	372,006,250
Building	501,031,493	510,291,236	5%	19,196,287	136,000,453	374,290,783
Plant & Machinery	1,352,480,117	1,593,223,585	10%	97,736,790	691,520,295	901,703,290
Grid Station	57,279,039	57,279,039	10%	1,897,337	40,203,009	17,076,030
Electric Installation	192,839,624	198,785,973	10%	9,487,497	109,509,094	89,276,879
Vehicles	24,964,271	28,460,421	20%	1,960,462	19,278,658	9,181,763
Furniture & Fixture	5,326,107	6,292,007	10%	236,807	3,441,887	2,850,120
Office Equipment	3,933,153	5,903,333	20%	489,956	2,966,257	2,937,076
Laboratory Equipment	11,232,088	11,232,088	10%	372,057	7,883,577	3,348,511
Arms & Ammunition	146,013	146,013	10%	4,918	101,751	44,262
Tools	302,509	302,509	10%	10,020	212,325	90,184
<b>Year 2018</b>	<b>2,212,409,414</b>	<b>65,294,979</b>		<b>131,392,131</b>	<b>1,011,117,306</b>	<b>1,772,805,148</b>

13.2

PARTICULARS	C O S T / Revalued Amount		Rate %	Depreciation		WDV As At 30-06-2017
	As At 01-07-2016	As At 30-06-2017		As At 01-07-2016	For The Year	
Land	62,875,000	62,875,000	-	-	-	62,875,000
Building	500,282,974	501,031,493	5%	20,222,491	116,804,166	384,227,327
Plant & Machinery	1,320,600,063	1,352,480,117	10%	85,116,058	593,783,505	758,696,612
Grid Station	57,279,039	57,279,039	10%	-	-	18,973,367
Electric Installation	192,691,624	192,839,624	10%	10,313,114	100,021,597	92,818,027
Vehicles	25,792,671	24,964,271	20%	1,770,329	17,318,196	7,646,075
Furniture & Fixture	5,316,107	5,326,107	10%	-	-	2,121,027
Office Equipment	3,356,812	3,933,153	20%	364,213	2,476,301	1,456,852
Laboratory Equipment	11,232,088	11,232,088	10%	413,397	7,511,520	3,720,568
Arms & Ammunition	146,013	146,013	10%	5,465	96,833	49,180
Tools	302,509	302,509	10%	11,134	202,305	100,204
<b>Year 2017</b>	<b>2,179,874,900</b>	<b>3,244,804</b>		<b>120,560,023</b>	<b>879,725,175</b>	<b>1,332,684,239</b>



13.3 WDV IF COST MODEL APPLIED

PARTICULARS	C O S T / Revalued Amount		Rate %	Depreciation		WDV As At 30-06-2018
	As At 01-07-2017	Addition/ (Deletion)		As At 30-06-2018	Adjustments	
Land	33,322,002	-	-	-	-	33,322,002
Building	506,400,214	18,476,320	5%	162,290,174	17,651,252	344,935,108
Plant & Machinery	987,065,629	34,440,080	10%	518,199,497	48,123,403	455,182,809
Grid Station	57,279,039	-	10%	38,305,672	1,897,337	17,076,030
Electric Installation	192,839,624	5,946,349	10%	100,021,597	9,487,497	89,276,879
Vehicles	24,964,271	3,496,150	20%	17,286,745	1,966,752	9,206,924
Furniture & Fixture	5,326,107	965,900	10%	3,205,080	236,807	2,850,120
Office Equipment	3,933,153	1,970,180	20%	2,476,301	489,956	2,937,076
Laboratory Equipment	11,232,088	-	10%	7,511,520	372,057	3,348,511
Arms & Ammunition	146,013	-	10%	96,833	4,918	44,262
Tools	302,509	-	10%	202,305	10,020	90,184
<b>Year 2018</b>	<b>1,822,810,649</b>	<b>65,294,979</b>		<b>849,595,724</b>	<b>80,239,999</b>	<b>958,269,905</b>
						<b>929,835,723</b>

13.4 WDV IF COST MODEL APPLIED

PARTICULARS	C O S T / Revalued Amount		Rate %	Depreciation		WDV As At 30-06-2017
	As At 01-07-2016	Addition/ (Deletion)		As At 30-06-2017	Adjustments	
Land	33,322,002	-	-	-	-	33,322,002
Building	505,651,695	748,519	5%	144,179,119	18,111,055	344,110,040
Plant & Machinery	984,475,285	3,865,344	10%	458,021,438	52,904,419	468,866,132
		(1,275,000)			(663,872)	
Grid Station	57,279,039	-	10%	36,197,520	2,108,152	18,973,367
Electric Installation	192,691,624	148,000	10%	89,708,483	10,313,114	92,818,027
Vehicles	25,792,671	105,500	20%	16,269,879	1,788,878	7,677,526
		(933,900)			(722,012)	
Furniture & Fixture	5,316,107	10,000	10%	2,969,410	235,670	2,121,027
Office Equipment	3,356,812	576,341	20%	2,112,088	364,213	1,456,852
Laboratory Equipment	11,232,088	-	10%	7,098,123	413,397	3,720,568
Arms & Ammunition	146,013	-	10%	91,368	5,465	49,180
Tools	302,509	-	10%	191,171	11,134	100,204
<b>Year 2017</b>	<b>1,819,565,845</b>	<b>3,244,804</b>		<b>756,838,599</b>	<b>86,205,497</b>	<b>973,214,925</b>
						<b>849,595,724</b>



13.5 The surplus on revaluation of land, building and plant & machinery was determined as on July 07, 2017 by K. G. Traders (Approved Valuer of Pakistan Bank's Association) on current replacement cost basis as follows:

PARTICULARS	Original Cost Rupees	Book Value Rupees	Revalued Amount Rupees	Revaluation Surplus Rupees
Land	62,875,000	62,875,000	372,006,250	309,131,250
Building	501,031,493	384,227,327	375,010,750	(9,216,577)
Plant & Machinery	1,352,480,117	758,696,612	965,000,000	206,303,388
<b>Total</b>	<b>1,916,386,610</b>	<b>1,205,798,939</b>	<b>1,712,017,000</b>	<b>506,218,061</b>

13.6 LEASED ASSETS

PARTICULARS	C O S T / Revalued Amount		Rate %	Depreciation For The Year		WDV As At 30-06-2017
	As At 01-07-2016	Addition/ (Deletion)		As At 30-06-2017	Adjustments	
Plant & Machinery	29,289,710	-	10	7,937,512	(7,937,512)	-
<b>Year 2017</b>	<b>29,289,710</b>	<b>(29,289,710)</b>		<b>7,937,512</b>	<b>(7,937,512)</b>	<b>-</b>

13.7 Depreciation for the year has been allocated as under :-

	2018 RUPEES	2017 RUPEES
Cost of Sales	124,822,525	114,532,022
Administrative Expenses	6,569,607	6,028,001
<b>Total</b>	<b>131,392,131</b>	<b>120,560,023</b>

13.8 Forced sales value of freehold land, building on freehold land and plant & machinery are Rs. 316,205,312/-, Rs. 318,759,137/- and Rs.772,000,000/- respectively.

