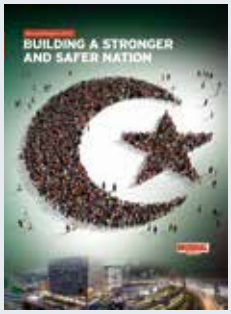
Annual Report 2016

BUILDING A STRONGER AND SAFER NATION

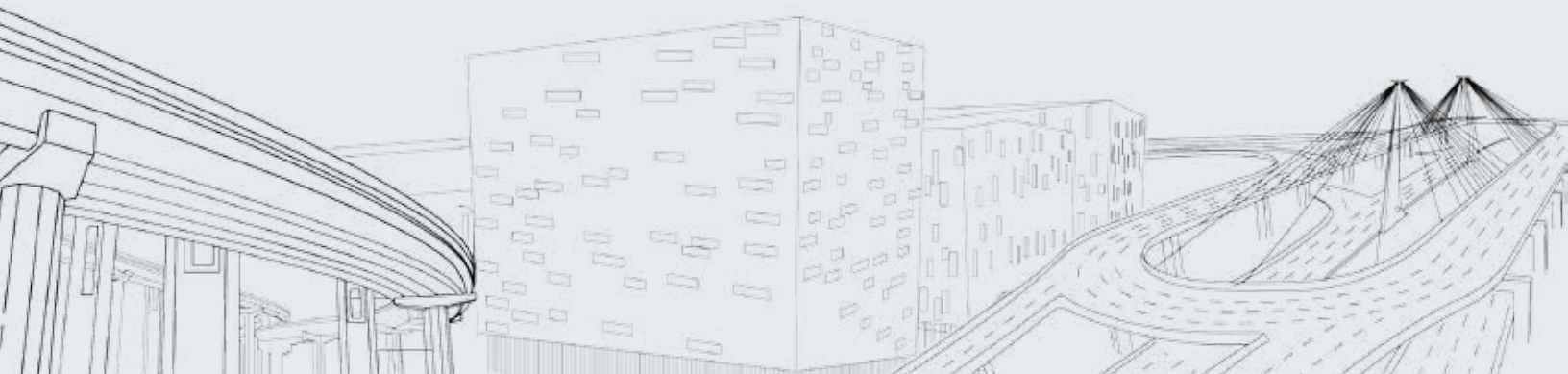
MUGHAL STEEL

COVER STORY



Every safe choice that we make is an investment into spending more quality time with our loved ones or those things that make our life more valuable and meaningful. At mughal steel, we realize this fact and continuously strive and dream to make innovative quality steel products with the objective of making our nation stronger and our people safer.

Our cover this year is a reflection of these sentiments and celebration of our achievements, whereby we showcase, how, in many ways we have contributed and continue to do so towards developing our nation stronger and making our people feel more safer.



CONTENTS

KEY FIGURES

Sales Revenue

18,983.479

(2015: 12,241.272)

Rs. in Millions

EBITDA

1,819.499

(2015: 1,165.821) - Restated

Rs. in Millions

Profit Before Taxation and Depreciation

1,394.466

(2015: 726.143) - Restated

Rs. in Millions

Profit After Taxation

893.411

(2015: 659.166) - Restated

Rs. in Millions

Earnings Per Share (Basic and Diluted)

7.10

(2015: 6.26) - Restated

Rs.

Capital Expenditure

678.980

(2015: 514.807)

Rs. in Millions

Return On Capital Employed

18.28

(2015: 16.60)

Percentage

Total Assets

11.780

(2015: 11.467)

Rs. in Billions

Current Ratio

1.34

(2015: 1.19)

Rs.

Shareholders' Equity

4,235.429

(2015: 3,404.958)

Rs. in Millions

Break-Up Value Per Share

33.67

(2015: 31.13)

Rs.

ABOUT THIS REPORT

We are pleased to present our annual report for the year ended June 30, 2016. This is our second annual report. With this report we aim to provide all our stakeholders with a transparent and balanced appraisal of the material issues that faced our business during the year under review. The report should be read in conjunction with the full financial statements.

SCOPE AND BOUNDARY OF THIS REPORT

This annual report covers the period from July 01, 2015 to June 30, 2016. The previous annual report covered the 2014-2015 financial year. This annual report provides an account of the Company's operational, financial, economic, social and environmental performance, as well as governance, during the period under review.

OUR TWO REPORTS

ANNUAL REPORT

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

ANNUAL FINANCIAL STATEMENTS

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

FORWARD LOOKING STATEMENTS

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

FEED BACK

Please provide us with your feedback. We value feedback from our stakeholders and use it to ensure that we are reporting on the issues that are relevant to them. Please take the time to give us your feedback on this report. Your emails are welcomed at fahadhafeez@mughalsteel.com.

BOARD RESPONSIBILITY

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

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

Khurram Javaid
Chief Executive Officer

Lahore: September 26, 2016

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of the members of MUGHAL IRON & STEEL INDUSTRIES LIMITED ("the Company") will be held on Monday, October 31, 2016 at 3.00 p.m. at Pearl Continental Hotel, Lahore to transact the following business:

ORDINARY BUSINESS

1. To read and confirm minutes of the 6th Annual General Meeting of the members of the Company held on Saturday, October 31, 2015.

2. To receive, consider and adopt the audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2016.

3. To approve and declare final cash dividend @ 30% (i.e. Rs. 3 per ordinary share of Rs. 10/- each) for the year ended June 30, 2016, as recommended by the Board of Directors.

4. To appoint Auditors of the Company to hold office from conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration. The Board of Directors has recommended, as suggested by the Audit Committee, the appointment of M/s. Fazal Mahmood & Co., Chartered Accountants, the retiring auditors, who being eligible, have offered themselves for re-appointment.

5. To elect nine (9) directors of the Company as fixed by the Board of Directors in accordance with the provisions of the Companies Ordinance, 1984 for a term of three (3) years commencing from October 31, 2016. The names of retiring directors are as follows :

1. Mirza Javaid Iqbal
2. Syed Salman Ali shah
3. Muhammad Mubeen Tariq Mughal
4. Muhammad Mateen Jamshed
5. Khurram Javaid
6. Jamshed Iqbal
7. Fazeel Bin Tariq

SPECIAL BUSINESS

6. To ratify and approve transactions carried out with associated companies in the normal course of the business by passing the following ordinary resolutions:

"**RESOLVED** that the transactions carried out in normal course of business with associated companies as disclosed in respective notes to the audited financial statements for the year ended June 30, 2016 be and are hereby ratified and approved."

"**FURTHER RESOLVED** that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2017 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/ indentures as may be required in this regard on behalf of the Company."

7. To obtain consent of the shareholders in terms of S.R.O. 470(1)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan, to authorize the Company, to circulate its annual audited financial statements together with the Directors' and Auditors' Reports thereon to the shareholders through CD/DVD/USB at their registered addresses by way of passing the following ordinary resolutions:

"**RESOLVED** that consent & approval of the members of the Company be and is hereby accorded and the Company is authorized to circulate its annual audited financial statements of the Company together with the Directors' and Auditors' Reports thereon to the shareholders through CD/DVD/USB at their registered addresses, instead of transmitting the said accounts in hard copy."

"**FURTHER RESOLVED** that the Chief Executive and Company Secretary be and are hereby authorized singly to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary, ancillary or incidental to implementing the aforesaid resolution."

A statement as required by Section 160(1)(b) of the Companies Ordinance, 1984 in respect of Election of Directors and Special Businesses to be considered at the meeting is being sent to the Members, along with a copy of this notice.

Lahore: October 07, 2016 (By Order of the Board)

Muhammad Fahad Hafeez
Company Secretary

NOTES:

1. Book closure

Share transfer books of the Company will remain closed from October 21, 2016 to October 31, 2016 (both days inclusive). Physical transfers/CDS Transaction IDs received in order by the Company's Share Registrar, M/s. THK Associates (Pvt.) Limited 2nd Floor, State Life Building No. 3, Dr. Ziauddin Road, Karachi, up to the close of business on October 20, 2016 will be treated in time for the above entitlement of cash dividend to the transferees and to determine voting rights of the members for attending the meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. A Proxy must be a member of the Company. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notary attested copy of the power of attorney must be deposited at the Registered Office of the Company, 31-A, Shadman-I, Lahore at least 48 hours before the time of the meeting. Form of proxy is enclosed.

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

a) For attending the meeting

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

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

b) For appointing proxies

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

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

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

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

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

4. Election of directors

Every candidate desiring to contest the election of Directors, whether he/she is retiring Director or otherwise, shall file with the Company not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/ herself for election, in terms of section 178(3) of the companies Ordinance, 1984 along with his/her consent to act as Director, in terms of section 184(1) of the Companies Ordinance, 1984.

The candidate shall further comply with the relevant provisions of listing regulations of Pakistan Stock Exchange Limited and file with the Company a detailed profile along with his/her relevant declarations as required under the Code of Corporate Governance, 2012. He/She should also confirm that:

a. He/She is not ineligible to become Director of the Company under any applicable laws and regulations (including listing regulation of the Stock Exchange).

b. He/She is not serving as Director in more than seven listed Companies.

c. Neither he/she nor his/her spouse engaged in the business of brokerage or is a sponsor directors or officer of the corporate brokerage house.

5. Electronic Transmission of Financial Statements.

SECP through its Notification No. SRO. 787(1)/2014, dated September 08, 2014 has allowed companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting through email instead of sending the same through post, to those members who desire to avail this facility. The members who desire to opt to receive aforesaid statements and notice of Annual General Meeting through e-mail are requested to provide their written consent on the Standard Request Form enclosed herewith and also available on the Company's website: www.mughalsteel.com.

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 subject to availability of such facility in that city.

In this regard, please fill the following and submit to registered address of the company, 31-A, Shadman-I, Lahore at least 10 days prior to the date of Annual General Meeting.

"I/We,_____of_____, being a member of Mughal Iron & Steel Industries Limited, holder of _____ ordinary share(s) as per Registered Folio No. _____ hereby opt for video conference facility at _____ ."

7. General notes

Shareholders are requested to notify / submit the following, in case of book entry securities in CDS to respective CDS participants and in case of physical shares to the Company's Share Registrar, if not earlier provided / notified:-

a) Change in their addresses;

b) Valid copies of National Tax Number (NTN), both for individuals & corporate entities. Pursuant to the provisions of Finance Act, 2016 effective 1 July 2016, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No.	Nature of shareholder	Rate of deduction
1	Filers of income tax return	12.5%
2	Non - filer of income tax return	20%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website. All the members whose names are not entered into the Active Taxpayer List, despite the fact that they are filers, are advised to make sure that their names are entered into the list before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @20% instead @12.5%. The corporate members having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or our Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

Members seeking exemption from deduction of income tax or those members who are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

Members who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his/her shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the Annual General Meeting date.

Folio/ CDC A/c No	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/ Joint Shareholder

c) In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where members can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc.

The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 have advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favor of e-dividend by providing dividend mandate form duly filled in and signed.

d) Members who desire to stop deduction of zakat from their dividend may submit a declaration as per Form (CZ-50) on non-judicial stamp paper duly signed and witnessed as required under the law.

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

8. Placement of financial statements

The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2016 along

with Auditors' and Directors' Reports thereon on its website: www.mughalsteel.com or scan QR code.

9. Contact us

For any query/problem/information, the investors may contact the Company Secretary at +92-42-35960841(31) and email address fahadhafeez@mughalsteel.com and/or THK Associates (Private) Limited at +92-021-111-000-322.

STATEMENT AS REQUIRED BY SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 IN RESPECT OF THE ELECTION OF DIRECTORS AND SPECIAL BUSINESSES TO BE CONSIDERED AT THE ANNUAL GENERAL MEETING IS APPENDED BELOW:

This statement sets out the material facts concerning the Election of Directors and Special Businesses listed at agenda items 5 to 7, to be transacted at the forthcoming 7th Annual General Meeting of the Company to be held on October 31, 2016.

Agenda Item No. 5.

Pursuant to the expiry of their current term, nine (9) directors of the Company as fixed by the Board of Directors are required to be elected in accordance with the provisions of the Companies Ordinance, 1984 for a term of three (3) years commencing from October 31, 2016. The names of retiring directors are as follows:

1. Mirza Javaid Iqbal
2. Syed Salman Ali shah
3. Muhammad Mubeen Tariq Mughal
4. Muhammad Mateen Jamshed
5. Khurram Javaid
6. Jamshed Iqbal
7. Fazeel Bin Tariq

The Directors are interested in the election to the extent of their respective shareholding.

Agenda Item No. 6.

The transactions carried out in normal course of business with associated companies (related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 5.19.6 (b) of the Code of Corporate Governance, 2012. However, during the year, it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval of these transactions.

In view of the above, the normal business transactions conducted during the financial year ended June 30, 2016 with associated companies as shown in relevant notes of the Audited Financial Statements are being placed before the shareholders for their consideration and approval/ratification.

It is expected that the Company would be conducting such transactions with associated companies in the normal course of business in the upcoming financial year. The majority of directors are expected to be interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore such transaction with associated companies would require to be approved by the shareholders.

In view of the above and in order to comply with the provisions of clause 5.19.6(b) of the Code of Corporate Governance, 2012, the shareholders are required to authorize the Chief Executive Officer to approve transactions to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2017.

The Directors are interested in the resolution to the extent of their common directorships and their respective shareholding.

Agenda Item No. 7.

Securities and Exchange Commission of Pakistan has vide S.R.O 470(I)/2016 dated May 31, 2016 allowed the companies to circulate the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual report.

The Company shall supply the hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. After approval of the shareholders, the Company will place a "Standard Request" Form on its website to enable the members to communicate their need of hard copies of the documents along with postal and email address of the Company Secretary/Share Registrar to whom such requests shall be made.

Accordingly, the directors have placed the matter before the shareholders for their approval and to pass the ordinary resolution as proposed in the notice of meeting. The Directors are interested in the resolution to the extent of their common directorships and their respective shareholding.

VISION STATEMENT

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

MISSION STATEMENT

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

CORPORATE STRATEGY

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

CODE OF BUSINESS CONDUCT & ETHICAL PRINCIPLES

THE BASIC PRINCIPLES OF OUR CODE OF CONDUCT AND ETHICS

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

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

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

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

COMPLIANCE WITH LAWS, RULES AND REGULATIONS

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

PERSONAL CONFLICTS OF INTEREST

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

FAIR AND ETHICAL COMPETITION

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

PROTECTING CONFIDENTIAL INFORMATION

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

EQUAL EMPLOYMENT OPPORTUNITIES AND COMMITMENT TO DIVERSITY

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

POLITICAL CONTRIBUTIONS AND ACTIVITIES

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

PROTECTING AND PROPERLY USING COMPANY'S ASSETS

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

PUBLIC RELATIONS

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

HEALTH & SAFETY

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

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

NON-RETALIATION POLICY

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

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

OUR CORE VALUES

At Mughal Steel we attribute our persistent growth to the strength of our deep rooted values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment and benefit the communities where we work.

INTEGRITY	We are dedicated to maintaining the highest ethical standards and ensuring openness and honesty in all our dealings by maintaining utmost integrity at all times.
TRUST	We trust, respect and support each other, and we strive to earn the trust of our customers and shareholders.
DIVERSITY	We provide equal opportunities to all our employees without any bias against gender, race, ethnicity and religion.
INGENUITY	We seek new opportunities and out-of-the-ordinary solutions. We use our creativity to find unexpected and practical ways to solve problems. Our experience, technology and perseverance enable us to overcome challenges and deliver value.
EXCELLENCE	We make sure that we always do what we say we will and strive for excellence and quality in everything that we do.
PERSONNEL DEVELOPMENT	We are endeavored to foster a culture where people come first and we hire, develop, train and retain our people to work as synergized teams in line with our mission and vision.
FAIRNESS	We are devoted to implement such policies and procedures, which translate into fair and equitable treatment of all stakeholders, including selection hiring, rewarding and compensating all employees.
TEAMWORK	We are committed to fostering a culture where employees work as a team, listen to and respect each other, provide support to one another, work co-operatively and highly regard one another's views – making our work environment fun and enjoyable.
CUSTOMER SATISFACTION	Our experience shows that if we satisfy our customers well, our own success will follow.
LAWS & REGULATIONS	We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.
SHAREHOLDERS	Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people.
INNOVATION	While recognizing that the old way may still be the best way, we constantly strive to find a better way of doing things. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

OVERALL STRATEGIC OBJECTIVES

A simple, effective and achievable strategy that derives efficiencies and creates stakeholder value.

Our ultimate objective is to be a leading participant in the country's steel industry, improving our operations continuously, enhancing profitability and creating value addition. We strive to supply the best quality products for pioneering infrastructure projects, with zero defects whilst comprehensively meeting our customer's needs. We aim to provide safe working conditions, appropriately evaluating and training our workforce and rewarding our people for delivering results and working responsibly. We create value for our stakeholders by capitalizing upon the competitive advantages of our assets.

The six pillars of our overall strategy are designed to deliver earnings and growth for all our stakeholders. We measure our progress against these pillars by continually monitoring our performance against our key financial and non-financial performance indicators:


MUGHAL


MUGHAL


SIEMENS
A TRADITION OF QUALITY
MUGHAL
GROUP OF INDUSTRIES

COMPANY INFORMATION

BOARD OF DIRECTORS

Mirza Javaid Iqbal
Khurram Javaid
Syed Salman Ali Shah
Muhammad Mubeen Tariq Mughal
Jamshed Iqbal
Fazeel Bin Tariq
Muhammad Mateen Jamshed

CHIEF OPERATING OFFICER

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

CHIEF FINANCIAL OFFICER

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

COMPANY SECRETARY

Muhammad Fahad Hafeez
Tel: +92-42-35960841 Ext: 31
E-mail: fahadhafeez@mughalsteel.com

AUDITORS

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

LEGAL ADVISOR

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

SHARES REGISTRAR / TRANSFER AGENT

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

BANKERS

MCB Bank Limited
Bank Alfalah Limited
Soneri Bank Limited
BankIslami Pakistan Limited
Summit Bank Limited
JS Bank Limited
Meezan Bank Limited
Dubai Islamic Bank Limited
Askari Bank Limited
Bank of Punjab
Standard Chartered Bank Limited

GEOGRAPHICAL PRESENCE REGISTERED / CORPORATE OFFICE

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

FACTORY

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Lahore, Pakistan
Tel: +92-42-37970226-7
Fax: +92-42-37970326

SALES OFFICE

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

STOCK EXCHANGE LISTING

Mughal Iron & Steel Industries Limited is a listed Company and its shares are traded on Pakistan Stock Exchange Limited. The Company's shares are quoted in leading dailies under the Engineering sector with symbol '**MUGHAL**'.

COMPANY WEBSITE:

www.mughalsteel.com
Note: MISIL's Financial Statements are also available at the above website.

COMPANY PROFILE & NATURE OF BUSINESS

Mughal Iron & Steel Industries Limited ("Mughal Steel") is a public company incorporated in Pakistan under the Companies Ordinance, 1984. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and trading of mild steel products.

The Company has been building the foundations of Pakistan since its inception and has a depth of technical and managerial expertise carefully nurtured since 1950's, a reputation for reliability and a sharply defined business focus, which has forged the organization into a modern, highly competitive supplier of steel products to the domestic and global markets. Today, the management team is being led by Mr. Khurram Javaid, Director and CEO.

At Mughal Steel we work with passion and expertise to develop high-quality products and intelligent industrial processes that create sustainable infrastructures and promote efficient use of resources. We combine our engineering capabilities with traditional strengths in materials. This means we create value for our customers and can successfully exploit the diverse opportunities in the markets of the future. The company's ability to generate profits throughout the fluctuations of the steel cycle is testimony to the success of years of intensive business re-engineering and the cultivation of a continuous improvement culture that has embedded the Company's position amongst the lowest cash cost producers of steel.

Our primary goal is to supply quality, reliable and durable steel products into the local and nearby markets. Currently we supply in Pakistan and export the rest to Afghanistan.

GEOGRAPHICAL PRESENCE

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

NATURE OF BUSINESS

Mughal Steel is one of the largest steel producers in the long-rolled steel products industry in Pakistan, with approximate installed annual production capacity of 688,000 M/t of re-rolled steel per annum. The re-rolling capacities are complimented by 546,000 metric tones of annual capacity for melting.

The Company is involved in multidimensional activities from making billets of mild steel, spring steel, deformed bar, re-bar, cold twisted rebar and a huge range of sections such as I-beams, L-sections, C-section, H-beams, T-bar etc. in the downstream industry and the recently introduced "Mughal Supreme" bar.

The company is equipped with the most modern set of production facilities consisting of:

BAR ROLLING MILL

The bar re-rolling mill is a straight and continuous mill, capable of cutting customized lengths from a single bar of 1300 ft. (approximately). The mill produces deformed and reinforced bar in conformance with international standards. Continuous casting technology has been introduced for the mill which enables hot and thermodynamic rolling enabling it to produce steel bars directly from melt shop. The bar re-rolling mill is equipped with three induction furnaces.