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

Particulars	Location	Total Area
Freehold Land (Manufacturing plant)	8 K.M. Manga Mandi, Raiwand Road Dist., Kasur.	1,296,182 Square Feet
Office Premises (Rented)	40, B-II Gulberg III M.M. Alam Road, Lahore.	7,513 Square Feet

13.10 Capital Work-In-Progress

Particulars	2018		2017	
	Cost As at 01 July 2017	Additions (Transfers)	As at 30 June 2018	As at 30 June 2017
Plant & machinery Building	2,834,248	39,402,461	7,796,629	4,048,708
Electric Equipment	-	21,005,403	2,529,083	-
	-	5,946,349	(5,946,349)	148,000
<b>Total</b>	<b>2,834,248</b>	<b>66,354,213</b>	<b>10,325,712</b>	<b>4,196,708</b>
		<b>(58,862,749)</b>	<b>(3,925,763)</b>	<b>2,834,248</b>



	Notes	2018 RUPEES	2017 RUPEES
<b>14 STOCK IN TRADE</b>			
Stock of Raw Material		1,960,509,636	1,217,043,796
Finished Goods		527,593,981	217,943,439
		<b>2,488,103,617</b>	<b>1,434,987,235</b>
<b>15 ADVANCES, DEPOSITS, PREPAYMENTS &amp; OTHER RECEIVABLES</b>			
Advance to (Un-secured):			
-Suppliers		45,832,677	44,890,737
-Office Staff		127,945	188,287
-Clearing Agent		4,590,871	2,079,885
-Staff for Expenses		12,837,799	10,336,832
Advances Against L/C		173,960,975	198,123,095
Security Deposits		38,254,017	22,571,058
Letter of Guarantee		89,323,046	6,523,086
		<b>364,927,330</b>	<b>284,712,980</b>
<b>15.1</b> These advances and trade deposits are non - interest bearing.			
<b>16 TAXES REFUNDABLE</b>			
Sales Tax Receivable		136,792,519	60,274,226
Advance Income Tax	16.1	4,511,423	(9,186,797)
		<b>141,303,942</b>	<b>51,087,429</b>
<b>16.1 Advance Income Tax</b>			
Tax receivable as at 01 July		(9,186,797)	60,477,834
Tax payments / adjustments made during the year		130,053,955	19,405,032
		<b>120,867,158</b>	<b>79,882,866</b>
Less: Provision for tax - current year		116,355,735	89,069,663
Tax receivable as at 30 June		<b>4,511,423</b>	<b>(9,186,797)</b>
<b>17 CASH &amp; BANK BALANCES</b>			
Cash at Banks			
- Current		144,438,794	1,032,539,078
- Saving	17.1	4,936,556	74,884,279
Cash in Hand		2,958,002	3,386,676
		<b>152,333,352</b>	<b>1,110,810,033</b>
<b>17.1</b> Mark-up rate on bank accounts ranges from 4.5% to 5% per annum (2017: 4% to 4.75% per annum).The deposits account are placed with bank under conventional banking arrangements			
<b>18 SALES</b>			
Local Sales		6,679,991,509	4,544,932,426
Export Sales		-	-
Total Sales		<b>6,679,991,509</b>	<b>4,544,932,426</b>
Less : Sales Tax		481,992,240	102,829,748
		<b>6,197,999,269</b>	<b>4,442,102,678</b>



	Notes	2018 RUPEES	2017 RUPEES
<b>19 COST OF SALES</b>			
Raw Material Consumed	19.1	4,469,404,821	3,161,197,826
Store Consumption		294,512,536	14,423,343
Salaries, Wages & Benefits	19.2	243,451,610	80,582,966
Fuel and Power		613,745,106	125,900,190
Repair & Maintenance		85,681,856	20,913,248
Freight Expenses		24,927,754	501,196
Vehicles Running Expenses		5,123,866	3,053,319
Insurance Charges		5,375,632	4,044,439
Traveling & Conveyance		3,203,875	115,955
Entertainment		1,559,602	386,027
Printing & Stationery		622,413	228,696
Rent, Rates & Taxes		694,105	283,500
Telephone Expense		334,046	213,958
Laboratory Expense		1,116,509	2,117,376
Misc. Expenses		13,331,948	8,325,511
Depreciation	13.7	124,822,525	114,532,022
<b>Cost of goods manufactured</b>		<b>5,887,908,204</b>	<b>3,536,819,573</b>
Opening Finished Goods		217,943,439	751,482,078
Closing Finished Goods		(527,593,981)	(217,943,439)
		<b>5,578,257,662</b>	<b>4,070,358,212</b>
<b>19.1 Raw Material consumed</b>			
Opening Raw material stock		1,217,043,796	401,083,174
Add: Purchases during the year		5,212,870,661	3,977,158,448
		<b>6,429,914,457</b>	<b>4,378,241,622</b>
Less: Consumption during the year		4,469,404,821	3,161,197,826
Closing stock		<b>1,960,509,636</b>	<b>1,217,043,796</b>
<b>19.2</b>			
Includes Rs: 4,539,618/- (2017 :Rs.4,237,927/-) in respect of staff retirement benefits.			
<b>20 DISTRIBUTION COST</b>			
Salaries, Wages and Benefits	20.1	2,748,269	2,161,090
Advertising Expenses		1,108,455	1,728,108
Packing Expenses		6,460,477	3,098,285
Loading/Unloading		3,077,273	772,351
Sample Test Expenses		103,580	64,750
Others		6,952,065	5,391,667
		<b>20,450,119</b>	<b>13,216,251</b>
<b>20.1</b>			
Includes Rs: 272,747/- (2017 :Rs.214,473/-) in respect of staff retirement benefits.			
<b>21 ADMINISTRATIVE EXPENSES</b>			
Salaries, Wages and Benefits	21.1	29,744,073	22,750,761
Fee & Subscription		4,899,967	1,207,637
Legal & Professional Charges		2,014,130	391,275
Vehicle Running Expenses		4,356,337	3,132,712
Traveling & Conveyance		1,945,270	562,990
Printing & Stationery		1,751,256	174,854
Donation		324,000	324,000
Insurance Charges		666,375	657,278
Telephone & Postage Charges		745,683	848,522
Entertainment		173,444	87,635
Advertisement		264,460	41,180
Auditors' Remuneration	21.2	1,700,000	900,000
Misc. Expenses		94,458	1,866,528
Depreciation	13.7	6,569,607	6,028,001
		<b>55,249,060</b>	<b>38,973,373</b>
<b>21.1</b>			
Includes Rs: 2,062,563 (2017 :Rs. 1,198,269/-) in respect of staff retirement benefits & Directors Remuneration of Rs. 41,374,934/- (2017: Rs.8,708,536/-).			
<b>21.2 Auditors' Remuneration</b>			
Audit Fee		1,400,000	800,000
Fee for half yearly review		200,000	-
Others		100,000	100,000
		<b>1,700,000</b>	<b>900,000</b>