TANDEM SECTION MILL

Tandem section mill was introduced for the first time in Pakistan by Mughal Steel in line with Universal Stand (the ultimate re-rolling technology). The mill is capable of continuous rolling, which by far is the best suitable technological solution based on European technology and state of the art Italian design by ABB, AMB & SCADA. The mill follows the procedure of four-dimensional rolling, as compared to conventional uniform rolling techniques, making the re-rolling technology at Mughal Steel energy efficient and cost effective. The mill has recently been equipped with two induction furnaces to enable hot rolling.

MINI SECTION MILLS

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

MACRO FACTORS AFFECTING BUSINESS

ECONOMY

The continuous improvement of the macro-economic situation, commitment to calibrated fiscal and monetary management and reform initiatives have paved the way for

revival of growth of the Economy. The decline in oil prices, adequate foreign exchange buffers, stable exchange rate and low current account deficit further strengthened the impact of the above factors.

INFLATION

The stable PKR parity helped in keeping the CPI inflation under control, and in lowering inflation expectations in the country. The average CPI inflation fell from 8.62 percent in FY 2014 to 4.53 percent in FY 2015 and further declined to 2.79 percent during July-April FY 2016 compared to 4.81 percent of the corresponding period last year. A stable outlook of inflation and balance of payments allowed policymakers to implement pro-growth strategies.

PUBLIC SECTOR DEVELOPMENT BUDGET

Public sector development is one of the prime focus of the current Government which has resulted in significant increase PSDB over the years. The trend continued in 2016 as well, with the Government's infrastructure spending leading to buoyancy in construction activity, and increased production of steel and allied industries etc.

FISCAL DEVELOPMENT

The encouraging aspect was that the higher development spending did not impede the government's fiscal consolidation efforts. The reforms of the present Government on both revenue and expenditure resulted in decrease in fiscal deficit over the years. Not only has the Government been able to reduce the fiscal gap, but the availability of external funding also enabled it to shift its financing away from domestic resources.

INDUSTRY

Pakistan's steel industry currently produces approximately six million metric tons (MT) every year. This market is mainly divided into raw product (iron ore and scrap); flat products (sheets and plates used in the automotive sector); long products (steel bars, wire rods, rails and structural used in infrastructure development), tubes and pipes.

The steel sector has experienced significant growth in the last few years and it is expected that it will continue in the years to come, with the Government's continuing focus on development projects. Despite of increase in duties and taxes, high cost energy resources and fall in steel prices, the major players have managed to register increased profitability.

CONSTRUCTION ACTIVITY

The construction activity continues to experience significant boost following the reduction in inflation and fiscal deficit and initiation of various, public sector development, housing and commercial projects in Pakistan.

MONEY & CREDIT

The discount rate has reduced from 10% in 2013 to a record low of 5.75% in 2016. Balance of payments also improved with foreign exchange reserves closing at $ 23.084 billion as at June, 30 2016.

MAIN MARKETS

The main market of the Company is domestic market. However, the Company also exports to Afghanistan.

NISHAT EMPORIUM PROJECT: STEEL BARS SUPPLIED

This 11-story mall spread over 2.7 million square feet was constructed at en estimated cost of Rs. 25 billion and is owned by the Nishat Group. The Emporium mall is the largest mall in Pakistan and is expected to house 200+ International and local brands. It includes a nine screen multiplex cinema called Universal Cinemas and is Pakistan's largest. It also contains the country's largest food court with a sitting area that accommodates 3000 people. Other features include Fun Factory Park (kids play area), The Bounce, banquet halls, restaurants, eateries, Pakistan's largest hypermarket named Hyperstar (Carrefour) and a 110-Room five star hotel. It is expected that the Emporium Shopping Mall will change the whole retail shopping dynamics in Pakistan.

COMPANY PROFILE & NATURE OF BUSINESS

LEGAL ENVIRONMENT

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

MICRO FACTORS AFFECTING BUSINESS

BUSINESS MODEL

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

PRODUCT PORTFOLIO

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

- **I Beams (Girders)**
  I-beams are usually made of structural steel and are used in construction and civil engineering. I-beams may be used both on their own, or acting compositely with another material, typically concrete. The horizontal elements of the "I" are known as flanges, while the vertical element is termed the "web". The web resists shear forces, while the flanges resist most of the bending moment experienced by the beam. Beam theory shows that the I-shaped section is a very efficient form for carrying both bending and shear loads in the plane of the web.

- **Steel Bars**
  Steel bars are used as a tension device in reinforced concrete structures to strengthen and hold the concrete in tension. Rebar's surface is often patterned to form a better bond with the concrete. The steel bar is used both in building infra structural projects and residential ventures.

- **T-Iron**
  T-iron used in construction, is a load-bearing structure of reinforced concrete, wood or metal, with a T-shaped cross section. The top of the T-shaped cross section serves as a flange or compression member in resisting compressive stresses. The web (vertical section) of the beam below the compression flange serves to resist shear stress and to provide greater separation for the coupled forces of bending.

- **Mild Carbon Billets**
  Plain-Carbon steel, commonly known as Mild steel, is the most typical form of steel because of its relatively low price while it provides additional metal properties more so than iron that are acceptable for most of applications. Low-carbon steel contains approximately 0.05–0.320% carbon making it supple and ductile. Mild steel has a relatively low malleable strength, but it is economical and easy to formulate; surface toughness can be increased through carburizing.

  Mild steel is frequently used when large quantities of steel are needed, for example as structural steel.

COMPETITION

Mughal steel is amongst the top companies in the steel sector with such diversified product mix. Being in the industry for over 5 decades has enabled the Company to effectively compete with existing companies in the industry. Moreover, the recent CAPEX to achieve cost efficiency has enabled the Company to attain unmatched competitive advantage.

SUPPLIERS

The Company has built strong relationship with its suppliers and developed a procurement team who is well versed in acquiring the necessary raw material for production. Billet is mainly imported from China, while re-melt able scrap is being imported mainly from United Kingdom.

THE FUNDAMENTALS OF OUR STRATEGY

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

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

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

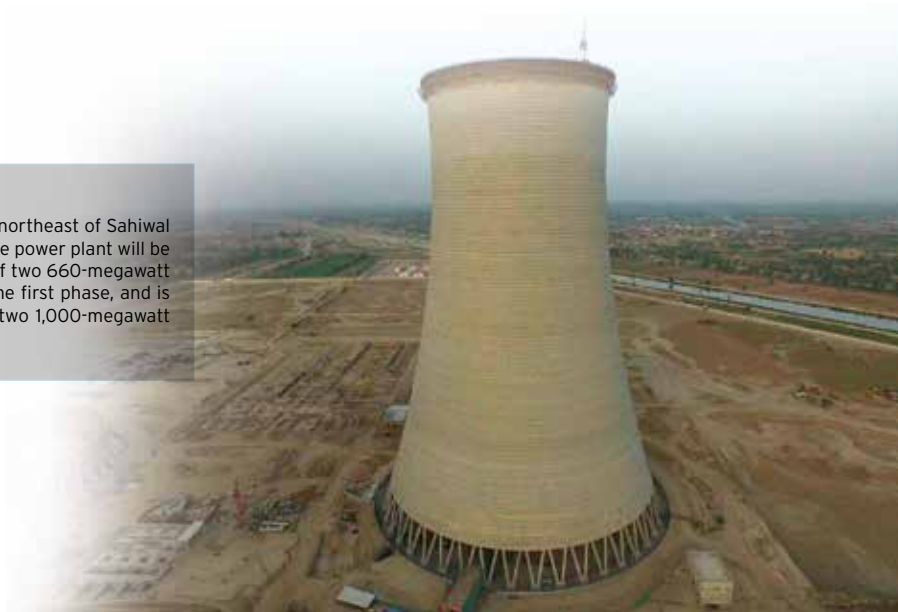
VALUE DRIVERS

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

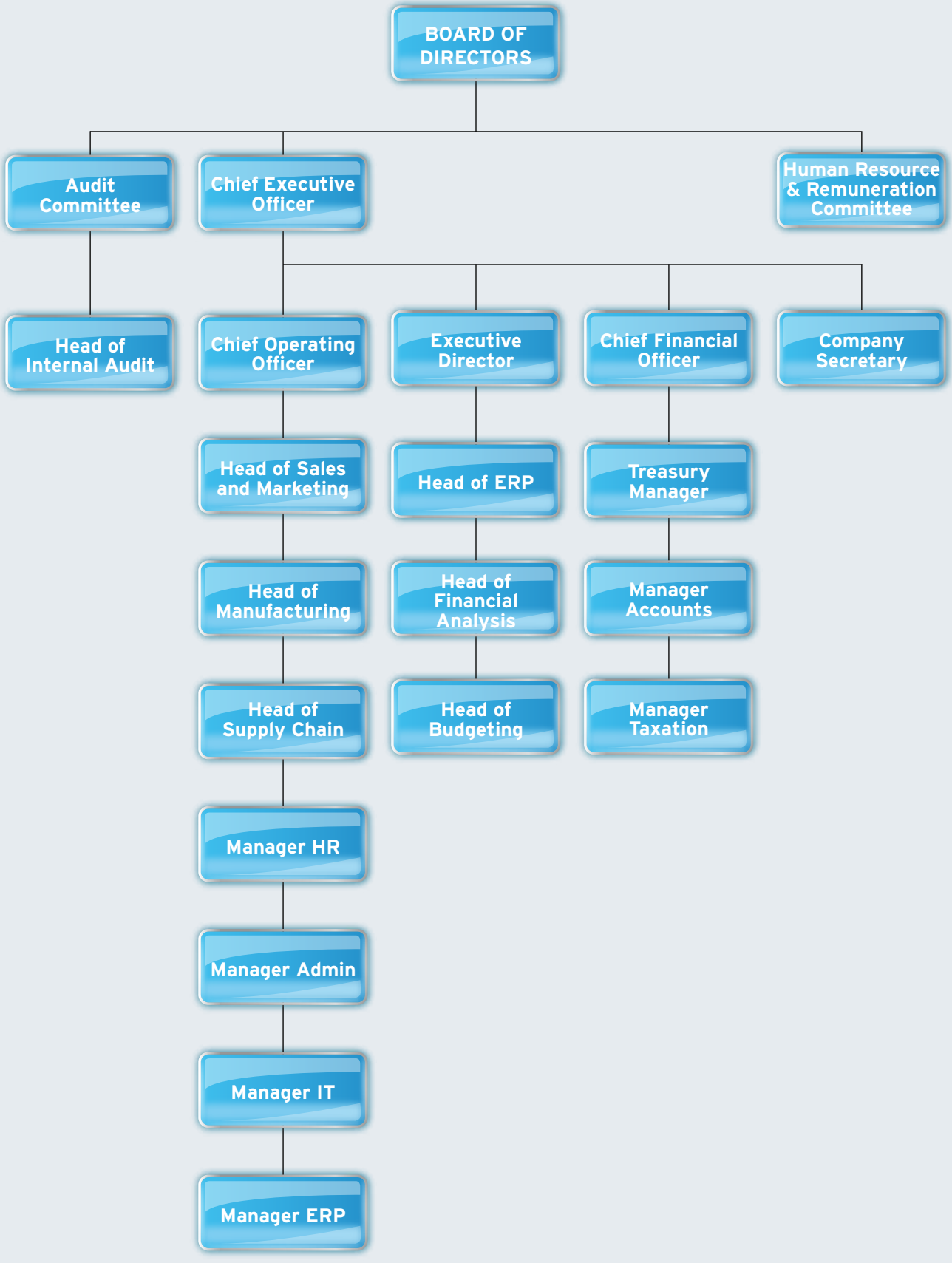
- Our growth is primarily driven by expansion in sales revenue, powered by strong demand for our products and effective distribution network all over the Country.
- Efficiency enhancement is our long term goal. We continuously seek opportunities to improve efficiency of our business processes to optimize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

SAHIWAL COAL PROJECT: STEEL BARS SUPPLIED

The Sahiwal Coal Power Project is located 15 kilometers to the northeast of Sahiwal in Pakistan's Province which is currently under construction. The power plant will be Pakistan's first supercritical coal power plant, and will consist of two 660-megawatt (890,000 hp) plants for a combined capacity of 1,320 MW in the first phase, and is to be followed by a possible second phase which will include two 1,000-megawatt (1,300,000 hp) plants.



ORGANOGRAM OF COMPANY



BOARD PROFILE

The key skills and experience of the directors, and the extent to which they are represented on the board of directors and its committees, are set out below. In summary, the non-executive directors contribute operational experience and understanding of the industry sector in which the company operates.

Sitting from left to Right: Mirza Javed Iqbal, Jamshed Iqbal
Standing from left to Right: Khurram Javaid, Syed Salman Ali Shah, Muhammad Mubeen Tariq Mughal, Fazeel Bin Tariq, Muhammad Mateen Jamshed

Mirza Javaid Iqbal

Chairman / Non - Executive Director

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

Other Engagements:

• Indus Steel Mills Corporation (Private) Limited	CEO / Director
• Mughal Steel Metallurgies Corporation Limited	CEO / Director
• Al-Bashir Steel Industries (Private) Limited	CEO / Director
• Mughal Steel Re-Rolling Industries Limited	Director
• Mughal International IMPEX Limited	Director

Jamshed Iqbal

Non - Executive Director

Mr. Jamshed Iqbal has over the years played a pivotal role in developing the company's distributional network across Pakistan to ensure that all kinds of geographical requirements are met by the Company's distributional network, a feat that has resulted in expanded growth of the company. Today his vast experience and in-depth knowledge of the steel sector is highly beneficial at the Board Level.

Other Engagements:

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

Khurram Javaid

Chief Executive Officer / Director

Mr. Khurram Javaid holds an MBA from the Coventry University, UK and a BSc. from the Lahore School of Economics in Pakistan. He has made substantial contributions to the Company's production capabilities and sales network within the country, ensuring that each is at par with the international standards of the steel industry. He has extensive experience with highly engineered systems, which require deep understanding of critical business drivers in multiple markets and industries; highly successful in building relationships with upper-level decision makers, seizing control of critical problem areas, and delivering on customer commitments. Also, since Mr. Javaid is a strong advocate of human resource development, he is the man behind incorporating effective HR planning, policymaking and training which is the corner stone behind the company's success today.

Other Engagements:

• Mughal Energy Limited	CEO / Director
• Mughal Steel Re-Rolling Industries Limited	CEO / Director
• Mughal International IMPEX Limited	CEO
• Indus Engineering (Private) Limited	CEO / Director

Syed Salman Ali Shah

Independent Non- Executive Director

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

Other Engagements:

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

Muhammad Mubeen Tariq Mughal

Executive Director

Mr. Muhammad Mubeen Tariq Mughal has been associated with the Company for over seven years and has vast experience in the field of ERP, Human Resource, Audit, Accountancy & Finance. He has been responsible for developing and leading financial strategies to facilitate the company's ambitious growth plans. He has played pivotal role in designing and development of system of internal controls and implementation of ERP within the organization.

Other Engagements:

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

Fazeel Bin Tariq

Non - Executive Director

Mr. Fazeel Bin Tariq holds a Bachelor's Degree in Business Administration from the Lahore School of Economics, Pakistan and a Postgraduate degree in Professional Accounting from the Swinburne University of Technology, Australia. He has also done Masters in Leadership from Northeastern University, Boston, USA. He joined the Company in 2011 and since then worked in various roles, obtaining extensive knowledge and experience of production processes before being inducted as a member of the board of directors.

Other Engagements:

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

Muhammad Mateen Jamshed

Non - Executive Director

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

Other Engagements:

• Mughal Steel Re-Rolling Industries Limited	Director
• Indus Engineering (Private) Limited	Director

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors take pleasure in presenting this Report, together with the Audited Financial Statements of the Company for the year ended June 30, 2016

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Mirza Javaid Iqbal
Chairman of the Board

Dear Shareholders,
Ladies and gentlemen,

With more than a half a century of experience to guide us, Mughal Steel has proven once again to be strong, agile and confident as we faced the challenges of 2016. Despite imposition of duties, international currency volatility and fall in steel prices in local markets; we set several performance records in 2016. Regardless of the challenges we may currently face, Mughal Steel remains committed to sustainable development.

I would like to recognize the efforts of our executive management team for their prudent and insightful leadership during the past year together with their ability to be flexible and react quickly when it became necessary to protect the business against various adversities. I would also like to expresses my gratitude for the efforts of all our workers for their dedication and stakeholders for their trust in us.

As a result, the year marked yet another milestone in our earnings situation and operating performance, with the company not only posting the highest ever turnover but also managing to deliver higher profits per share in 2016; Rs. 7.10 as compared to Rs. 6.26 (restated) in 2015. A retrospective review of 2016 would suggest we had a lot to be pleased with, and as often is the case, the opportunity to formulate even greater aspirations. Our multi-year trend of crossing a new billion dollar threshold continued with 2016, achieving a total turnover landmark of Rs. 18.983 billion. With no implied estimate of timing, the numerical milestone of Rs. 20 billion is now one we can well envision, and I look forward to experiencing the same pride we felt as a company when passing both the Rs. 1 billion and Rs. 10 billion marks.

All businesses experience good times and bad times, I believe it's how they succeed through both, that makes the difference between a sustainable business that can survive when times are tough and one that can't.

Against this background, on behalf of the board of directors, I'm pleased to announce final cash dividend @ Rs. 3/- per share i.e. 30% (2015: Rs. 0.5 per share) for the year ended June 30, 2016 to you, our owners.

As chairman of your company, I am responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensuring that the board hears from an appropriate range of senior management. I'm firmly committed to ensuring that your company complies with all the relevant codes and regulations and ensuring that our management team continues to make decisions that will create value for you in the short, medium and long term.

On behalf of the board, I hereby present to you, the directors' report for the FY-2016.

Mirza Javaid Iqbal
Chairman of the Board

Lahore: September 26, 2016

CHIEF EXECUTIVE OFFICER'S REMARKS

Khurram Javaid
Director / Chief Executive Officer

Dear Shareholders,

Despite the headwinds we faced in FY-2016, we significantly improved our financial performance throughout the year and made progress in innovation, quality and efficiency. This was achieved as a result of efforts of our team towards cost reduction, improved productivity, and further enrichment of our mix toward more profitable products and markets.

Building on our vision to provide quality, reliable and safer products, the year saw the launch of our new innovative earth quake resistant steel bar 'Mughal Supreme' to cater the household market. The product is the outcome of, years of extensive research & development, experimentation and testing efforts of world's best scientist in materials, concrete, architectural and metallurgical engineering and is scientifically tested to be the most reliable steel product to withstand earthquake movements and prevent potential damages to building/structures during earthquakes.

As management we are strongly committed towards continuously improving the operational performance of your company. This year, we enabled "Hot Charging" technology for our tandem section re-rolling mill which allows production of girders directly from melt shop resulting in increased efficiency. Further, we carried out BMR of our bar-rerolling mill as well, which will improve overall efficiency of the mill. However, the continuing operations of the furnace would remain dependent upon available energy resources for which we are working rigorously for enhancing our grid load capacity.

We continue to strive for growth and increasing shareholder value and I am yet again overwhelmed and highly pleased to report yet another hallmark year for Mughal Steel, which saw increase in revenues and profits of your business resulting in net profit of Rs. 893.411 million with earnings per share of Rs. 7.10, compared to earnings per share of Rs. 6.26 (restated)

Extreme accomplishments require an equally strong determination. This discipline can be found in the world's best companies. Our commitment to this discipline enables Mughal Steel to thrive as we navigate various business cycles. We remain flexible and opportunistic. Our operational and financial strength uniquely positions the company to keep moving forward, investing in our assets, and enhancing our competitive footing.

in the last year. In particular, revenues from local sales were up by 74%. Local markets saw steady growth in demand for long-rolled steel products mainly due to focus of the Government on development of infrastructure development.

The company has not defaulted in any repayment of debts. During the year, the Company has contributed approximately Rs. 665.084 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to Rs. 666.278 million.

We expect improved production and sales volumes following approval for enhancement of our grid station load capacity, the approval for which is still under process. We expect export sales to remain low, however, any adverse fall is expected to be curtailed by increase in local sales.

Lastly, i would like to thank our employees and our shareholders for their support. In 2017, we will work to enhance our profitability and align all of our resources with the needs of our business to ensure we are getting a return on those resources we are investing in our business. We will focus on controlling those items within our control. I am confident that the entire Mughal Steel team will collectively work to make us a stronger company.

Khurram Javaid
Director / Chief Executive Officer

Lahore: September 26, 2016

FINANCIAL REVIEW & OPERATIONAL PERFORMANCE

INDUSTRY OVERVIEW

Steel Sector is constantly expanding, with the current demand exceeding the available production and the gap being covered by the import of steel. Demand for steel products is expected to rise further in near future due to inauguration of mega development schemes and power projects under the China-Pakistan Economic Corridor (CPEC) which is expected to boost the annual demand for steel products considerably. It is expected that in the early stages of economic development, steel consumption is expected to increase at a faster rate because huge quantities of steel are required to build basic infrastructure, including bridges, dams, railways, and power generation, distribution and transmission projects, etc. Pakistan is a developing economy with abundant potential to attain faster industrial growth. However, sustainable industrial and economic growth depends on an assured supply of steel. Therefore, planning for steel production will be a critical part of overall development planning in the country.

In order to meet this higher demand without resorting to imports over the medium- to long-term, the country will need sizable investment in this industry in the coming years. Pakistan's steel industry comprises a complete and a closely intertwined value chain - from pig iron furnaces to downstream sectors and end-user industries. The steel industry is characterized by small plants, most of which are utilizing obsolete technology and these products cannot compete with cheaper imports, particularly from India and China, where manufacturers enjoy benefits from economies of scale and more efficient production processes. Power shortage is also a big concern for local manufacturers; besides, the cost of electricity is also very high.

It is expected that development budget fixed by the Government will create opportunities for upcoming projects to come online which is a good sign for steel sector. However, load shedding of electricity / gas, increase in sales tax and imposition of duties on import of steel items have hampered the entire industry.

OVERVIEW OF FINANCIAL PERFORMANCE

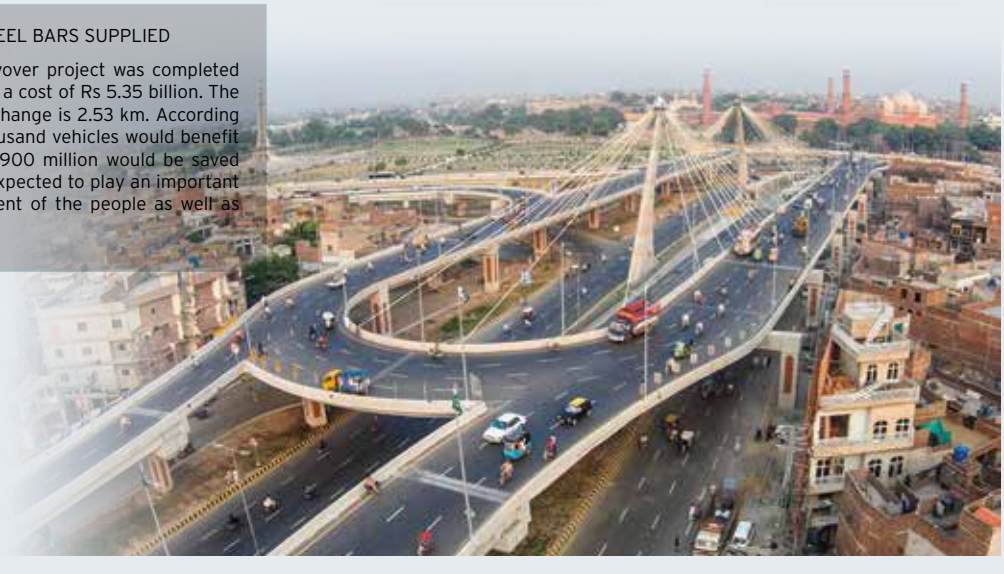
The directors are pleased to inform the shareholders that their Company registered record net sales of Rs. 18.983 billion against Rs. 12.241 billion in the corresponding period, showing growth of 55% resulting in earnings per share of Rs. 7.10 per share as compared to Rs. 6.26 (restated) per share in the last year.

The increase in sales trend has mainly been due to increase in sales of steel bars as compared to corresponding period. The increase in turnover was also complimented by increase in local sales of Girder and Tee iron. However, there was fall in export sales of Girder and Tee iron as compared to previous period.

Gross margins rose to Rs. 2,058.820 million in the current period, compared to Rs. 1,326.354 million (restated) in the corresponding period which is encouraging. As a percentage gross margins remained stable. Gross margin for the year was effected adversely and in adversely by imposition of duties and taxes, fall in steel prices locally and internationally and variation in costs of electricity.

AZADI CHOWK PROJECT: STEEL BARS SUPPLIED

The signal free Azadi Chowk flyover project was completed in a record period of 165 days at a cost of Rs 5.35 billion. The total length of the flyover interchange is 2.53 km. According to an estimate two hundred thousand vehicles would benefit daily from this project and Rs. 900 million would be saved annually in fuel. The project is expected to play an important role in the economic development of the people as well as enhancing beauty of Lahore.



Distribution costs represented freight and advertisement expenses and increased as a result of increase in sale of steel bars.

Administrative expenses increased by 27% due to increase in salaries accompanied with increase in routine administrative costs.

Other charges mainly included provisions for workers' profit participation fund and workers' welfare fund which increased in line with increase in profits.

Other income increased from Rs. 14.776 million to Rs. 47.357 million as a result of profit on saving accounts and short-term investments.

Finance costs increased mainly due to recognition of notional interest on sponsor shareholders' loan and exchange loss on deferred letters of credits. Markup on short-term and long-term borrowings reduced significantly from 341. 058 million to Rs. 169.652 million.

Taxation increased significantly during the year. The increase was attributable to first time recognition of deferred taxation due to significant change in proportion of local to export sales and absorption of brought forward loses.

Resultantly net profits rose to Rs. 893.411 million during the year, compared to Rs. 659.166 million (restated) in the corresponding period last year. Net profit was subject to unavoidable adverse effect of exchange loss, notional interest and deferred taxation.

Financial results for the year ended June 30, 2016 have been summarized below:

Rupees in millions	
Sales	18,983.479
Gross profit	2,058.820
Operating costs	(766.572)
Profit before taxation	1,292.248
Taxation	(398.836)
Profit after taxation	893.411
Basic & diluted earnings per share	7.10

NON-FINANCIAL PERFORMANCE

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

OVERVIEW OF OPERATIONAL PERFORMANCE

The furnaces generated an overall production of 99,657 M/t of billet, recording an increase of 67% from previous year.

The overall production of rolling mills was recorded at 245,675 M/t showing an increase of 36% over the previous year. This was achieved mainly due to increased availability of electricity, introduction of energy efficient means of production, collective hard work and sheer dedication. Out of the total production of rolling, 49% was allocated to bar and 42 % to girder with remaining production being allocated to T-iron.

The girder mill was successfully converted to "Direct rolling" by installation of induction furnaces to enable production of girder directly from scrap. This has resulted in elimination of reheating furnaces used conventionally to re-heat billet, thus reducing overall production costs.

Balancing and modernization of bar mill has converted the mill into tandem, resulting in improved efficiency. Further, the old girder mill has also been upgraded into bar mill.

The Company is in the process of enhancing its grid load capacity however, till date of the financial statements, no such approval had been received.

Safety, quality, innovation and productivity are key factors in our business and hallmarks of our success. In 2016, we experienced another year of outstanding safety performance. Our quality focus also continued, establishing company best records for internal quality performances. We have redoubled our efforts to develop new products and processes, including new type of earth quake resistant steel bar. Finally, our relentless concentration on productivity gains and initiatives to lower operating costs generated increased margins in 2016.

DISTRIBUTIONS AND APPROPRIATIONS - SUBSEQUENT EVENTS

Rupees in millions	
Un-appropriated profit brought forward	**1,224.519**
Final cash dividend for the year ended June 30, 2015 @ 5%	(54.696)
Profit for the year	893.411
Transferred on unwinding of discount	57.338
Other comprehensive income	(8.244)
Un-appropriated profit available for appropriations	**2,112.328**
Appropriations	
Final cash dividend for the year ended June 30, 2016 @ 3 per share i.e. 30%	(377.399)
Less: transfer to contingency reserve	(980.000)
Un-appropriated profit carry forward	**754.929**

Keeping in view the results, the Board of Directors has recommended a final cash dividend @ Rs. 3/- per share i.e. 30% (2015: Rs. 0.5 per share i.e. 5%) for the year ended June 30, 2016 to you, our owners. No interim dividend was declared during the year (2015: Rs. Nil per share).

The proposed final cash dividend is subject to the approval of the members at the forthcoming Annual General Meeting to be held on October 31, 2016. These financial statements do not include the effect of the above proposal which will be accounted for in the period in which it is approved by the members.

The Board of Directors has proposed transfer of Rs. 980.000 million to contingency reserve, for meeting future contingent events. These financial statements do not include the effect of this appropriation.

ENTITY'S MOST SIGNIFICANT RESOURCES

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

LIQUIDITY ANALYSIS AND STRATEGIES TO OVERCOME LIQUIDITY PROBLEMS

The management of the Company has years of experience in liquidity management and liquidity management system and tend to maintain a strong liquidity position to ensure availability of sufficient working capital besides identification and mitigation of cash flow risks.

The key working capital requirements of the Company are managed through internal liquidity generation sources comprising of sales revenues and external means of financing. Revenue receipts from sales are managed through optimized control of customer credit, in addition to securing advance customer orders and cash sales. Regular forecasting of cash flows and aging analysis are also carried out to maintain an optimum working capital cycle. Operating cash flows are mainly used for repayment of debt firstly.

The aggregate net working capital stood at Rs. 1,990.226 million at the close of June 30, 2016, as compared to Rs. 1,301.268 million in last year increasing by 53 %.

PLANS TO MANAGE REPAYMENT OF DEBT AND RECOVERY OF LOSSES

Long-term financing from banking companies stood at Rs. 109.208 million as at June 30, 2016 as compared to Rs. 253.665 million as at June 30, 2015 which was mainly due to timely repayments. During the year, no further interest bearing funds were borrowed on long-term basis as the management ends to maintain minimal level of interest bearing long-term financing from banking companies. Short-term borrowings from banking companies amounted to Rs. 2,828.706 million, representing a increase of Rs. 933.655 million from last year. Cash flow projections indicate availability of sufficient funds for timely retirement of long-term debts from banking companies. The sponsor shareholders injected additional short-term interest free loan of Rs. 382.295 million which was mainly used for repayment of interest bearing loan from related parties. Long-term loan from sponsor shareholders is not fully payable before five (5) years

CASH FLOW ANALYSIS

Analysis of cash flows for the year June 30, 2016 is presented through the following major liquidity generation activities:

- **Operating activities**

  Net cash utilized in operations stood at Rs. 577.272 million, as compared to net cash generated from

operations amounting to Rs. 1,715.556 (restated) million last year, after adjustment of finance cost of Rs. 224.401 million and income tax payments aggregating to Rs. 305.884 million during the year.

- **Investing activities**

  The Company incurred fixed capital expenditure of Rs. 678.980 million during the year as compared to Rs. 514.807 million in last year and comprised mainly of new melting furnaces along with BMR of re-rolling mills.

  Short-term investments amounting to Rs. 416.128 million matured during the year. Consequently, net cash used in investing activities stood at Rs. 238.028 million, down by Rs. 795.034 million from 1,033.063 million last year.

- **Financing activities**

  The Company repaid long-term financing from banking companies resulting in cash utilization of Rs. 144.457 million. Net cash generated from short-term borrowings amounted to Rs. 590.012 million. The sponsors injected Rs. 382.295 million of fresh short-term interest-free loan.

  Consequently, net cash generated from financing activities stood at Rs. 391.154 million, as compared to cash used in financing activities amounting to Rs. 632.579 million last year.

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

  The Company recorded a net decrease in cash and cash equivalents of Rs. 424.146 million during 2016, as compared to a net increase of Rs. 49.914 million recorded in cash and cash equivalents last year.

FINANCING ARRANGEMENTS

Long-term financing from banking companies amounted to Rs. 109.208 million against debt raising capacity of Rs. 16,941.718 million. Total short-term borrowings of the Company stood at Rs. 3,498.798 million at year end against aggregate financing facilities of Rs. 7,439.000 million with various banks, under mark-up / profit arrangements. Additionally, letters of credit lines and letter of guarantee lines up to Rs. 11,160.500 million are available out of which Rs. 8,283.144 million remained unutilized at the year end.

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

HUMAN CAPITAL

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

- **Succession Planning**

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

- **Retirement Benefit Plans**

  The Company is operating an unfunded gratuity plan for its employees ensuring financial security upon retirement. Detail of retirement benefit funds have been disclosed in note 21.2 of the financial statements.

CAPITAL STRUCTURE

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

As at June 30, 2016 capital structure comprised of Rs. 1,257.998 million of share capital representing 125.799 million ordinary shares of Rs. 10/- each. Major shareholding is owned by the sponsor shareholders with 75% equity holding. Total long-term financing stood at Rs. 1,046.304 million at close of the year, while, total short-term debt of the Company stood at Rs. 3,498.798 million at close of the year, with a debt / equity ratio of 52% as compared to 51% in 2015. Long-term financing comprised of Rs. 937.096 million on account of interest-free sponsor shareholders' loan.

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

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

Increase in property, plant & equipment mainly includes procurement and installation of two new furnaces for

tandem section mill and BMR of existing bar re-rolling mill and old girder mill. The installation of furnaces will enable "Direct Rolling" for tandem section mill resulting in cost efficiency. BMR of bar re-rolling mill will improve overall operational efficiency of the mill, while up gradation of old girder mill will enable it to manufacture bars.

Stock-in-trade stood at Rs. 4,220.728 million at the close of the year, which however was also liquidated subsequently. The improvement in inventory turnover was mainly due to improved levels of production due to increase in availability of electricity and utilization of inventory held for export for local production.

Trade debts showed an increase of 99% and stood at Rs. 939.886 million. This was mainly due to significant increase in sales of steel bars to various government projects. However, none of these balances are considered bad or require and provision against them.

Short-term deposits and prepayments decreased significantly by 90%. This included one off margin against deferred letter of acceptance which was adjusted during the year.

Refunds due from Government have increased from Rs. 817.745 million to Rs. 1,458.917 million. These mainly represent advance tax on exports and imports along with sales tax on import of scrap. Currently the company is availing tax credits due to which it is not incurring any provision for income tax which would adjust against these refunds.

Short-term investments decreased due to maturity.
During the year, the Company has re-paid its long-term debt from banking companies totaling to Rs. 144.457 million.

Trade & other payables decreased from Rs. 4,270.377 million to Rs. 2,253.821 million. The decrease can mainly be attributed to shift from deferred acceptance letter of credits towards sight letter of credits during the last quarter.

Total short-term borrowings increased from Rs. 2,358.905 million to Rs. 3,498.798 million mainly due to reasons explained in the preceding paragraph and due to increase in temporary overdraft. Sponsor shareholders further injected Rs. 382.295 million as short-term interest-free loan in to the Company.

Company's revenue reserves depicted an immense improvement mainly due to increase in profits during the year.

Company's net worth as at June 30, 2016 stood at Rs. 8,452.490 million with a breakup market value of Rs. 67.19 per share.

Financial commitments of the Company stood at an aggregate of Rs. 1,501.683 million at the close of the year in respect of purchase of goods and capital expenditure. Details of these commitments are disclosed in the relevant notes to the financial statements.

Resultantly, the Company's asset base recorded an increase of Rs. 312.932 million compared to last year, primarily due to increase in profits, increase in turnover and further capital expenditure made during the year.

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

Prospects of the Entity

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

Targets for financial measures

Various factors and variables were considered and estimated in projecting targets for financial year June 30, 2016. The results of some of these factors can be monitored while for others they can only be improved to some extent. Absolute commitment, continuous evaluation and steady implementation have resulted in achievement of set goals and objectives.

This is evident from the fact that despite of insufficient electricity load capacity sustained production levels were achieved and operating targets were met.

Efficient utilization of available energy, introduction of energy efficient melting furnaces and modernization of re-rolling mills enabled the Company to reach turnover of Rs. 18.983 billion and earn a net profit of Rs. 893.411 million despite adverse market conditions.

Targets for non-financial measures

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

- Stakeholders' engagement
- Relationship with customers
- Employee satisfaction
- Maintenance of product quality for fulfillment of buyer needs
- Responsibilities towards the society
- Healthy and safe environment
- Transparency, accountability and good governance.

Responsibility for implementation has been delegated to the management, with continuous monitoring and control by the Board.

SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

The financial statements of the Company have been prepared on the basis of single reportable segment. Revenue from sale of mild steel products represents 100% of gross sales of the Company. The Company operates locally as well as exports to Afghanistan, however, majority of the sale comprises of local sales. Moreover, all assets of the Company as at June 30, 2016 are located within Pakistan.

CAPITAL MARKET & MARKET CAPITALIZATION

As at June 30, 2016, Pakistan Stock Exchange Limited ("PSX") had a market capitalization of Rs. 7,588.472 billion.

The market capitalization of the Company's share stood at Rs. 2,107.251 million as at June 30, 2016. The share traded at an average of Rs. 68.93 per share. Market price experienced fluctuations between the highest of Rs. 86.03 per share to the lowest of Rs. 57.88 per share since July 01, 2015, mainly due to market psychology, speculative investors and material events occurring during the year. Trading in equity during the year amounted to 183.291 million shares.

OBJECTIVES AND STRATEGIES

MANAGEMENT'S OBJECTIVES AND STRATEGIES FOR MEETING THOSE OBJECTIVES

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

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

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

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

We ensure efficient use of existing resources to improve productivity and profitability. In amidst of energy crisis due to insufficient load availability, the focus remains on enhancing productivity and efficiency through innovation, modernization of production techniques and implementation of new technology.

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

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

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

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

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

SIGNIFICANT CHANGES IN OBJECTIVES AND STRATEGIES FROM PREVIOUS PERIOD

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

RELATIONSHIP BETWEEN ENTITY'S RESULTS AND MANAGEMENT'S OBJECTIVES

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

CRITICAL PERFORMANCE INDICATORS

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

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

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

ENTITY'S SIGNIFICANT RELATIONSHIPS

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

RISK AND OPPORTUNITY REPORT

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

Like all businesses, we are equally affected by, and must manage, risks and uncertainties that can impact our ability to deliver our strategy. While the risks can be numerous, the principal risks faced by the Company in 2016 and valid as of the date of this report's publication and as identified by the Board, are described below along with the corresponding mitigating actions and changes in the risk level during the year.

RISK MANAGEMENT SYSTEM

The Board oversees the risk management process primarily through its Audit Committee which monitors the Company's risk management process quarterly, or more frequently if required, focusing primarily on financial and

regulatory compliance risks, while, the Human Resource & Remuneration Committee focuses on risks in its area of oversight, including assessment of compensation programs to ensure they do not escalate corporate risk, in addition to succession planning with a view to ensure availability of talented functionaries in each area of critical Company operations.

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

Senior management assesses the risks and places appropriate controls to mitigate these risks.

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

STRATEGIC, COMMERCIAL, OPERATIONAL AND FINANCIAL RISKS

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

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

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

STRATEGIC RISKS

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

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

COMMERCIAL RISKS

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

FINANCIAL RISKS

Financial risks are divided in the following categories:

- **Credit risk**

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

- **Market risk**

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

- **Liquidity risk**

  Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods to assist in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand, including lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

PLANS AND STRATEGIES FOR MITIGATING RISKS

Risk	Mitigating strategy
Strategic risk	
The technology employed is or may become obsolete in the near future leaving the Company unable to deliver the required level of expertise and support for consistent growth	At Mughal steel we believe in regular balancing, modernization and replacements of all our production facilities, ensuring our production facilities are state of the art while utilizing latest technological developments for cost minimization, energy efficiency and output optimization.
Commercial risk	
Decrease in the demand for Company's products may have an adverse impact on its profitability.	At present there is excess demand in Pakistan for iron and steel products. A further increase in demand is expected due to multiple factors including economic growth of the country, renewed focus of the government on public sector development and growing population leading to increased consumption of finished steel goods. We aim to utilize this opportunity by maintaining healthy margins through cost minimization and output optimization.
Competition from business competitors may Competition from business competitors may create a hostile environment for the Company and result in business loss.	Projects of such nature are capital intensive and require specialized technical knowledge to operate. Similarly, procurement of raw material requires considerable experience. These factors act as barriers to entry for new investors. Being in the industry for over 5 decades has enabled Mughal Steel to effectively compete with existing companies in the industry. Moreover, the recent CAPEX to achieve cost efficiency, helped the Company to attain unmatched competitive advantage.
Operational risk	
Increase in employee turnover at critical positions.	The Company has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments.
Gas shortages	The Company has invested in installation of the first ever coal gasification industrial plant in Pakistan that prepares clean syngas, which can be used instead of natural gas in heating processes.
The Company may not be able to operate at an optimal capacity due to the unavailability of electricity.	The Company has installed a 9.3 MW gas-fired power plant. In order to ensure continuous supply, the Company has also installed a captive 132 KVA Grid. Furthermore, the management of the Company is in process of enhancing its existing grid load capacity and exploring alternate energy options.
Adverse price movement or no availability of raw materials may deter smooth production.	With an experience of over 5 decades, the Company has developed a procurement team who is well versed in acquiring the necessary raw material for production. Further, the Company has built strong relationship with its suppliers.
IT security risk	IT controls are in place to prevent unauthorized access to confidential information.
Risk of major accidents impacting employees, records and property	Implementation of strict and standardized operating procedures, employee trainings and operational discipline.
Financial risk	
Customers and banks will default in payments to the company.	Most of our sales are either against cash or advance. For credit sales, credit limits have been assigned to customers. Risk of default by banks has been mitigated by placements funds with banks having satisfactory credit ratings.
Insufficient cash available to pay liabilities resulting in a liquidity problem.	The Company has a proactive cash management system. Committed credit lines from banks are also available to bridge a liquidity gap, if any.
Fluctuations in foreign currency rates.	With the Company sales split between export and import, any adverse impact on currency is neutralized through the composition of sales.