	Notes	2018 RUPEES	2017 RUPEES
<b>22 OTHER INCOME</b>			
Interest and Other Income		7,056,825	3,551,141
Gain on Disposal of Fixed Assets		-	1,767,684
		<b>7,056,825</b>	<b>5,318,825</b>
<b>23 FINANCE COST</b>			
Finance Cost on Banks Borrowings		74,740,970	89,621,375
Bank Charges		6,968,388	1,617,642
Unwinding Interest Cost		21,983,777	20,168,603
		<b>103,693,135</b>	<b>111,407,620</b>
<b>24 TAXATION</b>			
Current			
For the Year		116,355,735	89,069,663
Prior Year		20,000	378,024
		<b>116,375,735</b>	<b>89,447,687</b>
Deferred			
Relating to origination and reversal of temporary differences		29,152,084	(29,145,300)
Relating to rate change		(206,785)	(2,426,765)
		<b>28,945,299</b>	<b>(31,572,065)</b>
		<b>145,321,034</b>	<b>57,875,622</b>

#### **Tax Reconciliation**

Reconciliation between the average effective tax rate and the applicable tax rate.

	2018	2017
	Rupees	
Effective Tax Rate	30%	31%
Profit before Taxation	415,141,616	198,736,890
Applicable tax rate	124,542,485	61,608,436
Tax effect of amounts that are deductible for tax purposes	(20,926,190)	(13,190,934)
Effect on opening deferred taxes of reduction in tax rate	3,538,260	4,566,466
Others	38,166,479	4,891,654
Average effective tax rate charged to profit and loss A/c in percentage	<b>145,321,034</b>	<b>57,875,622</b>

#### **25 Earning Per Share**

##### **25.1 Earning Per Share based on face value of RS: 10/- per share**

Profit after taxation for the year attributable to ordinary shareholders.

Weighted average number of ordinary shares outstanding during the year.

**Earning Per Share (Rs./Share)**

269,820,582

140,861,268

131,221,240

90,615,076

**2.06**

**1.55**

##### **25.2 Diluted Earning Per Share**

There is no dilution effect on the basic earnings per share as the company has no such commitments.

#### **26 CHANGES IN WORKING CAPITAL**

##### **(Increase) / decrease in current assets**

Stores and spares

Stock-in-trade

Trade debts

Advances, trade deposits and short-term prepayments

(111,793,098)

30,857,984

(1,053,116,382)

(282,421,983)

(146,559,109)

(83,107,398)

(80,214,351)

196,414,625

(1,391,682,940)

(138,256,772)

##### **(Decrease) / Increase in current assets**

Trade and other payables

(73,890,045)

(16,830,292)

**(1,465,572,985)**

**(155,087,064)**

#### **27 REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVE OFFICERS**

The aggregate amount charged in the accounts for the year for remuneration to the Chief Executive and other executive officers was as follows:

	Chief Executive		Director		Executives	
	2018	2017	2018	2017	2018	2017
	-----Pak Rupees-----					
Managerial remuneration	10,088,162	2,511,152	17,633,044	3,323,567	5,606,228	2,404,953
Housing allowance	4,065,379	1,011,957	7,105,853	1,339,348	2,259,226	969,160
Utilities and conveyance	903,417	224,879	1,579,079	297,633	502,050	215,369
Others	-	-	-	-	-	-
	<b>15,056,958</b>	<b>3,747,988</b>	<b>26,317,976</b>	<b>4,960,548</b>	<b>8,367,504</b>	<b>3,589,482</b>
Number of persons	1	1	3	3	4	3



27.1 In addition Chief Executive and Directors are provided with company maintained car with reimbursement of certain expenses pertaining to business.

27.2 Fee Paid to non-executive directors is Rs.Nil (2017: Rs.Nil) on account of meetings attended by them.

27.3 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017

## 28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### Risk management framework

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. 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.

### 28.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trades debts, advances and deposits, interest accrued, other receivables and margin on letter of guarantee. To manage credit risk, the Company maintains procedures covering the credit worthiness of debtors and monitoring of exposures. As part of these processes the financial viability of all counterparties is regularly monitored and assessed. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash security deposit.

#### a) 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:

	2018 RUPEES	2017 RUPEES
Trade Debtors	826,766,553	680,207,444
Deposits, Prepayments & Other Receivables	364,927,330	284,712,980
Bank Balances	152,333,352	1,110,810,033
	<b>1,344,027,235</b>	<b>2,075,730,457</b>

#### Trade Debtors

Majority of the Company's sales are on advance basis and trade debts represents receivable from various customers. Hence the management believes that no impairment allowance is necessary in respect of these trade debts.

#### Deposits, Prepayments & Other Receivables

These mainly comprise of advances against L/C, opening charges, bank charges and partial payment of cost of documents and Sales Tax Recoverable.

Customer credit risk is managed subject to the Company's established policies, procedures and controls relating to customer credit risk management. Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

#### b) Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings agencies as follows:

Agency	Rating		
	Short-term	Long-term	
<b>Banks</b>			
National Bank of Pakistan	PACRA	A1+	AAA
	JCR-VIS	A-1+	AAA
The Bank of Punjab	PACRA	A1+	AA
Allied Bank Limited	PACRA	A1+	AA+
Askari bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
	JCR-VIS	A-1+	AA+
Faisal Bank Limited	PACRA	A1+	AA
	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limitec	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-



Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank Pakistan	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-1	A-
United Bank Limited	JCR-VIS	A-1+	AAA
Bank Islamic Pakistan Limited	PACRA	A1	A+
Dubai Islamic Bank Pakistan Limi	JCR-VIS	A-1	AA-
Meezan Bank Limited	JCR-VIS	A-1+	AA
MCB Islamic Bank Limited	PACRA	A1	A

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.

## 28.2 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 manages liquidity risk by maintaining sufficient cash. The company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Following are the contractual maturities of financial liabilities. The amounts disclosed in the table are undiscounted cash flows.