POTENTIAL OPPORTUNITIES

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

KEY SOURCES OF UNCERTAINTY

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

MATERIALITY APPROACH ADOPTED

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

MARKET OVERVIEW

MARKET SHARE

The Company has 32% market share for long-rolled residential section products and 17% market share for long rolled reinforcement bar products, making it a leading brand in Pakistan with a diverse customer base and presence in almost all cities of Pakistan.

PROCEDURES ADOPTED FOR QUALITY ASSURANCE OF PRODUCTS

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

QUALITY MANAGEMENT SYSTEMS

The Company is ISO-9001:2008 certified and truly implements Quality Management System. The Company manufactures mild steel products based on state of the art technology.

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

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

Our Laboratory is equipped with traditional chemical and mechanical analytical machines besides the world's renowned Optical Emission Spectrometer of M8 series. The machine is capable of analyzing 43 metal cannels

within 3 minutes from sample preparation to complete detail analysis. We have two Universal Testing Machine units (100 tons & 200 tons) to carry mechanical tests such as yield, tensile strength and bend tests on various bars and sections.

CORPORATE GOVERNANCE

COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

At Mughal Steel, we are firmly committed to ensuring the highest level of good governance through adoption of best business practices and standards. The Board reviews the Company's strategic direction and business plans on regular basis. The Audit Committee is empowered for effective compliance of the Code of Corporate Governance. The Board is strongly committed to maintain a high standard of good corporate governance.

The Company is fully compliant with all the best practices of code of corporate governance as at June 30, 2016.

DIRECTORS' COMPLIANCE STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Directors are pleased to report that:

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

b) Proper books of account of the Company have been maintained;

c) Except as disclosed in annexed financial statements, appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed and explained;

e) The system of internal control is sound in design and has been effectively implemented and monitored;

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

g) The Company operates an unfunded gratuity scheme, and does not hold any investment out of this scheme;

h) There have been no material changes since June 30, 2015 other than those disclosed in this report and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the audited financial statements of the Company for the year ended June 30, 2016. The Company has not defaulted in repayment of any debt nor is it likely to default in future;

i) Summary of key operational and financial data for the last six years annexed in this report.

j) Information regarding statutory payments (if any) on account of taxes, duties, levies and charges outstanding as at June 30, 2016, is disclosed in the notes to the financial statements;

k) Details of significant plans, decisions (if any) along with future prospects, risks and uncertainties surrounding the company have been disclosed in the relevant areas of this report; and

l) The number of employees as at June 30, 2016 were 578 (2015: 575).

ACTUAL OR PERCEIVED CONFLICT OF INTEREST AMONG BOARD MEMBERS

All the directors exercise their due rights of participation in Board proceedings, which are generally undertaken through consensus. All observations / suggestions raised during Board proceedings are duly recorded for evaluation in addition to description and quantification of any conflict of interest before finalization of the agenda point.

BOARD STRUCTURE AND ITS COMMITTEES

BOARD STRUCTURE

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

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

The Board consists of 07 directors, effectively representing the interest of shareholders. There are five (5) non-executive directors and two (2) executive directors. The non-executive directors include one (1) independent director. The Board comprises of suitably experienced and qualified professionals in order to ensure effective and efficient decision making. Detailed profiles of directors have been stated in the annual report. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

Following are the Board members along with their status.

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

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The directors are fully aware of the level of trust entrusted in them by the shareholders for managing the affairs of the Company and safeguarding their interests. Thereby, the board exercises its powers and carries out its fiduciary duties with a sense of objective judgment and independence in the best interests of the listed company.

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

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

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

CHANGES TO THE BOARD

There were no changes in the board during the year.

DIRECTORS' REMUNERATION

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

his / her own remuneration. The directors' remuneration packages encourage value creation within the Company. Levels of remuneration are ensured to be appropriate in order to attract and retain directors needed to govern the Company successfully.

Non-Executive Directors are paid remuneration as decided by the Board of Directors with view of attracting and retaining directors needed to govern the Company successfully. However, no such remuneration is set at a level that could be perceived to compromise their independence.

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

BOARD COMMITTEES

AUDIT COMMITTEE

COMPOSITION OF AUDIT COMMITTEE

Syed Salman Ali Shah Chairman	Independent Non-Executive director
Mr. Jamshed Iqbal Member	Non-Executive director
Mr. Fazeel Bin Tariq Member	Non-Executive director
Muhammad Mateen Jamshed Member	Non-Executive director

During the year four (4) meetings of the committee were conducted which were duly attended by all the members.

SALIENT FEATURES AND TERMS OF REFERENCE

The Board of Directors has approved the terms of reference of the Audit Committee. The Board provides adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The committee meets at least once every quarter of the financial year.

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

At least once a year, the Audit Committee meets the external auditors without the CFO and the Head of Internal Audit being present. Further, at least once a year, the Audit Committee meets the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present. The CFO, the Head of Internal Audit and external auditors attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed.

In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee.

The Committee comprises of four (4) non-executive directors with the Chairperson being an independent non-executive director. The Chairman of the committee is a Ph.D. in Finance from the Kelley School of Business Administration, Indiana University, USA lending significant financial and accounting insight to the proceedings of the Audit Committee. He has also served as the Advisor to the Prime Minister of Pakistan on various fields: Finance, Revenue, Economic Affairs and Statistics.

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE.

COMPOSITION OF HUMAN RESOURCE AND REMUNERATION COMMITTEE.

Mirza Javaid Iqbal Chairman	Non-Executive director
Mr. Jamshed Iqbal Member	Non-Executive director
Muhammad Mateen Jamshed Member	Non-Executive director
Mr. Khurram Javaid Member	Chief Executive / Director

During the year two (2) meetings of the committee were conducted which were attended by all the members.

The Human Resource and Remuneration Committee comprises of three (3) non-executive directors and the Chief Executive Officer. They are not connected with

any business or other relationships that could interfere materially with, or appear to affect, their judgment. The Chief Executive Officer as member of HR&R Committee does not participate in the proceedings of the committee on matters that directly relate to his performance and compensation.

SALIENT FEATURES AND TERMS OF REFERENCE

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

The Committee is responsible for:

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

The Committee meets on as required basis or when directed by the Board of Directors. The Company Secretary sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee. The Manager Human Resources acts as Secretary of the Committee and submits the minutes of the meeting duly signed by its Chairman to the Company Secretary. These minutes are then circulated to the Board of Directors.

MEETINGS OF THE BOARD OF DIRECTORS

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

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

The Board held four (4) meetings during the year, the notices / agendas of which were circulated least seven days prior to the meetings.

Decisions made by the Board during the meetings were clearly recorded in the minutes of the meetings maintained by the Company Secretary, and were duly circulated to all the directors for endorsement and were approved in the subsequent Board meetings. Dissenting notes (if any) of all directors are appropriately appended to the minutes. All meetings of the Board during the year had attendance more than requisite quorum prescribed by the Code of Corporate Governance.

All the meetings were attended by the Chief Financial Officer and the Company Secretary. However, they did not attend such part of a meeting, which involved consideration of an agenda item relating to them.

During the year under review, four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:-

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

No meetings were held outside Pakistan during the year.

ANNUAL EVALUATION OF BOARD PERFORMANCE AND EVALUATION CRITERIA FOR BOARD PERFORMANCE

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

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

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

- Has the board set itself clear performance objectives and how well has it performed against them?
- What has been the whole board's contribution to the testing and development of strategy?
- What has been the board's contribution to ensuring robust and effective risk management?
- Is the composition of the board and its committees appropriate with the right mix of knowledge and skills sufficient to maximize performance in the light of future strategy?
- How has the board responded to any problems or crises that have emerged and could or should they have been foreseen?
- What is the relationship between the board and its main committees and between the committees themselves?
- How well does the board communicate with the management team, company employees and others? How effectively does it use mechanisms such as the AGM, the business review and the annual report?
- Is the board as a whole up to date with latest developments in the regulatory environment and the market?

OFFICES OF THE CHAIRMAN & CHIEF EXECUITVE OFFICER

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

BRIEF ROLE & RESPONSIBILITIES OF CHAIRMAN & CEO

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

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

- Safeguarding of Company assets
- Creation of shareholder value
- Identification of potential diversification / investment projects

- Implementation of projects approved by the Board
- Ensuring effective functioning of the internal control system
- Identifying risks and designing mitigation strategies
- Preservation of the Company's image
- Development of human capital and good investors' relations
- Compliance with regulations and best practices

CEO PERFORMANCE REVIEW

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

FORMAL ORIENTATION AT INDUCTION

Each new member of the Board is taken through a detailed orientation process at the time of induction, and is trained extensively for enhancement of management skills.

A formal familiarization program mainly features amongst other things giving briefing relating to the Company's visions and strategies, company's core competencies, organizational structure and other related parties, major risks both external and internal, including legal and regulatory risks and constraints, role and responsibility of the director as per the Companies' Ordinance, including Code of Corporate Governance and any other regulatory laws applicable in Pakistan along with an overview of the strategic plans, marketing analysis, Forecasts, budget and 5 year business plans etc.

DIRECTORS' TRAINING PROGRAM

During the year, all directors have successfully completed certified directors training program conducted by Institute of Chartered Accountants of Pakistan (ICAP).

The following are the directors who have successfully completed directors training program:

1. Mirza Javaid Iqbal
2. Khurram Javaid
3. Syed Salman Ali Shah
4. Jamshed Iqbal
5. Muhammad Mubeen Tariq Mughal
6. Fazeel Bin Tariq
7. Muhammad Mateen Jamshed

ISSUES RAISED AT LAST AGM

Although general clarifications were sought by the shareholders on Company's published financial statements during the 6th Annual General Meeting of the Company held on October 31, 2015, no significant issue was raised.

TRANSACTION / TRADE OF COMPANY'S SHARES

During the year, 2500 shares of the Company were purchased by the spouse of Chief Operating Officer of the Company. Besides this, none of the Directors or executives including Chief Executive Officer made any transaction in Company's shares including their spouses and minor children.

The stock exchange is being regularly updated on trading of Company's shares by management employees.

The thresholds for identification of 'Executives' in addition to Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary which has already been specified by the Code of Corporate Governance as 'Executives', is determined by the Board in compliance with the Code, which is reviewed on an annual basis.

REVIEW OF RELATED PARTY TRANSACTIONS

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

The related party transactions, (if any) which are not executed at arm's length price are also placed separately at each board meeting along with necessary justification for consideration and approval of the board on recommendation of the Audit Committee.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

Quarterly unaudited financial statements of the Company along with Directors' Review, are approved, published and circulated to shareholders on timely basis. Second quarterly financial statements were subjected to a limited scope review by the statutory auditors.

The annual financial statements have been audited by the external auditors and approved by the Board and will be presented to the shareholders in the Annual General Meeting for approval. Other non-financial information to be circulated to governing bodies and other stake holders were also delivered in an accurate and timely manner.

Periodic financial statements of the Company were circulated to directors, duly endorsed by the CEO and the Chief Financial Officer. The second quarterly and annual accounts were initialed by the external auditors before presenting it to the audit committee and the Board of Directors for approval.

AUDITORS

The present auditors of the Company M/s. Fazal Mahmood & Co., Chartered Accountants have completed their audit for the year ended June 30, 2016 and have issued an unmodified audit report.

The auditors will retire at the conclusion of the upcoming Annual General Meeting of the Company, and being eligible; have offered themselves for re-appointment as auditors for the year ended June 30, 2017.

The Board has recommended the appointment of M/s. Fazal Mahmood & Co., Chartered Accountants as auditors for the ensuing year, as suggested by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

PATTERN OF SHAREHOLDING

The total number of Company's shareholders as at June 30, 2016 was 5,974. The Sponsor's, Directors and Executives of the Company held the following number of shares:

Sponsors / Directors	94,347,209
Director	115
Executives	Nil

Detailed pattern of shareholding of the Company in accordance with the Companies Ordinance, 1984 and Code of Corporate Governance as at June 30, 2016 is annexed.

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

The Chief Financial Officer and the Head of Internal Audit possess the requisite qualifications and experience as prescribed in the Code of Corporate Governance. The Company secretary possesses the requisite qualifications and experience as prescribed in the Companies ordinance, 1984.

The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO), the Company Secretary and the Head of Internal Audit of listed companies are determined by the board of directors. The removal of the CFO and Company Secretary is made with the approval of the board of directors while the removal of Head of Internal Audit is made with the approval of the board only upon recommendation of the Chairman of the Audit Committee:

WHISTLE BLOWING POLICY

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

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

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

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

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

HUMAN RESOURCE MANAGEMENT

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

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

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

SUCCESSION PLANNING

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

The desired results of the succession planning program are to:

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

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

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

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

- Community investment & welfare schemes
- Rural development programs
- Corporate Social Responsibility
- Environmental protection measures

- Occupational health & safety
- Business ethics & anti-corruption measures
- Consumer protection measures
- Energy conservation
- Industrial relations
- Employment of special persons
- National cause donations
- Contribution to National Exchequer

INVESTORS' GRIEVANCES POLICY

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

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

STAKEHOLDERS' ENGAGEMENT

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

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

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

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

INVESTORS' RELATIONS SECTION ON WEBSITE

Detailed Company information regarding financial highlights, investor information, share pattern/value and other requisite information specified under the relevant regulations, has been placed on the corporate website of the Company, which is updated on regular basis. In order to promote investor relations and facilitate access to the Company for grievance / other query registration, an 'Investors' Relations' section has also been introduced on our website http://mughalsteel.com/investors/contacts/.

INFORMATION TECHNOLOGY

IT GOVERNANCE POLICY

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

IT Governance policy consists of the following:

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

REVIEW BY THE BOARD OF BUSINESS CONTINUITY & DISASTER RECOVERY PLAN

The Company' Business Continuity & Disaster Recovery plan is regularly reviewed by the Board of Directors to ensure that critical business functions will be available to all the stakeholders that have access to those functions

even under extraordinary circumstances and includes measures and arrangements to ensure the continuous delivery of critical services and products, which permits the organization to recover its facility, data and assets, identification of necessary resources to support business continuity, including personnel, information, equipment, financial allocations, legal counsel, infrastructure protection and accommodations in such circumstances.

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

POLICY FOR SAFETY & SECURITY OF RECORDS

Safety and security of IT data / record is ensured through effective implementation of the Company's policy for "Safety of Records' which includes access controls by way of security codes/passwords etc., in addition to establishment of on-site and remote reserve sites to maintain real-time backup of all primary data. All record must be retained for as long as it is required to meet legal, administrative, operational and other requirements of the Company.

CORPORATE SOCIAL RESPONSIBILITY

THE SUSTAINABILITY CHALLENGE

In this report we present a framework, focusing on various sustainable development outcomes we will work to achieve. Over the course of 2016, we worked hard to develop these, looking at what is material to us and viewing these issues through the lens of long-term social and environmental trends as well as the current operating context of our business.

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

CORPORATE / SOCIAL RESPONSIBILITY

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

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

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

ENERGY CONSERVATION

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

The efforts of the Company for energy conservation have also been recognized by the Ministry of Industries, Engineering Development Board, FPCCI and other

industrial forums of the country particularly for its contribution to energy efficiency measures.

ENVIRONMENTAL PROTECTION MEASURES

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

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

Further, the elimination of re-heating furnaces by enabling direct-rolling for re-rolling mills has further, reduced the need for use of coal gasification and furnace oil.

COMMUNITY INVESTMENT & WELFARE SCHEMES

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

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

CONSUMER PROTECTION MEASURES

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

INDUSTRIAL RELATIONS

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

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

EMPLOYMENT OF SPECIAL PERSONS

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

OCCUPATIONAL HEALTH & SAFETY (OHS)

We are firmly committed to maintaining a safe and healthy working environment for our employees. Health management involves strengthening our employees' physical, mental and social wellbeing.

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

BUSINESS ETHICS & ANTICORRUPTION MEASURES

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

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

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

NATIONAL CAUSE DONATIONS

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

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company has contributed an amount of Rs. 650.388 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to Rs. 666.278 million.

RURAL DEVELOPMENT PROGRAMS

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

MITIGATING EFFORTS TO CONTROL INDUSTRY EFFLUENTS

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

ENERGY SAVING MEASURES TAKEN BY THE COMPANY AND THE COMPANY'S PLANS TO OVERCOME THE ESCALATING ENERGY CRISIS

At Mughal Steel our main priority is efficient use of limited energy resources available. Successful operations of new

energy efficient melting furnaces and re-rolling mills have contributed towards efficient performance in addition to overall improvement in energy consumption.

FORWARD LOOKING STATEMENT

ANALYSIS OF PRIOR PERIOD'S FORWARD LOOKING DISCLOSURES

Company sales and production levels remained broadly in line with the trend and showed significant improvement as expected. The uncontrollable fluctuations in sale prices, duties and taxes, however, registered a substantial increase in costs and decline in turnover, which had to be absorbed, whereas other operating costs remained mostly at projected levels, except for the variances discussed above in the financial review section. Finance cost witnessed a considerable escalation because of notional interest on sponsor shareholders' loan and exchange loss on deferred acceptance letter of credits. Profitability was further suppressed by provision for deferred taxation.

Successful commencement of commercial operations of Furnaces and BMR of re-rolling mills was also achieved.

FUTURE PROSPECTS / FORWARD LOOKING STATEMENT

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

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

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

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

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

LAHORE METRO PROJECT: STEEL BARS SUPPLIED

The Lahore Metro Project consisting of a 27-kilometers long route and 29 bus stations between Gajumata to Shahadra was inaugurated by Turkey's Deputy Prime Minister Bekir Bozdag and Punjab Chief Minister Shahbaz Sharif in February 2013.

The route covers dozens of residential and commercial localities along the city's main artery - Ferozepur road, linking together Lytton road, Jain Mandar, MAO College, Lower Mall, Civil Secretariat, Aiwan-i-Adela, Chowk Katchehry (District Courts), Shrine of Hazrat Data Ganj aa Bakhsh, Ravi Road, and Shahdra town. The other routes are over mountain passes. An 8-kilometer section of the route is elevated.

ABSTRACT UNDER SECTION 218 (1) OF THE COMPANIES ORDINANCE, 1984

February 29, 2016

Dear Valued Shareholder(s),

NOTICE U/S 218 OF THE COMPANIES ORDINANCE, 1984

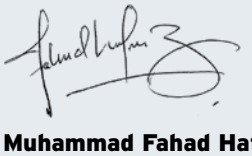
In Pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that the Board of Directors with the view of encouraging value creation within the company and attracting and retaining directors needed to govern the company successfully, has in their meeting held on February 29, 2016, approved revised remuneration of executive and non-executive directors w.e.f. from July 01, 2015 as under:

Name	Designation	Present Remuneration	Revised remuneration
Mirza Javed Iqbal	Chairman/ non-Executive Director	Rs. 150,000/- per month with reimbursement of expenses for business purpose, if any.	Rs. 415,000/- per month along with reimbursement of expenses for business purpose, if any.
Khurram Javed	Chief Executive Officer/ Director	Rs. 500,000/- per month along with company maintained car and reimbursement of expenses for business purpose, if any.	Rs. 825,000/- per month along with company maintained car and reimbursement of expenses for business purpose, if any.
Muhammad Mubeen Tariq Mughal	Executive Director	Rs. 500,000/- per month along with company maintained car and reimbursement of expenses for business purpose, if any.	Rs. 825,000/- per month along with company maintained car and reimbursement of expenses for business purpose, if any.
Jamshed Iqbal	Non-Executive Director	Rs. 150,000/- per month along with reimbursement of expenses for business purpose, if any.	Rs. 415,000/- per month along with reimbursement of expenses for business purpose, if any.
Fazeel Tariq Mughal	Non-Executive Director	Rs. 150,000/- per month along with reimbursement of expenses for business purpose, if any.	Rs. 300,000/- per month along with reimbursement of expenses for business purpose, if any.

The above directors who are also shareholders have interest to the extent of their respective remuneration / benefits to which they are entitled. However, the directors have not been participated in the proceedings of the meetings on matter that directly relate to his remuneration.

Furthermore, the board of directors on recommendation of (HR&R) Committee has appointed Mr. Muhammad Usman as Head of Internal Audit w.e.f. from February 29, 2016. None of the Directors or the Chief Executive Officer of the Company has any interest in his appointment.

Yours sincerely,
for MUGHAL IRON & STEEL INDUSTRIES LIMITED



Muhammad Fahad Hafeez
(Company Secretary)

ABSTRACT UNDER SECTION 218 (1) OF THE COMPANIES ORDINANCE, 1984

November 09, 2015

Dear Valued Shareholder(s),

NOTICE U/S 218 OF THE COMPANIES ORDINANCE, 1984

Subject to the provisions of Section 218 of the Companies Ordinance, 1984, the members of the Company are notified that The Board of Directors in their meeting held on October 30, 2015, upon recommendation of Human Resource & Remuneration (HR&R) Committee has appointed Mr. Muhammad Fahad Hafeez as Company Secretary in place of Mr. Pervez Iqbal who has resigned from his position with effect from October 30, 2015. Mr. Hafeez is a Fellow member of the Association of Certified Chartered Accountants, Certified Internal Control Auditors and Pakistan Institute of Public finance Accountants. He has more than 7 years of experience in Audit, Accounts and Corporate Affairs.