- Contractual maturities of financial liabilities as at 30 June 2018

Carrying Amount	Contractual Cash Flows	Six month or less	Six to twelve months	One to five years	More Than 2 Year
<b>RUPEES</b>					
<b>Non-derivative financial liabilities:</b>					
Long Term Loan	-	-	-	-	-
Liabilities against Assets-Subject to Finance	-	-	-	-	-
Trade and Other	400,814,539	400,814,539	73,114,362	62,732,305	264,967,872
Finance Cost	18,286,947	18,286,947	18,286,947	-	-
Short term	1,225,234,093	1,225,234,093	612,617,047	612,617,047	-
<b>1,644,335,579</b>	<b>1,644,335,579</b>	<b>704,018,356</b>	<b>675,349,352</b>	<b>264,967,872</b>	<b>-</b>

- Contractual maturities of financial liabilities as at 30 June 2017

Carrying Amount	Contractual Cash Flows	Six month or less	Six to twelve months	One to five years	More Than 2 Year
<b>RUPEES</b>					
<b>Non-derivative financial liabilities:</b>					
Long Term Loan	83,342,994	83,342,994	41,671,497	41,671,497	-
Liabilities against Assets-Subject to Finance	-	-	-	-	-
Trade and Other	474,704,584	474,704,584	46,882,797	22,569,458	405,252,329
Finance Cost	18,580,146	18,580,146	18,580,146	-	-
Short term	935,472,278	935,472,278	467,736,139	467,736,139	-
<b>1,512,100,002</b>	<b>1,512,100,002</b>	<b>574,870,579</b>	<b>531,977,094</b>	<b>405,252,329</b>	<b>-</b>

### Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

### Financial instruments by categories

Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total
<b>2018</b>		<b>2017</b>			
<b>Rupees</b>					
Trade Debtors	826,766,553	-	826,766,553	680,207,444	-
Deposits, Prepayments & Other Receivables	364,927,330	-	364,927,330	284,712,980	-
Bank Balances	152,333,352	-	152,333,352	1,110,810,033	-
<b>1,344,027,235</b>	<b>-</b>	<b>1,344,027,235</b>	<b>2,075,730,457</b>	<b>-</b>	<b>2,075,730,457</b>





**31 PLANT CAPACITY AND ACTUAL PRODUCTION**

Plant Capacity-Actual (M.Tons)  
 Rolling Capacity  
 Structural Mill  
 Capacity Utilization (M.Tons)  
 Capacity Utilization (Percentage)

	2018 RUPEES	2017 RUPEES
	<b>M.Tons</b>	
	120,000	120,000
	120,000	120,000
<b>31.2</b>	160,000	-
	80,666	53,323
	67.22	44.44

**31.1** Low production during the period is due to power and gas shutdowns.  
**31.2** During the year Company starts its operations of structural mill to melt scrap for making billets.

**32 OPERATING SEGMENT**

**32.1** These financial statements have been prepared on the basis of a single reportable segment.  
**32.2** Revenue from sales of steel products represents 100% (2017: 100%) of total revenue.  
**32.3** All non-current assets of the Company as at 30 June 2018 are located in Pakistan.  
**32.4** 100% (2017: 100%) of sales of steel are domestic sales.

**32.5 Geographic Information**

Domestic Sales  
 Export Sales

	2018 RUPEES	2017 RUPEES
	6,679,991,509	4,544,932,426
	-	-
	<b>6,679,991,509</b>	<b>4,544,932,426</b>

**33 IPO PROCEEDS UTILIZATION BREAK-UP IS GIVEN BELOW**

IPO Proceeds  
 Less: Share issuance cost  
 Net proceeds  
 Less: TDR - Investment (Soneri Bank Limited)  
**Net proceeds available for utilization**

Amount (Millions)	Percentage (%)
1,261	100
68	5
1,193	95
216	17
<b>977</b>	<b>78</b>

Raw Materials (Scrap & Alloys) Procurement under LC Arrangements July to September (2017) (Inclusive of clearance and freight charges).  
 Local Procurement (Billet)  
 Working Capital Management - Others  
 Modification of Furnaces and Upgradation of Continuous Casting Machine  
 Repayment of Loan (NBP) CF

520	42
287	23
62	5
35	3
73	6
<b>977</b>	<b>78</b>

**34 NUMBER OF EMPLOYEES**

**34.1** The detail of number of employees are as follows:  
 Total employees of the at the year end  
 Average employees of the company during the year

**34.2** Employees working in the company's factory at the year  
 Average Employees working in the company's factory during the year

2018	2017
<b>-----Employees-----</b>	
457	182
429	188
421	146
393	156

**35 EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors have proposed a 5% cash dividend for the year ended June 30, 2018 (2017: Rs. Nil) and 10% bonus share (2017: Nil) at their meeting held on September 26, 2018 for approval of the members at the Annual General Meeting to be held on October 25, 2018. These financial statements do not reflect this dividend payable.

**36 CORRESPONDING FIGURES**

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

Description	Reclassified from	Reclassified to	2018 (Rupees in '000)	2017 (Rupees in '000)
Taxation	Provision for Taxation	Taxes Refundable	116,355,735	89,069,663

**37 GENERAL**

**36.1 Functional and Presentation Currency**

The financial statements are prepared in Pakistani Rupee, which is the Company's functional and presentation currency.

**36.2 Figures**

Figures have been rounded off to the nearest rupees.

**38 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 26, 2018.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

نگرانی، اعلیٰ انتظامیہ کی تقرری، معطلی اور تبدیلی کی پالیسیاں مرتب کرنا، انتظامیہ کے اہداف کی نگرانی اور اس کے حصول میں رہنمائی کرنا اور انٹرنل کنٹرول اینڈ میجمنٹ انفارمیشن سسٹمز کی سالمیت کو یقینی بنانا شامل ہیں۔ بورڈ مالیاتی اور دیگر پورٹنگ کی منظوری اور نگرانی کا بھی ذمہ دار ہے۔

## 23. کمپنی اہلکاروں سے تعلقات

انتظامیہ اور مزدوروں کے درمیان تعلقات باہمی عزت اور اعتماد کی بنیاد پر ہمیشہ خوش گوار رہے ہیں۔ کمپنی نے اپنے ملازمین کے لئے پرائیڈنٹ فنڈ اور نفع میں حصہ کا فنڈ قائم کیا ہے۔ عملہ کی بہبود کے لئے بھاری سرمایہ داری کی گئی ہے تاکہ انہیں محفوظ اور دوستانہ ماحول مل سکے۔

## 24. گریجویٹ فنڈز میں سرمایہ داری

کمپنی گریجویٹ فنڈز تو ااعد کے تحت اپنے تمام مستقل ملازمین پر محیط گریجویٹ فنڈ بھی چلاتی ہے۔

## 25. متعلقہ فریق سے لین دین

لینڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کی پیروی میں کاروباری امور کے سلسلہ میں کمپنی اعلیٰ ترین اخلاقی معیار کو ترجیح دیتی ہے۔ متعلقہ پارٹی لین دین پر کمپنی کی پالیسی بورڈ آف ڈائریکٹرز نے منظور کی ہے۔

## 26. بیرونی آڈیٹرز

میسرز کلیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے 30 جون 2018ء کو اختتام پذیر سال کے لئے سالانہ آڈٹ مکمل کر لیا ہے اور سالانہ اجلاس عام کے اختتام پر وہ ریٹائر ہو جائیں گے۔ بہتر کارپوریٹ گورننس کی عمل داری کے پیش نظر آڈٹ کمیٹی کی تائید اور شیئر ہولڈرز کی منظوری سے بورڈ نے میسرز کلیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2019ء کو اختتام پذیر سال کے لئے کمپنی کے بیرونی آڈیٹر کے طور پر تقرری کی سفارش کی ہے۔

## 27. سماجی ماحولیاتی پالیسی

IIIL کاروباری امور میں ہر ممکن حد تک بہترین اخلاقی معیار پر عمل کرتا ہے۔ اسی طرح سے، بورڈ آف ڈائریکٹرز سے حسب ضابطہ منظور شدہ کمپنی کی سماجی ماحولیاتی پالیسی کمپنی کی ویب سائٹ پر رکھ دی گئی ہے۔

## 28. وہسل بلوٹنگ پالیسی

لینڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کی پیروی میں IIIL سالمیت، اخلاقی اقدار اور احتساب کے اعلیٰ معیار کو حاصل کرنے کے لئے پرعزم ہے۔ اسی طرح سے وہسل بلوٹنگ پالیسی بورڈ آف ڈائریکٹرز نے منظور کی ہے اور اسے کمپنی کی ویب سائٹ پر رکھ دیا گیا ہے۔ جس کی وجہ سے افسران اور ملازمین ضروری تادیبی اقدامات کے ذریعے سامنے لا کر اپنے تحفظات کا اظہار کرتے ہیں۔

## 29. اظہارات

ہمارے بہترین علم کے مطابق، ڈائریکٹرز (ماسوائے شیئر ہولڈنگ کی وضع پر رپورٹ کے صفحہ 36 پر ظاہر کئے گئے)، چیف ایگزیکٹو/میجنگ ڈائریکٹر، CFO، کمپنی سیکریٹری، کمپنی آڈیٹرز، اُن کے ازدواج اور اُن کے نابالغ بچے مالی سال 2017-18 کے دوران کمپنی کے حصص کی کسی قسم کی تجارت میں شامل نہیں ہوئے۔



## 19. بورڈ کی جانب سے ویژن، مشن اور کاروباری حکمت عملی کی منظوری

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کی پیروی میں بورڈ آف ڈائریکٹرز نے کمپنی کے ویژن، مشن اور حکمت عملی پر نظر ثانی کر کے اسے منظور کیا ہے۔ یہ IIII کے نظریہ کی ترجمانی کرتا ہے۔ ہم یقین دلاتے ہیں کہ ہمارا ویژن اور مشن ہماری مجموعی کاروباری حکمت عملی کے لئے درست سمت مقرر کرتا ہے۔ ادارہ ایک مقصد کے لئے کام کرتا ہے اور یہ ہمارے روزمرہ کے امور پر فیصلہ سازی کا معیار مرتب کرتا ہے۔

## 20. ضابطہ اخلاق

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کی پیروی میں IIII کاروباری امور میں بہترین اخلاقی معیار کو ترجیح دیتا ہے۔ اسی طرح، کمپنی کا ضابطہ اخلاق بورڈ آف ڈائریکٹرز سے منظور ہوا ہے اور کمپنی کی ویب سائٹ پر موجود ہے۔

## 21. لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء

سال کے دوران سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے سابقہ قواعد پر نظر ثانی کرتے ہوئے لسٹڈ کمپنیوں کے لئے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء جاری کیا ہے۔ یکم جنوری 2018ء سے لاگو نظر ثانی شدہ ضابطہ کے معیارات سے بورڈ آف ڈائریکٹرز بخوبی آگاہ ہے اور تعمیل کو یقینی بنانے کے لئے ضروری اقدامات کر رہا ہے۔ ضابطہ کی تعمیل کے طور پر ہم حسب ذیل توثیق کرتے ہیں:

- کمپنی انتظامیہ کی جانب سے تیار کی گئی مالیاتی اسٹیٹمنٹس کمپنی کے کاروباری امور، آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کو بہترین انداز میں ظاہر کرتی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیاں لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینہ جات قابل بھروسہ اور اہل فیصلوں کی بنیاد پر لگائے جاتے ہیں۔
- پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کو مالیاتی اسٹیٹمنٹس کی تیاری کے وقت مد نظر رکھا جاتا ہے اور اس میں کسی بھی قسم کی کمی بیشی کو موزوں انداز میں واضح کیا جاتا ہے۔
- انٹرنل کنٹرول کا نظام کی ٹھوس بنیادیں ہیں اور اس کو موثر انداز میں نافذ کیا جاتا ہے اور اس کی نگرانی کی جاتی ہے۔
- کمپنی کی کاروبار جاری رکھنے کی صلاحیت میں کوئی ابہام نہ ہے۔

## 22. کمپنی کے کنٹرول اور رپورٹنگ کی نمایاں خصوصیات

کمپنی کمپنیز ایکٹ 2017ء اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کے تمام معیارات کی تعمیل کرتی ہے۔ اس مقصد کو پورا کرنے کے لئے، بورڈ کمپنی میں کارپوریٹ گورننس کی مجموعی ہدایات کو نافذ کرنے کا ذمہ دار ہے۔ جس میں انتظامیہ کی سفارش پر حکمت عملی کی منظوری، سرمایہ کے استعمال کی منظوری اور



## 12. بورڈ کی کارکردگی کا تعین

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017 کی پیروی میں بورڈ آف ڈائریکٹرز نے بورڈ کی اپنی کارکردگی کے جائزہ کے لئے ایک جامع نظام منظور کیا ہے۔ ہیومن ریسورسز اینڈ ریمونڈیشن کمیٹی بورڈ اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لینے کے لئے عمومی عمل کرے گا۔

## 13. بورڈ آف ڈائریکٹرز کے اجلاس

کمپنی کی مالیاتی اسٹیٹمنٹ اور کاروباری منصوبوں کا جائزہ لینے، منظور کرنے اور انہیں اپنانے کے لئے ہر سہ ماہی کے بعد بورڈ کے اجلاس منعقد ہوتے ہیں۔ اس سال کے دوران بورڈ کے چھ اجلاس بمعہ حاضری منعقد ہوئے۔