He will be entitled to a managerial remuneration of Rs. 120,000/- per month inclusive of all perquisites and other entitlements arising under his contract of employment with the Company. His remuneration shall be subject to such increments, bonuses, adjustments and other entitlements as may be granted form time to time by the Board of Directors of the Company and/or in accordance with the policies and services rules of the Company for the time being in force.

None of the Directors or the Chief Executive Officer of the Company have any interest in the above appointment.

Yours sincerely,
for MUGHAL IRON & STEEL INDUSTRIES LIMITED

Muhammad Mubeen Tariq Mughal
(Director)

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 co-operation would be forthcoming in future years.

On behalf of the Board

Mirza Javaid Iqbal
Chairman of the Board

Lahore: September 26, 2016

حفاظت، معیار، جدت اور پیداوار ہمارے کاروبار کے قلیدی عوامل ہیں اور ہماری کامیابی کی مہر تصدیق ہیں۔2016 میں، ہم ایک اور شاندار حفاظتی کارکردگی کے سال سے تجربہ کار ہوئے ہم نے نئی مصنوعات اور طریقہ کار، جس میں نئی طرح کا زلزلہ مزاہم سٹیل بار شامل ہے، کی تیاری میں اپنی کوششوں کو دوگنا کر دیا ہے۔آخر میں ہماری مسلسل توجہ پیداواری صلاحیت بڑھانے اور آپریٹنگ اخراجات کو کم کرنے کے اقدامات سے 2016 میں مارجن میں اضافہ ہوا ہے۔

مستقبل کا منظر نامہ

کمپنی کی ترقی اور منافع بہت سے بیرونی عوامل پر مشتمل ہے جیسے کہ اقتصادی ترقی، سیاسی استحکام، بہتر قانون اور امن کی صورتحال کے ساتھ ساتھ مسلسل اقتصادی پالیسیاں۔ یہ سال کارکردگی کے لحاظ سے کمپنی کی تاریخ کا اب تک کا بہترین سال تھا۔کمپنی نے کامیابی سے مطلوبہ مقاصد حاصل کیے ہیں جیسے ترقی، جدت، منافع، کارکردگی اور گورننس۔عوامی منصوبوں (جیسے چھوٹے ڈیموں، سڑکوں اور پلوں) میں سٹیل کی بڑھتی ہوئی مانگ سے اس رجحان کی مستقبل میں برقرار رہنے کی توقع کی جاسکتی ہے۔

کمپنی کی ترقی کی حکمت عملی نے اسے اس قابل کیا ہے کہ وہ مسلسل مواقع تلاش کرنے میں مصروف عمل رہی جس سے اکانومی آف سکیل اور توانائی کی استعداد کو برقرار رکھا جاسکے جس کا نتیجہ آنے والے سالوں میں حصہ دران کی بنیادی قدر میں اضافہ ہوگا۔حکومت کے اقدامات جن میں پورے ملک میں انفراسٹکچر کی ترقی شامل ہے، جو آپ کی کمپنی کے لئے بہت کارگزار ہے۔آنے والے سالوں میں مینجمنٹ کی بنیادی توجہ، نہ صرف موجودہ کارکردگی کے معیار کو برقرار رکھنا ہے بلکہ کمپنی کے ٹریک ریکارڈ میں مزید بہتری کا اضافہ کرنا ہے۔

برآمدات کی قیمتوں میں کمی کے نتیجہ میں کمپنی کی برآمد فروخت کم ہوسکتی ہے تاہم، مقامی فروخت میں اضافہ، برامدات میں کمی کے اثرات کو منسوخ کرسکتا ہے اس کے علاوہ پاک چین اقتصادی راہداری (CPEC) منصوبوں کے نتیجہ میں مقامی فروخت میں اضافہ متوقع ہے۔

بورڈ ہماری ساکھ اور اچھی گورننس کو برقرار رکھنے کے علاوہ شیئر ہولڈرز کو لگاتار ریٹرن فراہم کرنے کے لیے پُرعزم ہے۔

فنانشل اور کارپوریٹ رپورٹنگ فریم ورک

ڈائریکٹرز بڑی مسرت کے ساتھ مطلع کرتے ہیں کہ کمپنی، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق کوڈ آف کارپوریٹ گورننس کے ضوابط کی تعمیل کرتی ہے۔

فنانشل اور کارپوریٹ رپورٹنگ فریم ورک تفصیلات درج ذیل ہیں:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کے کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکوٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی نے باضابطہ طور پر اکاؤنٹس کے کھاتوں کو برقرار رکھا ہے۔
- ان مالیاتی گوشواروں کی تیاری میں مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانش مندانہ رائے پر مبنی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں فنانشل رپورٹنگ کے بین الاقوامی معیار کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔
- انٹرنل کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مستحکم ہے اور اس کا مؤثر اطلاق اور نگرانی کی جاتی ہے۔
- بطور ادارہ کمپنی کے کام جاری رکھنے کی اہلیت پر کوئی شک نہیں ہے۔
- ادارہ ایک بے سرمایہ گریجویٹی اسکیم چلاتا ہے، اور اس اسکیم سے کوئی سرمایہ کاری منعقد نہیں کی ہوئی۔
- متعین اصول وضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا ہے۔
- ٹیکسوں اور محصولات کے بارے میں معلومات نوٹس اور مالیاتی گوشواروں کا حصہ ہیں۔
- اہم منصوبوں کی تفصیلات، فیصلوں (اگر کوئی ہے)، مستقبل کے امکانات، خطرات اور کمپنی کے اردگرد کی غیر یقینی صورتحال کو اس رپورٹ کے متعلقہ موضوع میں بیان کر دیا گیا ہے۔
- گذشتہ 6 سال کا اہم کاروباری اور مالیاتی ڈیٹا اس سالانہ رپورٹ سے منسلک ہے۔
- جون 30، 2016 میں ملازمین کی تعداد 578 تھی (2015:575)۔
- اس سال کے دوران بورڈ کے چار (4) اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی طرف سے اجلاسوں میں شرکت کی تعداد درج ذیل ہے:

ڈائریکٹر کا نام	اجلاس میں شرکت	ڈائریکٹر کا نام	اجلاس میں شرکت
جناب مرزا جاوید اقبال	4	جناب محمد مبین طارق مغل	4
جناب خرم جاوید	4	جناب جمشید اقبال	4
جناب فضیل بن طارق مغل	4	جناب محمد متین جمشید	4
جناب سید سلمان علی شاہ	4		

- اس سال کے دوران آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ ہر ممبر کی طرف سے شرکت کی تعداد درج ذیل ہے۔

ممبر کا نام	اجلاس میں شرکت	ممبر کا نام	اجلاس میں شرکت
جناب جمشید اقبال	4	جناب فضیل بن طارق مغل	4
جناب محمد متین جمشید	4	جناب سید سلمان علی شاہ	4

- اس سال کے دوران ہیومن ریسورس کمیٹی کے دو (2) اجلاس منعقد ہوئے۔ ہر ممبر کی طرف سے شرکت کی تعداد درج ذیل ہے۔

ممبر کا نام	اجلاس میں شرکت	ممبر کا نام	اجلاس میں شرکت
جناب مرزا جاوید اقبال	2	جناب جمشید اقبال	2
جناب خرم جاوید	2	جناب محمد متین جمشید	2

آڈیٹرز

آڈیٹرز میسرز فضل محمود اینڈ کو، چارٹرڈ اکاؤنٹنٹس 07 ویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں۔اہلیت کے بنیاد پر انہوں نے دوبارہ تقرری کے لئے خود کو پیش کیا ہے اور بورڈ کی آڈٹ کمیٹی نے بھی ان کی دوبارہ تقرری کی سفارش کی ہے، جس کی بورڈ نے توثیق کی ہے۔

شیئر ہولڈنگ کی ترتیب

جون 30، 2016 کے مطابق کمپنی کے شیئر ہولڈنگ کی ترتیب اور اضافی معلومات کی نشاندہی کرنے والی ایک اسٹیٹمنٹ رپورٹ میں شامل ہے۔

اظہار تشکر

بورڈ اپنے تمام ملازمین، ایگزیکٹوز، ورکرز اور سٹیک ہولڈرز کی کوششوں پر اُن کا شکریہ ادا کرتا ہے کہ جن کی بدولت مینجمنٹ سارا سال کمپنی کو روانگی اور آسانی سے چلا سکی، اور امید کرتا ہے کہ مستقبل میں اسی تعاون کو برقرار رکھا جائے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

مرزا جاوید اقبال
چیئرمین
لاہور: 26 ستمبر، 2016

ڈائریکٹرز کی رپورٹ

آپ کی کمپنی کے ڈائریکٹرز بڑی مسرت کے ساتھ جون 30، 2016 کو ختم ہونے والے مالیاتی سال کے لئے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی دستاویزات پیش کرتے ہیں۔

مالیاتی کارکردگی کی جھلکیاں

مالیاتی سال 2016-2015 میں کمپنی نے 18.983 ارب روپے کا سیلز ریونیو حاصل کیا ہے، جو سال 2015-2014 کے مقابلے میں 55 فیصد زیادہ ہے۔ کمپنی کے خام منافع کا مارجن بڑھ کر 10.85 فیصد ہو گیا جس کے نتیجے میں فی حصہ آمدنی 6.26 روپے (ری اسٹیڈ) سے بڑھ کر 7.10 روپے فی حصہ ہو گئی ہے۔

سیلز ریونیو میں اضافے کے رجحان کی بنیادی وجہ پچھلے سال کی نسبت اس سال سیمٹل بار (سریے) کی فروخت میں اضافہ ہے۔ سیلز ریونیو میں اضافے کی ایک اور وجہ گارڈر اور ٹی آئرن کی مقامی مارکیٹ فروخت میں اضافہ تھا، تاہم پچھلے سال کی نسبت اس سال گارڈر اور ٹی آئرن کی برآمدات میں کمی واقع ہوئی ہے۔

اس سال خام منافع 2.058 ارب روپے تک بڑھ گیا ہے۔ جو کہ پچھلے سال 1.326 ارب روپے تھا جو کہ حوصلہ افزا ہے تاہم ٹیکسوں کے نفاذ، ڈیوٹی، مقامی اور بین الاقوامی سطح پر سٹیل کی قیمتوں میں کمی اور بجلی کے اخراجات میں تبدیلی سے مجموعی منافع پر منفی اور ناموافق اثرات اثر انداز ہوئے۔

تقسیم کے اخراجات، کرایہ اور اشتہارات کے اخراجات کی نمائندگی کرتے ہیں اور سٹیل بار کی فروخت میں اضافہ کے نتیجے میں ان میں اضافہ ہوا ہے۔

دیگر اخراجات میں بنیادی طور پر ورکرز پروفٹ پارٹیسپیشن فنڈ اور ورکرز (ویلفیئر فنڈ) کی دفعات شامل ہیں جن میں اضافہ، منافع میں اضافے کے ساتھ مشروط ہے۔

دیگر آمدنی 14.776 ملین روپے سے بڑھ کر 47.357 ملین روپے ہو گئی ہے جو کہ بچت اکاؤنٹس اور مختصر مدت کی سرمایہ کاری پر منافع کا نتیجہ ہے۔

فنانس اخراجات میں اضافہ بنیادی طور پر سپانسر شیئر ہولڈرز کے قرض پر خیالی منافع کے نفاذ اور ڈیفرڈ لیٹر آف کریڈٹ پر تبادلہ کے ریٹ میں نقصان کی وجہ سے ہوا ہے۔ قلیل اور طویل مدتی قرضوں پر مارک اپ نمایاں طور پر 341.058 ملین روپے سے کم ہو کر 169.652 ملین روپے ہو گیا ہے۔

ٹیکسیشن میں اس سال کے دوران نمایاں اضافہ ہوا۔ اضافے کی نمایاں وجہ اس سال پہلی بار ڈیفرڈ ٹیکسیشن کا لاگو ہونا تھا جو کہ مقامی اور بین الاقوامی فروخت کے تناسب میں نمایاں تبدیلی اور آگے لائے ہوئے ٹیکس نقصانات کے جذب ہونے کی بنا پر ریکارڈ کیا گیا تھا۔

نتیجۃً خالص منافع 893.411 ملین روپے تک بڑھ گیا ہے۔، جو کہ پچھلے سال 659.166 ملین روپے (ری اسٹیڈ) تھا۔ خالص منافع میں ایکسچینج نقصان، خیالی سود اور ڈیفرڈ ٹیکسیشن کے ناگزیر منفی اثرات شامل ہیں۔

مالیاتی صورتحال ایک نظر میں

جون 30، 2016 کو ختم ہونے والے سال کے مالیاتی نتائج کا ذیل میں خلاصہ کیا گیا ہے:

	(روپے ملین میں)
آمدنی	18,983.479
مجموعی منافع	2,058.820
آپریٹنگ اخراجات	(766.572)
خالص منافع قبل ٹیکس	1,292.248
ٹیکس	(398.836)
خالص منافع بعد از ٹیکس	893.411
فی حصص آمدنی (ای پی ایس)	7.10

	2015-2016 (روپے ملین میں)
منافع اور اسے مختص کرنا	
گزشتہ غیر مختص شدہ منافع (Brought Forward)	1,224.519
ختم ہوئے سال جون 30، 2015 کا حتمی کیش ڈیویڈنڈ، 5 فیصد	(54.696)
اس سال کا منافع	893.411
ڈسکاؤنٹ کی (unwinding) پر ٹرانسفر	57.338
دیگر آمدنی	(8.244)
غیر مختص شدہ منافع جو مختص کرنے کے لئے دستیاب ہے	2,112.328
تخصیصات:	
ختم ہوئے سال جون 30، 2016 کا حتمی کیش ڈیویڈنڈ، 30 فیصد	(377.399)
کیپٹل ریزرو میں ٹرانسفر	(980.000)
غیر مختص شدہ منافع (Carried Forward)	754.929

نتائج کو مدنظر رکھتے ہوئے، بورڈ آف ڈائریکٹرز نے آپ کے لئے اس سال کے لئے حتمی کیش ڈیویڈنڈ @3.00 روپے فی شیئر یعنی 30 فیصد (2015: روپے 0.5 فی شیئر یعنی 5 فیصد) کی سفارش کی ہے۔ سال کے دوران کوئی عبوری ڈیویڈنڈ کا اعلان نہیں کیا گیا (2015: روپے فی شیئر NIL)۔

تجویز کردہ حتمی کیش ڈیویڈنڈ آئندہ سالانہ عمومی اجلاس جو کہ 31 اکتوبر 2016 کو منعقد ہو رہا ہے میں ارکان کی منظوری سے مشروط ہے۔ ان فنینشل اسٹیٹمنٹ میں مندرجہ بالا تجویز کے اثرات شامل نہیں ہیں۔ ان کو اس مدت میں شامل کیا جائے گا جس میں ارکان کی طرف سے منظوری دی جائے گی۔

بورڈ آف ڈائریکٹرز نے مستقبل میں غیر یقینی واقعات سے نمٹنے کے لئے 980.000 ملین کو کیپٹل ریزرو میں ٹرانسفر کرنے کی تجویز دی ہے۔ ان فنینشل اسٹیٹمنٹ میں اس تخصیص کے اثرات شامل نہیں ہیں۔

آپریشنل کارکردگی کی جھلکیاں

فرنسز میں مجموعی طور پر 99,657 میٹرک ٹن بلٹ کی پیداوار ہوئی ہے جو کہ گزشتہ سال سے 67 فیصد کا ریکارڈ اضافہ ہے۔

رولنگ ملز کی مجموعی پیداوار 245,675 میٹرک ٹن ریکارڈ کی گئی جو کہ گزشتہ سال سے 36 فیصد زیادہ ہے۔ یہ بجلی کی بڑھتی ہوئی دستیابی، پیداوار کے موثر توانائی کے زرائع سے پیداوار، اجتماعی محنت اور سراسر لگن کی وجہ سے نمایاں طور پر حاصل کیا گیا تھا۔ مجموعی پیداوار میں سے 49 فیصد رولنگ، 42 فیصد گارڈر اور باقی ٹی آئرن کی پروڈکشن پر مختص کیا گیا۔

انڈکشن فرنس کی تنصیب سے گاڈر مل کو کامیابی سے ''ڈائریکٹ رولنگ'' میں تبدیل کر دیا گیا ہے جس سے اب سکریپ سے براہ راست گاڈر کی پیداوار ہوگی۔ جس کے نتیجے میں دوبارہ گرم کرنے کے اخراجات کا خاتمہ ہوگا اور جس سے مجموعی پیداواری لاگت میں کمی واقع ہوگی۔

سریا مل میں جدیدیت اور توازن نے مل کو ٹینڈم میں تبدیل کر دیا ہے جس کا نتیجہ بہتر کارکردگی ہے۔ اس کے علاوہ، پرانی گاڈر مل کو بار مل میں اپ گریڈ کر دیا گیا ہے۔

کمپنی گرڈ لوڈ کی صلاحیت کو بڑھانے کے عمل میں ہے تاہم مالیاتی دستاویزات کی تاریخ تک، اس طرح کی کوئی باضابطہ منظوری وصول نہیں ہوئی ہے۔

HORIZONTAL ANALYSIS

	2016	16 vs 15	2015 Restated	15 vs 14	2014 Restated	14 vs 13	2013 Restated	13 vs 12	2012	12 vs 11	2011
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000
BALANCE SHEET											
Total equity	4,235,430	24.39	3,404,958	107.03	1,644,679	73.44	948,287	29.16	734,194	17.04	627,308
Total non-current liabilities	1,683,226	34.61	1,250,475	(30.90)	1,809,684	20.63	1,500,230	27.58	1,175,926	208.27	381,458
Total current liabilities	5,861,637	(13.95)	6,811,927	88.26	3,618,325	138.00	1,520,279	(28.42)	2,123,833	7.96	1,967,245
Total equity & liabilities	11,780,293	2.73	11,467,361	62.14	7,072,689	78.21	3,968,796	(1.62)	4,033,953	35.55	2,976,011
Total non-current assets	3,928,430	17.12	3,354,165	14.33	2,933,832	19.17	2,461,935	32.96	1,851,684	78.97	1,034,605
Total current assets	7,851,863	(3.22)	8,113,195	96.03	4,138,857	174.67	1,506,861	(30.95)	2,182,269	12.41	1,941,406
Total assets	11,780,293	2.73	11,467,361	62.14	7,072,689	78.21	3,968,796	(1.62)	4,033,953	35.55	2,976,011
PROFIT AND LOSS ACCOUNT											
Sales	18,983,479	55.08	12,241,272	104.95	5,972,673	52.03	3,928,514	7.41	3,657,422	21.63	3,006,891
Cost of Sales	16,924,658	55.06	10,914,917	108.15	5,243,886	47.56	3,553,752	5.80	3,358,903	22.58	2,740,120
Gross profit	2,058,821	55.22	1,326,355	81.99	728,787	94.47	374,762	25.54	298,519	11.90	266,771
Distribution cost	94,723	0.53	61,847	4.38	11,489	(0.41)	19,397	0.37	14,128	0.84	7,666
Administrative expenses	207,515	0.29	160,323	1.03	79,142	0.02	77,675	0.48	52,610	(0.09)	57,914
Other charges	86,658	0.92	45,188	0.75	25,779	3.18	6,161	0.01	6,079	0.25	4,852
Other operating income	(47,357)	2.20	(14,776)	3.03	(3,663)	(0.34)	(5,529)	(0.70)	(18,703)	(0.08)	(20,435)
	341,540	0.35	252,581	1.24	112,747	0.15	97,704	0.81	54,114	0.08	49,997
Profit from operations	1,717,281	0.60	1,073,774	0.74	616,040	1.22	277,058	0.13	244,405	0.13	216,774
Finance costs	425,033	(0.03)	439,678	0.69	259,788	0.71	152,271	0.12	135,394	(0.11)	151,309
Profit before taxation	1,292,248	1.04	634,096	0.78	356,252	1.85	124,787	0.14	109,011	0.67	65,465
Taxation	398,836	(16.91)	(25,070)	2.51	(7,151)	1.31	(3,096)	(2.46)	2,115	(0.91)	23,760
Profit after taxation	**893,412**	**0.36**	**659,166**	**0.81**	**363,403**	**1.84**	**127,883**	**0.20**	**106,896**	**1.56**	**41,705**