## 14. بورڈ کی کمیٹیاں

بورڈ آف ڈائریکٹرز کی رہنمائی میں مندرجہ ذیل کمیٹیاں تشکیل دی گئیں۔

## 15. آڈٹ کمیٹی

کمیٹی بشمول چیئرمین پانچ اراکین پر مشتمل ہوتی ہے۔ تین اراکین نان ایگزیکٹو جب کہ کمیٹی کا چیئرمین ایک آڈٹ ڈائریکٹر ہوتا ہے۔ سال کے دوران آڈٹ کمیٹی کے پانچ اجلاس بمعہ حاضری منعقد ہوئے۔

## 16. بورڈ آف ڈائریکٹرز کا مشاہیرہ

کمپنی کے تمام ڈائریکٹرز CEO/MD کے علاوہ نان ایگزیکٹو ڈائریکٹرز ہوتے ہیں۔ منظور شدہ پالیسی کے تحت ڈائریکٹرز کو بورڈ/کمیٹی کے اجلاس میں شرکت کا معاوضہ دیا جاتا ہے۔ متعلقہ تفصیلات نوٹس میں بیان کی گئی ہیں۔

## 17. CFO اور انٹرنل آڈٹ کے سربراہ کی قابلیت

چیف فنانسنگ آفیسر اور انٹرنل آڈٹ کا سربراہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کے تحت قابلیت اور تجربہ کا حامل ہونا چاہئے۔ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کے تحت بورڈ اراکین کے لئے ضروری تربیت کا انتظام کرتی ہے۔

## 18. بورڈ اراکین کی تربیت

کمپنی اپنے بورڈ اراکین کی پیشہ ورانہ صلاحیت میں بہت دلچسپی رکھتی ہے اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء کے معیارات کے تحت بورڈ اراکین کے لئے ضروری ٹریننگ کا انتظام کرتی ہے۔

انہیں شیئر ہولڈرز اور ریگولیٹرز کو ارسال کیا گیا۔ تاریخ انتہا کے بعد نصف سالہ اسٹیٹمنٹس پر بورڈ نے نظر ثانی کی اور انہیں 25 اکتوبر کو منعقد ہونے والے تیرہویں (13 ویں) سالانہ اجلاس عام میں حتمی منظوری کے لئے حصص داران کو پیش کیا جائے گا۔

#### (a) شیئر ہولڈنگ کی وضع

30 جون 2018ء کو لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن، 2017ء اور کمپنیز ایکٹ 2017ء کے تحت شیئر ہولڈنگ کی وضع اس رپورٹ کے صفحہ 83 پر بیان کی گئی ہے۔

#### (b) حصص داران کی معلومات

آپریٹنگ، نمواور کمپنی کے کاروباری امور سے متعلق حصص داران کو آگاہ کرنے کے لئے انتظامیہ پاکستان سٹاک ایکسچینج کو جاری عبوری اور حتمی نتائج جیسی تمام بنیادی معلومات کی ترسیل کرتی ہے۔ سہ ماہی، نصف سالہ اور سالانہ مالیاتی اسٹیٹمنٹس تمام متعلقہ افراد کو مقررہ مدت میں ارسال کی جاتی ہیں۔ اسی طرح سے، نوٹس اور منافع منقسمہ کے اعلانات لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2017ء اور کمپنیز ایکٹ 2017ء میں بیان کردہ مقررہ مدت میں تمام سٹیک ہولڈرز اور ریگولیٹرز کو ارسال کئے جاتے ہیں۔ یہ تمام معلومات کمپنی کی ویب سائٹ پر بھی فوراً رکھ دی جاتی ہیں۔

#### 9. ہیومن ریسورس کمیٹی

کمپنی تین اراکین بشمول چیئر مین پر مشتمل ہوتی ہے۔ تینوں اراکین نان ایگزیکٹو ڈائریکٹرز ہوتے ہیں جب کہ کمیٹی کا چیئر مین آزاد ڈائریکٹر ہوتا ہے۔ اس سال کے دوران ہیومن ریسورس کمیٹی کے دو اجلاس بمعہ حاضری منعقد ہوئے۔

#### 10. چیئر مین کا کردار

چیئر مین بورڈ آف ڈائریکٹرز کی سربراہی اور گروپ کی نمائندگی کرتا ہے۔ بورڈ اور اس کے سٹیک ہولڈرز کی جانب سے مجموعی طور پر گروپ کے سرپرست کے طور پر کام کرتا ہے۔ چیئر مین بورڈ کی اختیارات کو یقینی بناتا ہے، وہ کمپنی کی حکمت عملی اور مقاصد کے لئے تعین اور ترقی میں اپنا تعمیر کردار ادا کرنے کے لئے بورڈ کو خود مختار بناتا ہے۔

#### 11. بورڈ کی ترکیب

کمپنی کا بورڈ دو آزاد ڈائریکٹرز، سات نان ایگزیکٹو ڈائریکٹرز (بشمول چیئر مین) اور ایک ایگزیکٹو ڈائریکٹر (CEO/MD) پر مشتمل ہوتا ہے۔ اراکین کا بھرپور علم، تجربہ اور مہارت ہمارے بورڈ کے اختیارات کو بڑھاتا ہے۔



کمپنی کے قائد کی حیثیت سے وہ ملازمین کی حوصلہ افزائی کرتا ہے اور ان میں جذبہ اور جنون پیدا کرتا ہے۔

### 3. عمومی بیان

30 جون 2018ء کو اختتام پذیر سال کے لئے اتفاق آئرن انڈسٹریز لمیٹڈ (IIL) کے ڈائریکٹرز سالانہ رپورٹ کے ہمراہ پڑتال شدہ مالیاتی اسٹیٹمنٹس اور آڈیٹرز کی رپورٹ پیش کرنے میں فخر محسوس کرتے ہیں۔

### 4. مالیاتی اسٹیٹمنٹس کی نمائش

انتظامیہ کی جانب سے تیار کی گئی مالیاتی اسٹیٹمنٹس کمپنی کے امور کی صورت حال، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو موزوں اور درست انداز میں پیش کرتی ہیں۔

### 5. اکاؤنٹنگ پالیسیاں

مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹ پالیسیاں مسلسل لاگو کی گئی ہیں اور اکاؤنٹنگ تخمینے قابل بھروسہ اور محتاط رائے سے لگائے جاتے ہیں۔

### 6. کھاتوں کی کتابیں

کھاتوں کی باضابطہ کتابیں تیار کی گئی ہیں۔ پاکستان میں لاگو بین الاقوامی رپورٹنگ معیارات اور بین الاقوامی مالیاتی رپورٹنگ معیارات کی پیروی میں مالیاتی اسٹیٹمنٹس تیار کی گئی ہیں۔

### 7. انٹرنل کنٹرول سسٹم

قابل بھروسہ یقین دہانی کے لئے انٹرنل کنٹرول سسٹم مرتب کیا گیا ہے۔ پالیسیوں، منصوبوں اور قوانین، وسائل کا بہترین استعمال، اہداف کو عبور کرنا اور مالیاتی اور انتظامی معلومات کی دیانت کو کمپنی یقینی بناتی ہے۔ FCCL کا انٹرنل کنٹرول سسٹم جامع ہے اور اس کو موثر انداز میں نافذ کیا گیا اور اس کی باقاعدگی سے نگرانی کی جاتی ہے۔ کمپنی نے کاروباری یونٹ کے کنٹرول طریقہ ہائے کار پر زور دیا ہے تاکہ کاروباری پالیسیوں کے نفاذ اور حسب ضرورت ان میں تصحیح کی توثیق کی جاسکے۔

### 8. کارپوریٹ گورننس کی بہترین عمل داری

ماڈل کاروباری ادارہ کے طور پر IIL بہترین کاروباری اور اخلاقی عمل دار کے اطلاق سے عزائم کی تکمیل حاصل کرتی ہے کمپنیز ایکٹ 2017ء میں موجود کارپوریٹ گورننس کی وسیع عمل داری کو من و عن نافذ اور لاگو کیا گیا ہے۔ چیف ایگزیکٹو آفیسر اور چیف فنانسئیل آفیسر سے حسب ضابطہ تائید کے بعد کمپنی کی تمام دوری مالیاتی اسٹیٹمنٹس اشاعت سے قبل منظوری کے لئے ڈائریکٹرز کو بھیجی جاتی ہیں۔ ایک ماہ کے اندر غیر پڑتال شدہ ماہی مالیاتی اسٹیٹمنٹس اور ڈائریکٹرز کا تجزیہ شائع کیا گیا اور



## ڈائریکٹر رپورٹ

سال 2016-17	سال 2017-18	آپریٹنگ نتائج تفصیلات
4544.932	6679.991	مجموعی فروخت
4442.102	6197.999	خالص فروخت
319.554	544.042	آپریٹنگ نفع
198.736	415.141	نفع بمعہ ٹیکس
140.861	269.820	نفع علاوہ ٹیکس

### آپریٹنگ نتائج کا جائزہ

30 جون 2018ء اختتام پذیر مالی سال کے لئے میں اپنی کمپنی کی بہترین کارکردگی بیان کرنے پر فخر محسوس کرتا ہوں۔ سال کے دوران اپنی بہترین کاوشوں سے ہم نے اینٹ سے اینٹ جوڑ کر کامیابی کی بنیاد رکھی ہے اور اس مدت میں اسٹیل انڈسٹری کو درپیش چیلنجز اور ملک میں سیاسی عدم استحکام کے باوجود ہم نے اپنے طے شدہ اہداف حاصل کر لئے ہیں۔ کمپنی نے اپنی تاریخ کی اعلیٰ پیداوار اور ٹرن اوور حاصل کیا ہے۔ گذشتہ برس کے مقابلہ میں اس سال ہم نے 67 فی صد زائد 619 ملین روپے کا مجموعی آمدنی حاصل کی۔ رواں برس، اپنی بھرپور پیداواری صلاحیت کو بروئے کار لاتے ہوئے ہم اپنے حصص داران کے لئے ہر ممکن حد تک بہترین منافع حاصل کرنے کے لئے پرعزم ہیں۔ مستقبل قریب میں، ہم توسیعی منصوبہ کے تحت نئی بھٹی (فرنیس) اور ری موڈی فیکشن رولنگ مل نصب کرنے جا رہے ہیں۔ ہم قدرتی گیس کی کمی کو پورا کرنے کے لئے LNG کنکیشن حاصل کرنے کا اقدام اٹھا رہے ہیں۔ صارفین/ڈومیسٹک تعمیراتی منڈی کے لئے ہم اتفاق گولڈ کے نام سے نئی برینڈ متعارف کر رہے ہیں تاکہ مارکیٹ میں ہم اپنے مقام کو بڑھا اور مستحکم کر سکیں۔

### 1. منافع منقسمہ

بورڈ بحساب 0.50 روپے فی حصص نقد منافع منقسمہ تجویز کرتا ہے یعنی 30 جون 2018ء کو اختتام پذیر سال کے لئے 5 فی صد اور 10 فی صد بونس حصص۔

### 2. چیف ایگزیکٹو آفیسر (CEO)/مینیجنگ ڈائریکٹر (MD) کردار

شیر ہولڈرز کی قدر قائم کرنے کی غرض سے کمپنی کی طویل مدتی حکمت عملی کو نافذ کرنا CEO/MD کی ذمہ داری ہے۔ CEO/MD کمپنی کے قلیل اور طویل مدتی تمام مقاصد/منصوبوں کی تکمیل کے لئے روزمرہ کے تمام فیصلے کرتے ہیں۔ وہ بورڈ اور کمپنی کی انتظامیہ کے درمیان براہ راست رابطہ کا ذریعہ ہیں۔ وہ کمپنی کی جانب سے حصص داران، ملازمین، حکومت، اتھارٹیز، دیگر سٹیک ہولڈرز اور پبلک سے رابطہ رکھتے ہیں۔ CEO/MD ڈائریکٹر، فیصلہ ساز اور سربراہ کی حیثیت سے کام کرتا ہے۔ رابطہ ساز کے فعل میں بیرونی دنیا، ادارے کی انتظامیہ اور ملازمین سے رابطہ؛ فیصلہ سازی کے فعل میں پالیسی اور حکمت عملی سے متعلق اعلیٰ سطحی فیصلے شامل ہیں۔



## Form of Proxy / E-Voting Ittefaq Iron Industries Limited

40-B-II, Gulberg-III, Lahore. Tel: 042-35765021-26 Fax: 042-35759546

**Option 1**

Appointing other person as Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Ittefaq Iron Industries Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio/CDC Account No. \_\_\_\_\_ hereby appoint Mr. \_\_\_\_\_ Folio / CDC Account No. \_\_\_\_\_ (if member) of \_\_\_\_\_ or failing him, Mr. \_\_\_\_\_ Folio / CDC Account No. \_\_\_\_\_ (if member) of \_\_\_\_\_, as my / our Proxy in my / our absence to attend and vote for me / us, and on my / our behalf at the 13th Annual General Meeting of the Company to be held on October 25, 2018 and at any adjournment thereof.