VERTICAL ANALYSIS

	2016		2015 Restated		2014 Restated		2013 Restated		2012		2011	
	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%	Rs. in '000	%
BALANCE SHEET												
Total equity	4,235,430	35.95	3,404,958	29.69	1,644,679	23.25	948,287	23.89	734,194	18.20	627,308	21.08
Total non-current liabilities	1,683,226	14.29	1,250,475	10.90	1,809,684	25.59	1,500,230	37.80	1,175,926	29.15	381,458	12.82
Total current liabilities	5,861,637	49.76	6,811,927	59.40	3,618,325	51.16	1,520,279	38.31	2,123,833	52.65	1,967,245	66.10
Total equity & liabilities	11,780,293	100	11,467,361	100.00	7,072,689	100.00	3,968,796	100.00	4,033,953	100.00	2,976,011	100.00
Total non-current assets	3,928,430	33.35	3,354,165	29.25	2,933,832	41.48	2,461,935	62.03	1,851,684	45.90	1,034,605	34.76
Total current assets	7,851,863	66.65	8,113,195	70.75	4,138,857	58.52	1,506,861	37.97	2,182,269	54.10	1,941,406	65.24
Total assets	11,780,293	100	11,467,361	100.00	7,072,689	100.00	3,968,796	100.00	4,033,953	100.00	2,976,011	100.00
PROFIT AND LOSS ACCOUNT												
Sales	18,983,479	100	12,241,272	100	5,972,673	100.00	3,928,514	100.00	3,657,422	100.00	3,006,891	100.00
Cost of Sales	16,924,658	89.15	10,914,917	89.16	5,243,886	87.80	3,553,752	90.46	3,358,903	91.84	2,740,120	91.13
Gross profit	2,058,821	10.85	1,326,355	10.84	728,787	12.20	374,762	9.54	298,519	8.16	266,771	8.87
Distribution cost	94,723	0.50	61,847	0.51	11,489	0.19	19,397	0.49	14,128	0.39	7,666	0.25
Administrative expenses	207,515	1.09	160,323	1.31	79,142	1.33	77,675	1.98	52,610	1.44	57,914	1.93
Other charges	86,658	0.51	45,188	0.41	25,779	0.49	6,161	0.17	6,079	0.18	4,852	0.18
Other operating income	(47,357)	(0.25)	(14,776)	(0.12)	(3,663)	(0.06)	(5,529)	(0.14)	(18,703)	(0.51)	(20,435)	(0.68)
	341,540	1.80	252,581	2.06	112,747	1.89	97,704	2.49	54,114	1.48	49,997	1.66
Profit from operations	1,717,281	9.05	1,073,774	8.77	616,040	10.31	277,058	7.05	244,405	6.68	216,774	7.21
Finance costs	425,033	2.24	439,678	3.59	259,788	4.35	152,271	3.88	135,394	3.70	151,309	5.03
Profit before taxation	1,292,248	6.81	634,096	5.18	356,252	5.96	124,787	3.18	109,011	2.98	65,465	2.18
Taxation	398,836	2.10	(25,070)	(0.20)	(7,151)	(0.12)	(3,096)	(0.08)	2,115	0.06	23,760	0.79
Profit after taxation	893,412	4.71	659,166	5.38	363,403	6.08	127,883	3.26	106,896	2.92	41,705	1.39

SUMMARY OF CASH FLOW STATEMENT

	2016	2015	2014	2013	2012	2011
Cash generated from / (used in) operations	(4,931)	2,348,439	(1,508,589)	740,876	533,284	249,889
Net (increase) in long-term deposits	-	(75)	561	(857)	22,446	(25,390)
Finance cost paid	(224,401)	(347,323)	(205,149)	(164,327)	(139,654)	(106,930)
Workers' profit participation fund paid	(38,157)	(20,928)	(6,161)	(6,080)	(3,516)	-
Retirement benefits paid	(4,390)	(3,727)	(384)	-	-	-
Profit received	-	-	-	-	1,016	-
Income tax paid	(305,884)	(260,107)	(116,416)	(63,812)	(43,965)	(114,460)
Net decrease / (increase) in long-term loans to employees	491	(722)	-	-	-	-
Net cash (utilized in) / generated from operating activities	(577,272)	1,715,557	(1,836,139)	505,801	(785,520)	1,677,360
Capital expenditure incurred on property, plant & equipment	(678,981)	(514,808)	(518,691)	(640,083)	(861,976)	(364,998)
Proceeds from disposal of property, plant & equipment	-	-	-	22,407	-	-
Short-term investments - matured / purchased	416,128	(524,620)	-	-	-	-
Profit received on short-term investments	18,763	3,755	-	-	-	-
Sale proceeds from disposal of available for sale investments	-	-	438	-	(14,607)	(7,800)
Payments to acquire long term investments	-	-	-	-	-	1,000
Proceeds from disposal of property, plant & equipment	6,061	2,610	-	-	-	2,000
Net cash (used in) investing activities	(238,029)	(1,033,063)	(518,252)	(617,676)	(876,583)	(369,798)
Long-term financing - net	(144,457)	(470,177)	637,493	360,578	825,860	407,124
Share issue costs	-	(52,900)	(1,501)	87,417	-	-
Short-term borrowings - net	590,012	(1,039,403)	1,630,790	542,276	1,322,907	460,251
Proceeds from issuance of ordinary shares	-	929,900	-	-	-	-
Dividends paid	(54,401)	-	-	-	-	-
Net cash (used in) / generated from financing activities	391,154	(632,579)	2,266,782	990,271	2,148,767	867,375
Net increase / (decrease) in cash and cash equivalents	(424,147)	49,914	(87,610)	878,395	(104,310)	34,160
Cash and cash equivalents at the beginning of the year	(462,417)	(512,331)	(424,721)	(1,303,116)	124,101	89,941
Cash and cash equivalents at the end of the year	(886,563)	(462,417)	(512,331)	(424,721)	19,791	124,101

COMMENTS ON SIX YEARS ANALYSIS

COMMENTS ON HORIZONTAL ANALYSIS

BALANCE SHEET

Total equity showed an increasing trend from year 2011 due to continuous improvement in profitability of the company on account of increased sales revenue and further injection of equity. The increase was also attributable to fresh injection of equity in 2015 along with year-on-year increase in profits.

Total non-current liabilities showed an increasing trend over the years, which was mainly due to injection of interest-free loan from sponsor shareholders, however, the loans from banking companies witnessed decline due to timely repayments. Current liabilities also showed an increasing trend mainly due to increase in working capital requirements.

PROFIT & LOSS ACCOUNT

Turnover increased over the years from 2011 to 2016, due to increase in sales prices and sales volume. Increase in volume was mainly due to increase in local sales of steel bars and girders as a result of increase in development projects.

Gross profit has remarkably increased over the years due to increase in margins on account of better sale prices and cost efficiencies. However, gross profit declined 2015 onwards mainly due to imposition of regulatory duty on import of billet, increase in sales tax and fall in steel prices in local markets.

Finance costs relating to borrowings from banks reduced significantly as a result of switching from sights LCs to deferred LCs. The increase in financial cost is mainly attributable to recognition of notional interest on sponsor shareholders' loan and exchange loss incurred on deferred LCs.

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

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

COMMENTS ON VERTICAL ANALYSIS

BALANCE SHEET

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

A continuous improvement in liquidity position of the company observed over the years. Current assets were 67% of the total assets of the company in year 2016 as compared to 71% in year 2015. This slight dip is due to CAPEX incurred during the year. Current ratio has improved to 1.34 in year 2016 which was 0.99 in year 2011.

PROFIT & LOSS ACCOUNT

Gross profit % age came out to be 10.85% in year 2016 which was lowest in year 2011 i.e. 8.87%. This growth over the years was mainly due to increase in sales prices, effective mix of local and export sales and various cost efficiency measures. However, gross profit declined in 2016 and 2015 due to imposition of regulatory duty on import of billet, increase in sales tax and reduction is sale prices in local markets. Net profits of the Company increased at a good pace from 1.39% in year 2011 to 6.08% in year 2014, however, the net profit ratios experienced a dip in 2015 and 2016, mainly as a result of recognition of notional interest on shareholders' loan due to restatement and recognition of deferred taxation.

COMMENTS ON CASH FLOW STATEMENTS

Net cash generated from operating activities showed a mix trend during five years. In 2015 cash generated from operations amounted to Rs. 1,715.557 million mainly due to improving profitability on account of increased sales volumes, improved retention and efficient cost management, however, in 2016 most of the liabilities were paid of resulting in net cash utilization of 577.272 million from operating activities which were financed by short-term borrowings.

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

Cash flows from financing activities exhibit a mix trend and depends on net cash requirements.

ANALYSIS OF FINANCIAL RATIOS

RATIO DESCRIPTION	2016	2015 Restated	2014 Restated	2013 Restated	2012	2011
PROFITABILITY RATIOS						
Gross profit ratio	10.85%	10.84%	12.20%	9.54%	8.16%	8.87%
Net profit to sales	4.71%	5.38%	6.08%	3.26%	2.92%	1.39%
EBITDA margin to sales	9.58%	9.52%	11.61%	8.37%	7.30%	7.82%
Operating leverage ratio	1.09	0.71	2.35	1.80	0.59	1.00
Return on equity	21.09%	19.36%	22.10%	13.49%	14.56%	6.65%
Return on capital employed	18.28%	16.60%	12.04%	5.56%	6.91%	3.86%
LIQUIDITY RATIOS						
Current ratio	1.34	1.19	1.14	0.99	1.03	0.99
Quick / Acid test ratio	0.57	0.45	0.35	0.59	0.67	0.54
Cash to current liabilities	0.10	0.07	0.03	0.07	0.01	0.06
Cash flow from operations to sales	(0.03)	0.14	(0.31)	0.13	(0.21)	0.56
ACTIVITY / TURNOVER RATIOS						
Inventory turnover ratio	3.75	2.91	3.32	7.84	6.97	5.17
No. of days in Inventory	97.40	125.33	109.85	46.56	52.36	70.60
Debtor turnover ratio	13.30	12.16	13.50	4.10	2.97	17.12
No. of days in Receivables	27.44	30.02	27.04	89.05	122.78	21.32
Creditor turnover ratio	3.44	3.20	3.76	4.86	5.46	4.81
No. of days in payables	105.99	114.08	97.11	75.16	66.88	75.90
Total Assets turnover ratio	1.61	1.07	0.84	0.99	0.91	1.01
Fixed assets turnover ratio	4.86	3.67	2.05	1.61	1.99	3.02
Operating cycle	18.85	41.27	39.78	60.45	108.26	16.02
INVESTMENT / MARKET RATIOS						
Earnings per share	7.10	6.26	4.43	1.72	1.46	1.42
Price earnings ratio	9.46	8.98	-	-	-	-
Market value per share						
- Closing	67.19	56.24	-	-	-	-
- High	86.03	69.31	-	-	-	-
- Low	57.88	35.69	-	-	-	-
Break up value per share	34.67	31.13	20.05	11.56	12.52	10.7
CAPITAL STRUCTURE RATIOS						
Financial leverage ratio	1.06	1.04	2.81	3.45	3.03	2.31
Weighted average cost of debt	0.06	0.12	0.09	0.11	0.10	0.23
Debt to equity ratio	0.25	0.32	1.10	1.73	1.74	0.72
Interest cover ratio	4.04	2.44	2.37	1.82	1.81	1.43

COMMENTS ON RATIO ANALYSIS

PROFITABILITY RATIOS

Profitability ratios depicted mix trend. Though overall sales and profits increased , % age margins in 2016 and 2015 dropped due to fall in sales prices, imposition of duties, recognition of notional interest on sponsors shareholders' loan and deferred taxation.

LIQUIDITY RATIOS

As sales volume increased, liquidity position of the Company improved and resulted in better cash flows. Therefore, ratios started improving from year 2011 and ended in much better condition in 2016 as compared to year 2011.

INVESTMENT / MARKET RATIOS

Earning per share increased from Rs. 1.42 in 2011 to Rs. 7.10 in 2016 mainly due to increased turnover and profitability. The market value of the Company's share and its breakup value continued to increase due to better operational and financial performance of the Company.

CAPITAL STRUCTURE RATIOS

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

ACTIVITY / TURNOVER RATIOS

The ratios depicted an overall improved trend, with inventory, receivables and payables ratios showing improvement as compared to previous years.

DUPONT ANALYSIS

Year	Return on Equity (Equity multiplier * Return on Assets)	Equity Multiplier (Avg Assets / Avg Equity)	Return on Assets	Total Assets Turnover (Sales / Avg Assets	Profit margin (Pre tax profit / Sales)
E = C X D	D	C = A X B	B	A	
2016	34%	3.04	11%	1.63	6.81%
2015	25%	3.67	7%	1.32	5.18%
2014	27%	4.26	6%	1.08	5.96%
2013	15%	4.76	3%	0.98	3.18%
2012	16%	5.15	3%	1.04	2.98%
2011	10%	2.89	4%	1.66	2.18%

Following are the main DuPont analysis highlights:

1) Operating Efficiency of the Company measured in terms of profit margins showed increasing trend mainly due to increase in sales volumes, better cost control measures including continuous reduction in finance cost. However, the profit margins in 2016 were effected due to regulatory duty on import of billet.

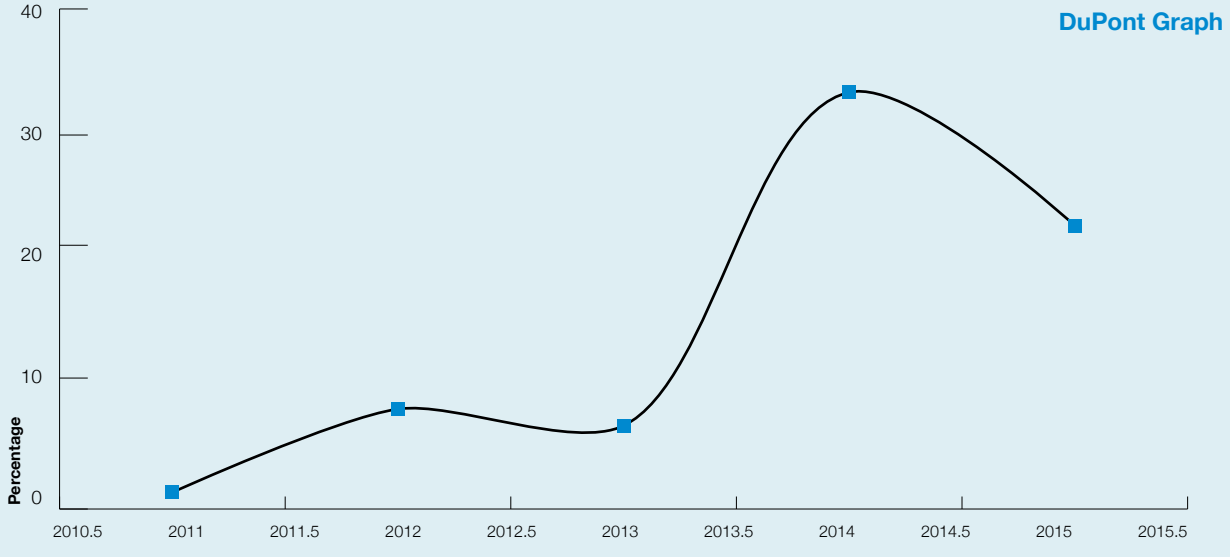
2) Assets turnover of the Company has improved due to increasing revenues by using the Company's resources more efficiently.

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

4) Equity multiplier improved due to better continuous equity improvement on account of better profits over the period. However, fall in recent years was due to injection of fresh equity and issuance of bonus shares.

Conclusion:

Overall DuPont analysis depicts improvement in the overall performance of the Company. From year 2011 to year 2014, Return on Equity has increased. In year 2015 return on equity declined mainly due to injection of fresh equity. However, 2016 wtinessed singificant improvement mainly due to improved utlization of assets.



KEY OPERATING AND FINANCIAL DATA

	2016	2015 Restated	2014 Restated	2013 Restated	2012	2011
QUANTITATIVE DATA (M.Tons)						
MILD STEEL:						
Total production	345,332	239,787	159,503	56,288	70,600	66,432
Sales	18,983,479	12,241,272	5,972,673	3,928,514	3,657,422	3,006,891
SALES (Rs.)						
Local Sales	18,317,200	10,605,375	3,723,039	1,509,445	928,123	1,044,639
Export Sales	666,279	1,635,897	2,249,634	2,419,069	2,729,299	1,962,253
Total Sales	18,983,479	12,241,272	5,972,673	3,928,514	3,657,422	3,006,891
PROFITABILITY (RS.)						
Gross profit	2,058,821	1,326,355	728,787	374,762	298,519	266,771
Profit before taxation	1,292,248	634,096	356,252	124,787	109,011	65,465
Provision for taxation	(398,836)	25,070	7,151	3,096	(2,115)	(23,760)
Profit after taxation	893,412	659,166	363,403	127,883	106,896	41,705
FINANCIAL POSITION (RS.)						
Fixed assets	3,908,262	3,334,155	2,914,824	2,440,985	1,834,918	995,384
Other non current assets	20,167	20,010	19,007	20,950	16,766	25,597
	3,928,429	3,354,165	2,933,831	2,461,935	1,851,684	1,020,981
Current assets	7,851,863	8,113,195	4,138,857	1,506,861	2,182,269	1,941,406
Less: current liabilities	5,861,637	6,811,927	3,618,325	1,520,279	2,123,833	1,967,245
Net working capital	1,990,226	1,301,269	520,532	(13,418)	58,436	(25,839)
Capital employed	5,918,656	4,655,434	3,454,364	2,448,517	1,910,120	1,008,766
Less: Non current liabilities	1,683,226	1,250,475	1,809,684	1,500,230	1,175,926	381,458
Shareholders equity	4,235,430	3,404,958	1,644,679	948,287	734,194	627,308
REPRESENTED BY:						
Share capital	1,257,998	1,093,912	820,412	820,412	586,396	586,396
Capital reserve	865,102	1,086,528	319,394	-	-	-
Revenue reserve	2,112,329	1,224,519	504,874	127,875	147,798	40,912
	4,235,429	3,404,959	1,644,679	948,287	734,194	627,308

STATEMENT OF CASH FLOW DIRECT METHOD

Rupees	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipt from customers	18,516,834,890	12,075,073,628
Cash paid to suppliers and employees	(18,521,765,995)	9,726,634,839
Cash (used in) / generated from operations	(4,931,105)	2,348,438,789
Increase in long-term loans to employees	491,020	(722,370)
Increase in long-term deposits	-	(75,000)
Retirement benefits paid	(4,389,899)	(3,727,135)
Finance cost paid	(224,401,144)	(347,322,751)
Workers' profit participation fund paid	(38,156,726)	(20,927,908)
Income tax paid	(305,884,556)	(260,106,835)
	(572,341,305)	(632,881,999)
Net cash (utilized in) / generated from operating activities	(577,272,409)	1,715,556,791
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(678,980,549)	(514,807,609)
Short-term investments - matured / purchased	416,127,853	(524,620,436)
Profit received on short-term investments	18,763,448	3,755,301
Proceeds from disposal of property, plant & equipment	6,060,800	2,609,691
Net cash (used in) investing activities	(238,028,448)	(1,033,063,053)
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term financing - net	(144,457,294)	(470,176,904)
Share issue costs	-	(52,899,824)
Proceeds from issuance of ordinary shares	-	929,900,000
Short-term borrowings - net	590,012,627	(1,039,402,669)
Dividend paid	(54,401,005)	-
Net cash generated from / (used in) financing activities	391,154,328	(632,579,397)
Net increase / (decrease) in cash and cash equivalents	(424,146,529)	49,914,341
Cash and cash equivalents at the beginning of the year	(462,416,581)	(512,330,922)
Cash and cash equivalents at the end of the year	(886,563,110)	(462,416,581)

RESULTS REPORTED IN INTERIM FINANCIAL STATEMENTS AND FINAL ACCOUNTS

	Interim reports results						Annual	
	September Qtr		December Qtr		March Qtr		Full year	
	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%	Rupees in 000'	%
Turnover	4,031,633	-	5,836,829	-	4,870,829	-	18,983,479	-
Gross profit	372,857	9.25%	675,570	11.57%	476,774	9.79%	2,058,821	10.85%
Net profit before tax	236,667	5.87%	387,958	6.65%	319,002	6.55%	1,292,245	6.81%
Taxation	15,810	0.39%	130,832	2.24%	148,735	3.05%	398,833	2.10%
Net profit after tax	220,857	5.48%	257,126	4.41%	170,267	3.50%	893,412	4.71%
Debt: Equity Ratio	1,067,232 3,838,821	28%	1,214,570 3,941,315	31%	1,043,578 4,003,290	26%	1,046,304 4,235,430	25%
Current ratio	7,396,327 5,865,074	1.26	7,600,967 5,566,879	1.37	6,659,124 4,835,521	1.38	7,851,863 5,861,637	1.34

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

3 Months Ended September 30, 2015

Gross profit ratio for the 1st Quarter was 9.25 % as compared to annual GP of 10.85%, mainly due to higher cost of raw material prices and imposition fo regulatory duty. The gross profit in the last quarter improved as result of fall in raw material prices and recovery in sales rates in local markets.

Net profit before tax was 5.87% as compared to annual 6.83%, mainly due to improvement in GP % in annual and cost efficiencies.

Net Profit After Tax was 5.48% as compared to 4.71% in annual due to provision for deferred taxation.

Debt : Equity Ratio improved from 28% in first quarter to 25% in annual. This was mainly due to increase in share capital and reduction in debt.

Current ratio improved significantly from 1.26 to 1.34 in annual. This was mainly due to increase in operations and repayment of liabilities.

6 Months Ended December 31, 2015

Gross profit ratio for the 2nd Quarter was 11.57 % as compared to annual GP of 10.85%. The increase in second Quarter was attributed to effect of fall in raw material prices, significant increase in sales volume and economies of scale.

Net profit before tax was 6.65% as compared to annual 6.83%.

Net Profit After Tax was 4.41% as compared to 4.71% in annual as major proportion of deferred tax had been recognized in 2nd Quarter.

Debt : Equity Ratio improved from 31% in second quarter to 25% in annual. This was gain due to increase in operations and repayment of liabilities.

Current ratio decreased from 1.37 to 1.34 in annual mainly due to injection of short-term loan from sponsor shareholders.

9 Months Ended March 31, 2016

Gross Profit Ratio was 9.79% as compared to annual GP of 10.85%, mainly due to fall in sale prices and decrease in production of girder mill resulting in under absorption of fixed overheads.

Net Profit Before Tax was 6.55% as compared to annual 6.83% mainly due to fall in GP margins.

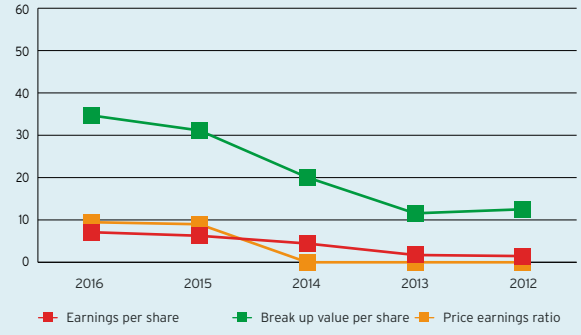
Net Profit After Tax was 3.50% as compared to 4.71% in annual. The margin improved in annual due to recovery of sales prices in last quarter.

Debt : Equity Ratio remained stable in through the quarter.

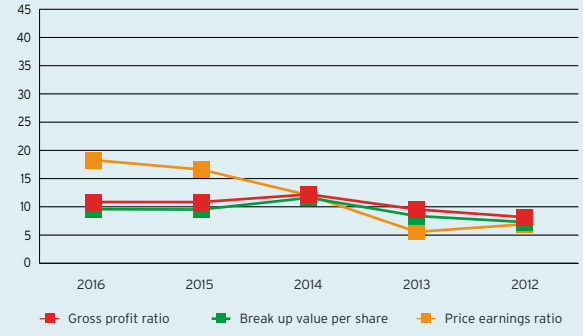
Current ratio decreased from 1.38 to 1.34 in annual mainly due to injection of short-term loan from sponsor shareholders.

GRAPHICAL ANALYSIS

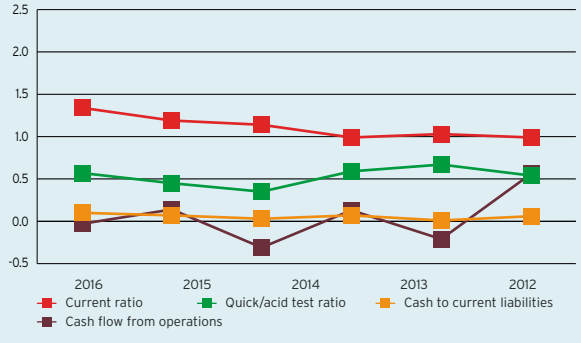
MARKET RATIOS
Rupees



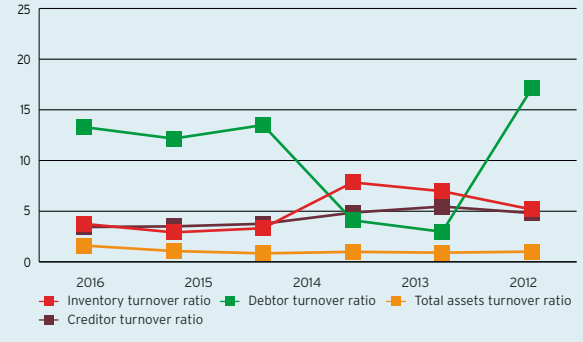
PROFITABILITY RATIOS
Percentage



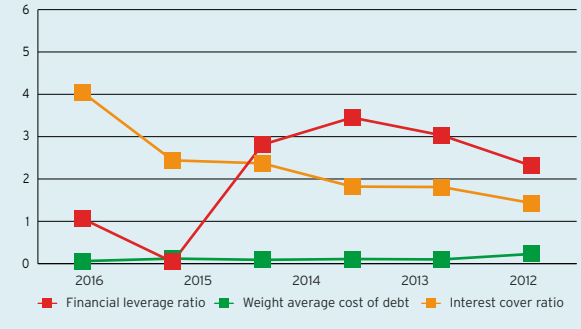
LIQUIDITY RATIOS
Times



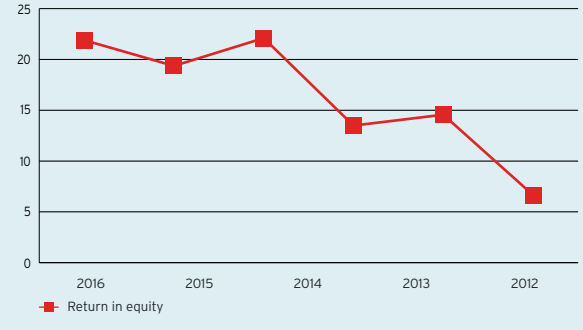
TURNOVER RATIOS
Times



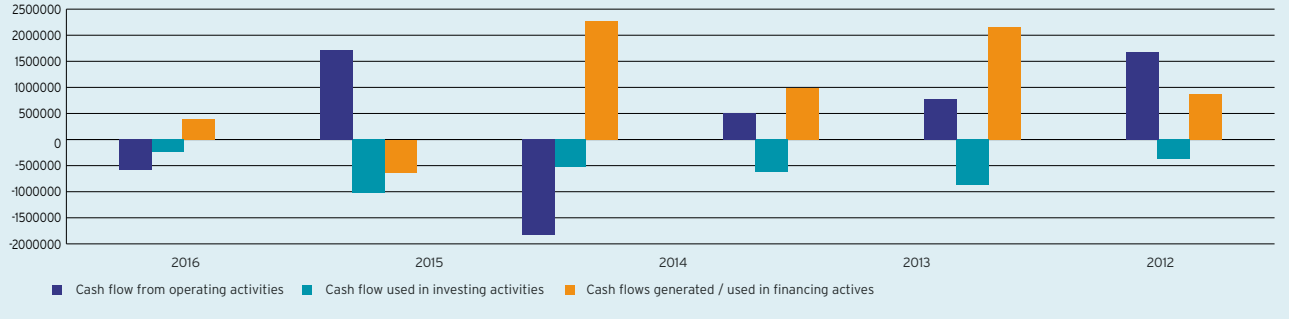
CAPITAL STRUCTURE RATIO
Times



RETURN ON EQUITY
Percentage

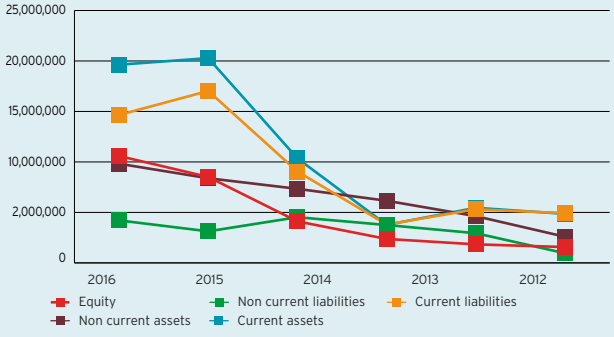


CASH GENERATED/UTILIZED
Rupees in Thousand



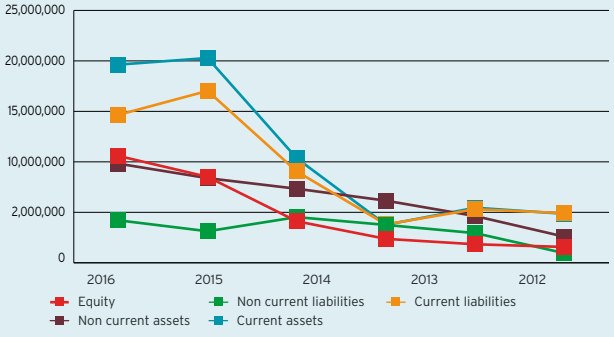
HORIZONTAL ANALYSIS - BALANCE SHEET

Rupees in thousand



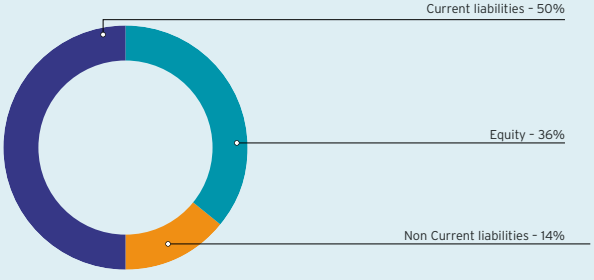
HORIZONTAL ANALYSIS - BALANCE SHEET

Rupees in thousand



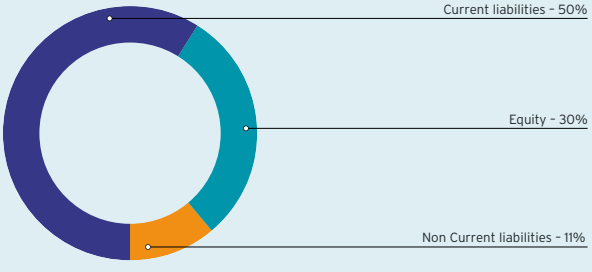
EQUITY & LIABILITIES - 2016

Percentage



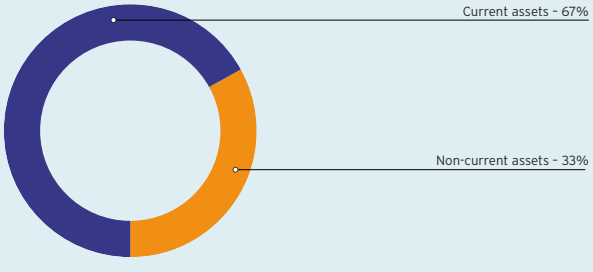
EQUITY & LIABILITIES - 2015

Percentage



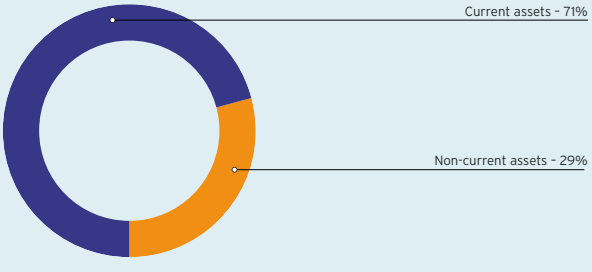
ASSETS - 2016

Percentage



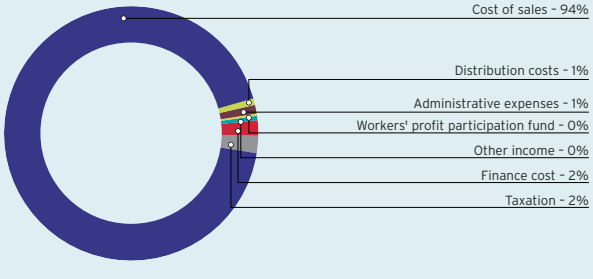
ASSETS - 2015

Percentage



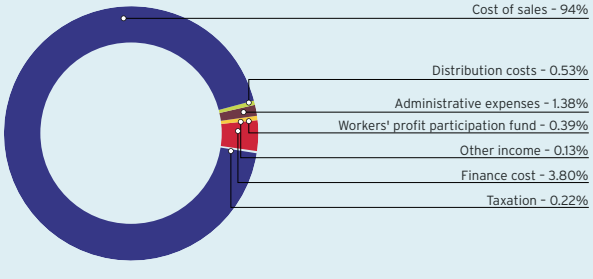
PROFIT AND LOSS - 2016

Percentage



PROFIT AND LOSS - 2015

Percentage

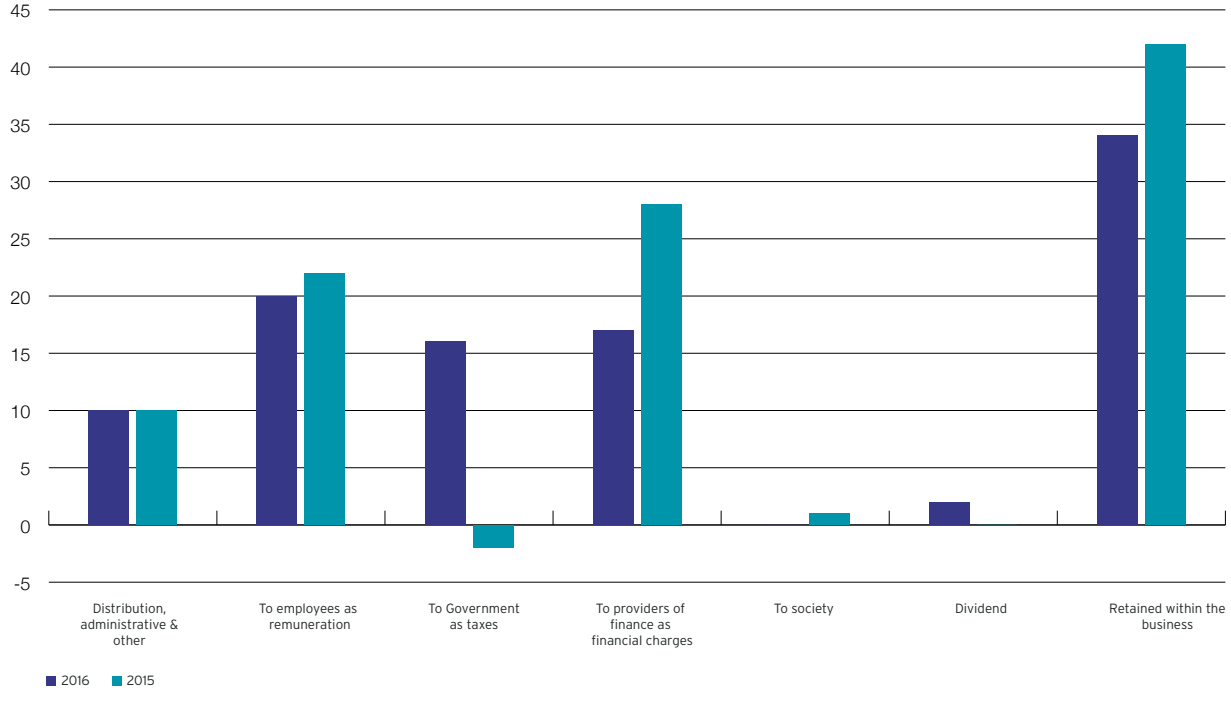


DISTRIBUTION OF WEALTH

	2016	%	2015	%
WEALTH GENERATED				
Sales	18,983,479		12,241,272	
Less: Cost of sales (excluding employees' remuneration)	16,587,138		10,670,561	
Value added	2,396,341		1,570,711	
Other operating income	47,357		14,776	
	2,443,698	100.00	1,585,487	100.00

DISTRIBUTION OF WEALTH				
Distribution, administrative & other expenses	252,852	0.10	154,225	0.10
To employees as remuneration	477,714	0.20	354,309	0.22
To Government as taxes	402,931	0.16	(25,070)	(0.02)
To providers of finance as financial charges	425,033	0.17	439,677	0.28
To society	-	-	3,064	0.00
Dividend	54,695	0.02	-	-
Retained within the business	830,473	0.34	659,282	0.42
	2,443,698	100.00	1,585,487	100.00

WEALTH DISTRIBUTION



SHARE PRICE SENSITIVITY ANALYSIS

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

INCREASE IN DEMAND:

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

INCREASE IN VARIABLE COST:

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

INCREASE IN FIXED COST:

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

CHANGE IN GOVERNMENT POLICIES:

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

CALENDAR OF MAJOR EVENTS

The Company follows the period of July to June as the financial year.

July	15	Iftar party
August	17	Employee's Dinner
September	30	Issuance of Annual Report 2015
October	30	Issuance of 1st Quarter Accounts
October	31	Annual General Meeting
November	08	Employees' Day out
January	05	Mehfil-e-Milad
April	19	Sports Gala
May	01	Labor day celebration
February	29	Issuance of 2nd Quarter Accounts
April	28	Issuance of 3rd Quarter Accounts
June	26	Iftar party

DEFINITION AND GLOSSARY OF TERMS

Gross profit ratio

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

Net profit ratio

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

Operating profit ratio

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

Current asset ratio

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

Current ratio

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

Debt-equity ratio

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

Earnings per share (EPS)

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

Profit margin

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

Return on assets

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

Return on equity (ROE)

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

Return on Investment (ROI)

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

Dupont analysis:

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

REPORT OF THE AUDIT COMMITTEE

- The audit committee reviewed and recommended for approval the quarterly, half yearly and annual financial statements of the company prior to their approval by the board of directors.

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

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

- The audit committee has reviewed and recommended all related party transactions.

- The chief executive officer and the CFO have endorsed the financial statements of the company and the directors' report. They acknowledge their responsibility for true and fair presentation of the company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.

- All directors have access to the company secretary. All direct or indirect trading and holdings of company's shares by directors & executives or their spouses were notified in writing to the company secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the company secretary to the board within the stipulated time. All such holdings have been disclosed in the pattern of shareholdings. The annual secretarial compliance certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the company, precluding the directors, the chief executive officer and executives of the company from dealing in company shares, prior to each board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of company, along with maintenance of confidentiality of all business information.
- The Company's system of internal control is sound in design and is continually evaluated for effectiveness and adequacy.

- The internal control framework has been effectively implemented through an independent in-house internal audit function established by the board which is independent of the external audit function.

- The internal audit function has carried out its duties under the charter defined by the committee. The committee reviews material internal audit findings, taking appropriate action or bringing the matters to the board's attention where required.

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

- The head of internal audit has direct access to the chairman of the audit committee and the committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to management and the right to seek information and explanations.

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

- The chairman of audit committee is a Ph.D. in finance from the Kelley School of Business Administration, Indiana University, USA.

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

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

- The external auditors have been allowed direct access to the committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the general meeting of the company held during the year and have confirmed attendance of the upcoming annual general meeting scheduled for October 31, 2016 and have indicated their willingness to continue as auditors.

- The audit committee reviewed the management letter issued by the external auditors and the management response thereto. Observations were discussed with the auditors and required actions recorded.

- Appointment of external auditors and fixing of their audit fee was reviewed and the audit committee following this review, recommended to the board of directors re-appointment of Fazal Mahmood& Co., as external auditors for the year 2016-2017.

By order of the Audit Committee

Sd-
Syed Salman Ali Shah
Chairman Audit Committee

Lahore: September 26, 2016

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: Mughal Iron & Steel Industries Limited
Year ended: June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

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

   Independent Director
   Syed Salman Ali Shah

   Executive Directors
   Khurram Javaid
   Muhammad MubeenTariq Mughal

   Non-executive Directors
   Mirza Javaid Iqbal
   Jamshed Iqbal
   Fazeel Bin Tariq
   Muhammad Mateen Jamshed

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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

4. No casual vacancy occurred in the Board during the year.

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

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

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

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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.

9. The board arranged director training program for all its directors during the year. All directors have successfully completed certified directors training program conducted by Institute of Chartered Accountants of Pakistan (ICAP).

10. The board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

15. The board has formed an audit Committee. It comprises of four (4) members, of whom three (3) are non-executive directors and the chairman of the committee is an independent non - executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resources and Remuneration Committee. It comprises four (4) members, of whom three (3) are non-executive directors including the chairman of the Committee. The Chief Executive Officer is also member of the Committee.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchange.

23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion and exclusion of names of persons from the said list.

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

Khurram Javaid
Chief Executive Officer

Lahore: September 26, 2016

MUGHAL IRON & STEEL INDUSTRIES LIMITED

FINANCIAL STATEMENTS

for the year ended June 30, 2016

GLOBAL PRESENCE
LOCAL EXCELLENCE

FAZAL MAHMOOD & COMPANY
CHARTERED ACCOUNTANTS

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** (the Company) for the year ended June 30, 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange Limited where the Company is listed.