Signed under my / our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

**Option 2**

E-voting as per the Companies (E-Voting) Regulations, 2016

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Ittefaq Iron Industries Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Registered Folio/CDC Account No. \_\_\_\_\_ hereby opt for e-voting through intermediary and hereby consent the appointment of Execution Officer \_\_\_\_\_ as Proxy and will exercise e-voting as per the Companies (e-voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is \_\_\_\_\_. Please send login details, password and electronic signature through email.

\_\_\_\_\_  
Signature of Proxy

\_\_\_\_\_  
Signature of Member  
(Signatures should agree with specimen signature registered with the Company)

**Signed in the presence of:**

Signature of witnesses \_\_\_\_\_  
Name : \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Signature of witnesses \_\_\_\_\_  
Name : \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. \_\_\_\_\_

**NOTES FOR APPOINTING PROXY:**

This instrument appointing a proxy under option 1 shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized.

The instrument appointing a proxy under option 1 and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

The instrument of e-voting under option 2 shall be deposited in advance in writing at least ten days before holding of general meeting at the registered office of the company at 40-B-II, Gulberg-III, Lahore or through e-mail: info@ittefaqsteel.com.

The Company will arrange for e-voting if the company receives demand for poll from at least five members or by any member or members having not less than one tenth of the voting power.

**FORM FOR VIDEO CONFERENCE FACILITY**

I/We \_\_\_\_\_ of \_\_\_\_\_, being member(s) of Ittefaq Iron Industries Limited, holder of \_\_\_\_\_ Share(s) as per Registered Folio/CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

\_\_\_\_\_  
Signature of member(s)



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POSTAGE

The Company Secretary

**ITTEFAQ IRON INDUSTRIES LIMITED**

40-B-II, Gulberg-III, Lahore

Tel: 042-35765021-26



## پراکسی/ای وونگ فارم اتفاق آرن انڈسٹریز لمیٹڈ

40-بی-11، گلبرگ III، لاہور۔ ٹیلی فون: 042-35765021-26 فیکس: 042-35759546

### اختیار-1-Option

کسی دوسرے شخص کو بطور نمائندہ (پراکسی) مقرر کرنے کے لیے

میں/ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بطور ممبر (ز)  
اتفاق آرن انڈسٹریز لمیٹڈ حامل \_\_\_\_\_ عام حصص، رجسٹرڈ فولیو/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ محترم  
فولیو/سی ڈی سی اکاؤنٹ نمبر (اگر ممبر ہو) ساکن \_\_\_\_\_ یا ان کے حاضر نہ  
ہونے کی صورت میں محترم \_\_\_\_\_ فولیو/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ (اگر ممبر ہو)  
ساکن \_\_\_\_\_ کو اپنے/ہمارے ایما پر کمپنی کے 25 اکتوبر 2018ء کو ہونے والے 13 ویں سالانہ  
اجلاس عام میں شرکت کرنے اور حق رائے دہی استعمال کرنے کے لیے یا کسی بھی التوا کی صورت میں اپنا/ہمارا نمائندہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

### اختیار-2-Option

کمپنیز (ای وونگ) قوانین 2016ء کے مطابق کسی دوسرے شخص کو بطور نمائندہ (پراکسی) مقرر کرنے کیلئے

میں/ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بطور ممبر (ز)  
اتفاق آرن انڈسٹریز لمیٹڈ حامل \_\_\_\_\_ عام حصص، رجسٹرڈ فولیو/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ انٹرمیڈی کے ذریعے ای  
وونگ کا اختیار دیتا/دیتے ہیں اور اس کے ذریعے Executive Officer کی تقرری کی منظوری  
دیتا ہوں/دیتے ہیں۔ مزید یہ کہ میں/کمپنیز (ای وونگ) قوانین 2016ء کے مطابق ای وونگ کا استقبال کروں گا/کریں گے اور اسکے ذریعے قراردادوں کے انتخاب کا مطالبہ کرتا ہوں/کرتے ہیں۔

پانچ روپے کے رسیدی ٹکٹ پر ممبر کے دستخط

(2) دستخط  
نام  
پتہ  
شناختی کارڈ نمبر  
پاسپورٹ نمبر

نمائندہ (پراکسی) کے دستخط  
گواہان۔

(1) دستخط  
نام  
پتہ  
شناختی کارڈ نمبر  
پاسپورٹ نمبر

نمائندہ (پراکسی) کی تقرری سے متعلق نکات:

- اختیار-1 (option) کے تحت مقرر کردہ نمائندہ (پراکسی) کی دستاویز تحریری طور پر مقرر کرنے والے کے ہاتھ سے لکھی گئی ہو یا اس کے اختیار کے تحت مقرر کردہ وکیل کی طرف ہونی چاہیے۔ اگر مقرر کردہ کمپنی ہے تو نمائندہ کی دستاویز کمپنی کی عام ہب (Common Seal) کے ساتھ مجاز افسر یا ان کے مقرر کردہ وکیل کی طرف ہونی چاہیے۔
- اختیار-1 (option) کے تحت ہر لحاظ سے مکمل اور دستخط شدہ (پراکسی) کی تقرری دستاویز عام اجلاس کے وقت سے کم از کم 48 گھنٹے قبل موصول ہو جانی چاہیے۔ بصورت دیگر پراکسی کی دستاویز درست تصور نہیں ہوگی۔
- اختیار-2 (option) کے تحت ای وونگ کی دستاویز عام اجلاس کے دن سے کم از کم دس یوم قبل کمپنی کے رجسٹرڈ آفس واقع 40-بی-11، گلبرگ III، لاہور میں جمع کرادی جائے یا ای میل کے ذریعے [info@ittefaqsteel.com](mailto:info@ittefaqsteel.com) پر بھیجی جائے۔

اگر کمپنی کو کم از کم پانچ اراکین یا کسی ایک رکن یا اراکین جن کی وونگ کی طاقت دس فیصد سے کم نہ ہو، کی طرف سے انتخاب کی درخواست موصول ہوگی تو کمپنی ای وونگ کا بندوبست کرے گی۔

ویڈیو کانفرنس کی سہولت کیلئے فارم

کسی دوسرے شخص کو بطور نمائندہ (پراکسی) مقرر کرنے کیلئے میں/ہم \_\_\_\_\_ ساکن \_\_\_\_\_ بطور  
ممبر (ز) اتفاق آرن انڈسٹریز لمیٹڈ حامل \_\_\_\_\_ عام حصص، رجسٹرڈ فولیو/سی ڈی سی اکاؤنٹ نمبر ویڈیو کانفرنس کی  
سہولت بہ مقام \_\_\_\_\_ چاہیں گے۔

رکن کے دستخط



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The Company Secretary

**ITTEFAQ IRON INDUSTRIES LIMITED**

40-B-II, Gulberg-III, Lahore

Tel: 042-35765021-26



**Head Office**  
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