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

As 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's statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement partner: Fazal Mahmood

Lahore: September 26, 2016

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A Member firm of jhi & Task International (member of forum of firms)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** ("the Company") as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes disclosed in note 5.1 with which we concur;

ii. the expenditure incurred during the year was for the purpose of the company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Fazal Mahmood

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement Partner: Fazal Mahmood

Lahore: September 26, 2016

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BALANCE SHEET
as at June 30, 2016

Rupees	Note	June 30, 2016	June 30, 2015 Restated	july 01, 2014 Restated
ASSETS				
NON - CURRENT ASSETS				
Property, plant & equipment	6.	3,908,262,437	3,334,155,297	2,914,824,170
Long-term loans to employees	7.	1,909,300	1,751,620	824,535
Long-term deposits	8.	18,258,313	18,258,313	18,183,313
Total non - current assets		3,928,430,050	3,354,165,230	2,933,832,018
CURRENT ASSETS				
Stores, spares & loose tools	9.	298,304,684	241,284,628	189,241,050
Stock-in-trade	10.	4,220,728,921	4,812,364,304	2,683,315,636
Trade debts	11.	939,886,798	473,242,896	321,049,463
Advances	12.	201,799,022	335,953,875	294,549,694
Short-term deposits & prepayments	13.	44,511,952	453,297,727	8,832,069
Due from the Government	14.	1,458,917,102	817,745,715	519,416,049
Other receivables	15.	3,164,243	4,361,925	5,106,976
Short-term investments	16.	108,492,583	524,620,436	-
Cash and bank balances	17.	576,057,937	450,323,976	117,345,747
Total Current Assets		7,851,863,242	8,113,195,482	4,138,856,684
TOTAL ASSETS		11,780,293,292	11,467,360,712	7,072,688,702
EQUITY AND LIABILITIES				
SHARE CAPITAL & RESERVES				
Authorized share capital	18.	1,500,000,000	1,500,000,000	1,500,000,000
Issued, subscribed and paid-up capital	18.	1,257,998,250	1,093,911,530	820,411,530
Capital reserves	19.	865,102,733	1,086,527,118	319,394,321
Revenue reserve		2,112,328,596	1,224,519,784	504,873,631
Shareholders' Equity		4,235,429,579	3,404,958,432	1,644,679,482
LIABILITIES				
NON - CURRENT LIABILITIES				
Long-term financing	20.	973,844,194	950,936,943	1,612,401,800
Deferred liabilities	21.	709,382,112	299,538,399	197,282,267
Total non-current liabilities		1,683,226,306	1,250,475,342	1,809,684,067
CURRENT LIABILITIES				
Trade and other payables	22.	2,253,821,055	4,270,377,465	586,300,571
Accrued profit / interest / mark-up	23.	36,557,576	43,222,437	40,512,933
Short-term borrowings	24.	3,498,798,248	2,358,905,131	2,802,741,491
Current maturity of long-term liabilities	20.	72,460,528	139,421,905	188,770,159
Total current liabilities		5,861,637,407	6,811,926,938	3,618,325,153
Total liabilities		7,544,863,713	8,062,402,280	5,428,009,220
TOTAL EQUITY & LIABILITIES		11,780,293,292	11,467,360,712	7,072,688,702
CONTINGENCIES AND COMMITMENTS	25.			

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2016

Rupees	Note	2016	2015 Restated
Sales - net	26.	18,983,478,792	12,241,271,852
Cost of sales	27.	(16,924,658,440)	(10,914,917,230)
Gross profit		2,058,820,352	1,326,354,622
Distribution cost	28.	(94,723,432)	(61,846,577)
Administrative expenses	29.	(207,515,370)	(160,322,742)
Other charges	30.	(86,658,009)	(45,187,563)
Other income	31.	47,357,135	14,776,079
Finance cost	32.	(425,032,882)	(439,677,940)
		(766,572,558)	(692,258,743)
Profit before taxation		1,292,247,794	634,095,879
Taxation	33.	(398,836,214)	25,070,290
Profit after taxation		893,411,580	659,166,169
Basic & diluted earnings per share	34.	7.10	6.26

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME

for the year ended June 30, 2016

Rupees	Note	2016	2015 Restated
Profit after taxation		893,411,580	659,166,169
Other comprehensive income - net off tax:			
Items that will not be reclassified subsequently to profit and loss account:			
- Actuarial (loss) on remeasurement of retirement benefit obligation		(6,293,784)	(715,048)
- Related deferred taxation		(1,951,073)	235,966
		(8,244,857)	(479,082)
Total comprehensive income for the year		885,166,723	658,687,087

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

CASH FLOW STATEMENT

for the year ended June 30, 2016

Rupees	Note	2016	2015 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	36.	(4,931,104)	2,348,438,790
Net decrease / (increase) in long-term loans to employees		491,020	(722,370)
Net (increase) in long-term deposits		-	(75,000)
Retirement benefits paid		(4,389,899)	(3,727,135)
Finance cost paid		(224,401,144)	(347,322,751)
Workers' profit participation fund paid		(38,156,726)	(20,927,908)
Income tax paid		(305,884,556)	(260,106,835)
		(572,341,305)	(632,881,999)
Net cash (utilized in) / generated from operating activities		(577,272,409)	1,715,556,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred on property, plant & equipment		(678,980,549)	(514,807,609)
Proceeds from disposal of property, plant & equipment		6,060,800	2,609,691
Profit received on short-term investments		18,763,448	3,755,301
Short-term investments - matured / purchased		416,127,853	(524,620,436)
Net cash (used in) investing activities		(238,028,448)	(1,033,063,053)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing - net		(144,457,294)	(470,176,904)
Short-term borrowings - net		590,012,627	(1,039,402,669)
Proceeds from issuance of ordinary shares		-	929,900,000
Share issue costs		-	(52,899,824)
Dividends paid		(54,401,005)	-
Net cash generated from / (used in) financing activities		391,154,328	(632,579,397)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(424,146,529)	49,914,341
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(462,416,581)	(512,330,922)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35.	(886,563,110)	(462,416,581)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2016

Rupees	Share capital	Capital reserve		Revenue reserve	Total equity
	Issued, subscribed & paid-up ordinary shares	Share premium reserve	Equity portion of sponsor shareholders' loan	Un-appropriated profit	
Balance as at July 01, 2014 - previously reported	820,411,530	-	476,707,943	505,906,156	1,803,025,629
Effect of restatement (Note. 4.23)	-	-	(157,313,622)	(1,032,525)	(158,346,147)
Balance as at July 01, 2014 - restated	820,411,530	-	319,394,321	504,873,631	1,644,679,482
Transaction with owners of the Company					
Issue of 27,350,000 ordinary shares of Rs. 10/- each					
at a premium of Rs. 24/- per share	273,500,000	656,400,000	-	-	929,900,000
Transaction costs related to issuance of shares	-	(52,899,824)	-	-	(52,899,824)
	273,500,000	603,500,176	-	-	877,000,176
Present value adjustment - net off tax	-	-	224,591,687	-	224,591,687
Transferred on unwinding of discount - net off tax	-	-	(60,959,066)	60,959,066	-
	-	-	163,632,621	60,959,066	224,591,687
Total Comprehensive Income - net off tax - restated					
Profit for the year	-	-	-	659,166,169	659,166,169
Other comprehensive income					
- Actuarial (loss) on re-measurement of retirement benefit obligation	-	-	-	(479,082)	(479,082)
	-	-	-	658,687,087	658,687,087
Balance as at June 30, 2015 - restated	1,093,911,530	603,500,176	483,026,942	1,224,519,784	3,404,958,432
Transaction with owners of the Company					
Issue of 16,408,672 ordinary shares of Rs. 10/- each as fully paid-up bonus shares @ 15%.	164,086,720	(164,086,720)	-	-	-
Final cash dividend paid for the year ended June 30, 2015 @ Rs. 0.5 per share i.e. 5%.	-	-	-	(54,695,576)	(54,695,576)
Present value adjustment - net off tax	-	-	-	-	-
Transferred on unwinding of discount - net off tax	-	-	(57,337,665)	57,337,665	-
	-	-	(57,337,665)	57,337,665	-
Total Comprehensive Income - net off tax					
Profit for the year	-	-	-	893,411,580	893,411,580
Other comprehensive income					
- Actuarial (loss) on re-measurement of retirement benefit obligation	-	-	-	(8,244,857)	(8,244,857)
	-	-	-	885,166,723	885,166,723
Balance as at June 30, 2016	1,257,998,250	439,413,456	425,689,277	2,112,328,596	4,235,429,579

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

Mughal Iron & Steel Industries Limited ("the Company") is a public limited company incorporated in Pakistan on February 16, 2010 under the Companies Ordinance, 1984. Previously, the shares of the Company were quoted on Karachi and Lahore Stock Exchanges of Pakistan. However, as a result of integration of these Stock Exchanges into Pakistan Stock Exchange Limited effective January 11, 2016, the shares of the Company are now quoted on Pakistan Stock Exchange Limited ("PSX"). The registered office of the Company is situated at 31-A Shadman-I, Lahore, Pakistan. The Company is domiciled in Lahore. The principal activity of the Company is manufacturing and trading of mild steel products.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise stated in relevant notes.

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 financials 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 IAS-17, 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.

In addition, for financial reporting purposes, fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirely, which are described as follows:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - These inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs are unobservable inputs for the asset or liability.

2.3 Functional and presentation currency

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

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with approved accounting standards, requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amount of assets and liabilities, income and expenses. Estimates, associated assumptions and judgments are regularly evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affect only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimates, made by management in application of the approved accounting standards and that have significant effect on the amounts recognized in the financial statements:

i) Held-to-maturity financial assets

The management has reviewed the Company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Company's positive intention and ability to hold these assets to maturity.

ii) Discount rate used to determine the carrying amount of defined benefit obligation

The Company's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on Government bonds.

iii) Control over associates

The management determined whether or not the Company is a parent by assessing whether or not it has control over its associated companies having common directorship. The assessment is based upon whether the Company has the practical ability to direct the relevant activities of associated companies unilaterally. In making its judgement, the management considers the following:

- power over the associated companies;

- exposure, or rights, to variable returns from its involvement with the associated companies; and

- the ability to use its power over the associated companies to affect the amount of the Company's returns.

The Board of Directors have confirmed that the Company has no involvement in the activities of the associated companies nor is the Company exposed to, or have any rights, to any returns from the associated companies. Based upon its assessment, the management has concluded that the Company does not have control over its associated companies and is therefore, not a regarded as "Parent Entity".

The following are the key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within in the next financial year:

i) Estimate of useful life of property, plant and equipment

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

ii) Provision for slow moving and obsolete inventory

The Company reviews the different classes of inventory held for possible impairment on an annual basis. Any change in estimates in future years might affect the carrying amounts of the respective items of inventory with a corresponding effect on the provision.

iii) Estimate of obligation in respect of employee retirement benefit plan

The calculation of the benefit obligation requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values. The assumptions used for the plan are determined by independent actuary on annual basis. Calculations are sensitive to changes in the underlying assumptions.

iv) Provision against doubtful balances

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

v) Provision for taxation

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

vi) Contingencies

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

vii) Fair value measurement and valuation processes

Some of the Company's assets and liabilities are required to be measured at fair value for financial reporting purposes, such as interest free sponsor shareholders' loan. The management carefully ensures that appropriate valuation techniques and inputs are used for fair value measurements. In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, appropriate valuation techniques are used.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all periods presented in these financial statements, except for the changes as indicated in Note. 5.1 of these financial statements.

4.1 Property, plant & equipment

Operating assets:

These are stated at cost less accumulated depreciation and accumulated impairment losses, (if any), except freehold land which is stated at cost less accumulated impairment losses (if any). Cost comprises of historical cost, borrowing cost pertaining to the erection period and other directly attributable costs of bringing the assets to its working condition.

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Depreciation is charged to profit or loss applying the reducing balance method at the rates given in note 6. to the financial statements to write off the depreciable amount of each asset over its estimated useful life. Depreciation on additions is charged from the date when the asset becomes available for use up to the date of its disposal.

Subsequent costs are included in the asset's 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 and loss account.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or de-recognition (calculated as 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 recoverable amount is calculated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

Capital work-in-progress:

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use. All cost or

expenditure attributable to work-in-progress are capitalized and apportioned to buildings and plant and machinery at the time of commencement of commercial operations.

4.2 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realizable value. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare and loose tools on a regular basis and provision is made for obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Stores, spares and loose tools in-transit are valued at invoice value plus charges thereon.

4.3 Stock-in-trade

These are valued at lower of cost and net realizable value.

Cost is determined as follows:

Raw material	
- Externally purchased	at moving average cost
- Internally manufactured	at estimated manufacturing cost
Finished goods	at estimated manufacturing cost
In-transit	at invoice value plus charges incurred thereon
Wastage - end cuts	at average replacement costs

Estimated manufacturing cost consists of material, labour and a proportion of appropriate manufacturing overheads.

Net realizable value of raw material inventory is determined on the basis of replacement cost. Net realizable value of finished goods signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred for its sale.

Costs of raw material inventories held for use in production of finished goods is not written down below cost, if the finished product for which it will be consumed is expected to be sold at or above cost.

The Company reviews the carrying amount of stock-in-trade on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

4.4 Foreign currency transaction and translation

Transactions in currencies other than the Company's functional currency (foreign currency) are recognized at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are retranslated in Pak Rupees at exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are retranslated using exchange rate at the date of transaction. Exchange differences are included in profit and loss account for the year.

4.5 Retirement benefit obligation

Long-term employee benefit - defined benefit plan:

The defined benefit plan represents an unfunded gratuity scheme for all its permanent employees subject to a minimum qualifying period of service according to the terms of employment. The plan defines the amount

which an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service, and compensation. Provision is made annually to cover obligation under the scheme.

The liability recognized in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets, (if any). The defined benefit obligation is calculated annually by an independent actuary using projected-unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds or the market rates on government bonds. Latest valuation was conducted on June 30, 2016. All actuarial gains and losses are recognized in other comprehensive income as they occur.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, and other short term employees benefits in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4.6 Taxation

Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Prior

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.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.7 Short-term investments

Held-to maturity

Investments are classified as 'held to maturity' which have fixed or determinable payments and are not quoted in an active market. These investments are measured at amortized cost using the effective interest method, less any impairment losses

4.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, discounts and other similar allowances.

Sale of goods:

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Rental income:

The Company's policy relating to rental income is mentioned in note. 4.21.

Interest income:

The Company's policy relating to interest income from financial assets is mentioned in note. 4.22.

Sale of store items:

Revenue from sale of store items is recognized on realized amounts net off related costs and shown in other income.

4.9 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets are generally classified into the following specified categories:

- Available for sale financial assets (AFS)
- Financial assets 'at fair value through profit or loss' (FVTPL)
- Held-to-maturity investments
- Loans and receivables

The Company classifies its financial assets as 'Held-to-maturity' or 'Loans & receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and include term deposit receipts. Subsequent to initial recognition, these are measured at amortised cost using effective interest method less any impairment.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using effective interest method, less impairment (if any). Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Non-derivative financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liability or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and an equity instrument.

Equity instruments:

An equity instrument is any contract that evidences residual interest in the assets of the Company, after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Non-derivative Financial liabilities:

Financial liabilities are generally classified into the following specified categories:

- Financial liabilities 'at fair value through profit or loss'
- Other financial liabilities

The Company classifies its financial liabilities as 'other financial liabilities'. The classification depends on the nature and purpose of the financial liability and is determined at the time of initial recognition.

Other financial liabilities:

The Company initially recognizes these liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise markup and non-markup bearing borrowings, bank overdrafts and trade and other payables.

Effective interest method

The effective interest method is method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Impairment

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

4.10 Trade and other payables

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

4.11 Trade debts & other receivables

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Provisions are provided against doubtful balances. Known bad debts are written off, when identified.

4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

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

4.13 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by

discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.14 Contingent liabilities

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

4.15 Borrowings and Borrowing costs

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. For financial liabilities which are not at fair value, appropriate valuation techniques are used for estimating fair value.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessary take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned of the temporary investment , if any, of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowings costs eligible for capitalisation.

All other borrowing costs are recognized in profit and loss account in the period in which they are incurred.

4.16 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.

4.17 Dividend and reserve appropriations

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors. Movement in reserves is recognized in the year in which the appropriation is approved.

4.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted

average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.19 Related party transactions

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

4.20 Segment Reporting

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

4.21 Operating leases

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

4.22 Finance income and finance costs

Finance income comprises interest income on funds invested in term deposits and saving accounts. Interest income is recognized as it accrues in profit or loss, using effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest method. Foreign currency gains and losses are reported on a net basis.

4.23 Corrections

Recognition of unwinding of discount on sponsor shareholders' loan

During the year "TR-32" was issued by the ICAP on January 19, 2016, as a guidance to remove inconsistencies prevailing in accounting for director's loan within the industry. Previously, the Company was following an approach where unwinding of discount was being routed directly through equity in case of sponsor shareholders' loan. Accordingly, in view of the guidance provided vide 'TR-32', the Company has removed the anomalies persisting with the treatment and recognized unwinding of discount on sponsor shareholders' loan through profit and loss account.

Reclassification in balance sheet

Up to June 30, 2015, the Company was classifying sales tax paid on import of plant & machinery as sales tax adjustable. However, during the year, it was clarified that this sales tax will not be claimable for adjustment as the Company is registered in sales tax under the sales tax special procedures regime. Accordingly, the Company has capitalized sales tax relating to plant & machinery installed in 2013.

Effect of corrections

The related effect of the above corrections in these financial statements has been recorded retrospectively by restating the amounts previously presented in accordance with IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". The Company has presented balance sheet as at the beginning of the earliest period presented in accordance with requirements of IAS-1 "Presentation of Financial Statements - revised". Resultantly, the effect of restatement is disclosed as follows:

	June 30, 2015		July 01, 2014	
Rupees	As re-stated	As previously reported	As re-stated	As previously reported
Effect of re-statement on balance sheet:				
- Property, plant & equipment				
- Plant & machinery	2,314,949,691	2,266,736,558	2,037,216,434	1,987,767,067
- Due from the Government				
- Sales tax	208,809,197	259,291,089	167,994,389	218,476,281
- Equity portion of sponsor shareholders' loan	483,026,942	717,344,149	319,394,321	476,707,943
- Revenue reserve - unappropriated profit	1,224,519,784	1,226,788,543	504,873,631	505,906,156
- Deferred taxation	237,052,327	2,735,120	159,260,356	1,946,733

		June 30, 2015	
Rupees	As re-stated	As previously reported	(Increase) / Decrease
Effect of re-statement on profit & loss account:			
- Cost of sales - depreciation	(73,273,680)	(72,037,446)	(1,236,234)
- Finance cost	(439,677,940)	(350,032,256)	(89,645,684)
- Profit before taxation	634,095,879	724,977,799	(90,881,920)
- Taxation	25,070,290	(3,616,330)	28,686,620
- Profit after taxation	659,166,169	721,361,469	(62,195,300)
Effect of re-statement on comprehensive income:			
- Total comprehensive income	658,687,087	720,882,387	(62,195,300)
Effect of re-statement on earnings per share:			
- EPS	6.26	6.85	(0.59)

There was no net effect on cash flows. EPS has been adjusted for effect of bonus shares.

5 NEW ACCOUNTING STANDARDS / INTERPRETATIONS, AMENDMENTS AND IMPROVEMENTS TO EXISTING ACCOUNTING STANDARDS

5.1 New approved accounting standards that became effective during the year

The accounting policies adopted in the preparation of these financial statements have been applied consistently, however, certain new standards became effective during the year, which have been adopted by the Company and are explained below:

IFRS 10 – "Consolidated Financial Statements" outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

IFRS 11 – "Joint Arrangements" outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly).

IFRS 12 – "Disclosure of Interests in Other Entities" is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives.

IFRS 13 – "Fair value measurement" establishes a single framework for measuring fair value and enhances or replaces the disclosures about fair value measurement. Further, it unifies the definition of fair values as 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 dates. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The adoption of the above accounting standards did not have any material effect on the financial statements other than increased disclosures.

5.2 Amendments to existing approved accounting standards that are not yet effective

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

Amendments			Effective date (annual periods beginning on or after)
IFRS 5	-	Non-current assets held for sale and discontinued operations - Annual Improvements to IFRSs	January 01, 2016
IFRS 7	-	Financial Instruments: Disclosures - Annual Improvements to IFRSs	January 01, 2016
IFRS 10	-	Consolidated Financial Statements, IFRS 12 - Disclosure of Interests In Other Entities and IAS 27 - Separate Financial Statements - Investment Entities: Applying the Consolidation Exception	January 01, 2016
IFRS 10	-	Consolidated Financial Statements and IAS 28 - Investment in Associates and Joint Ventures - Sale or contribution of Assets between an investor and its Associate or Joint Venture	January 01, 2016
IFRS 11	-	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation	January 01, 2016
IAS 7	-	Statement of Cash Flows - Disclosure initiative	January 01, 2017
IAS 12	-	Income Taxes - Recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 1	-	Presentation of Financial Statements - Disclosure Initiative	January 01, 2016

Amendments			Effective date (annual periods beginning on or after)
IAS 16	-	Property, Plant & Equipment and IAS 38 - Intangible assets - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16	-	Property, Plant & Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants	January 01, 2016
IAS 19	-	Employee Benefits - Annual Improvements to IFRSs	January 01, 2016
IAS 27	-	Separate Financial statements - Equity Method in Separate Financial Statements	January 01, 2016
IAS 34	-	Interim Financial Reporting - Annual Improvements to IFRSs	January 01, 2016

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

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

Standards			
IFRS 1	–	First-time Adoption of International Financial Reporting Standards	January 01, 2004
IFRS 9	–	Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14	–	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	–	Revenue with contracts with customers	January 01, 2018
IFRS 16	–	Leases	January 01, 2019

Rupees	Note	2016	2015 Restated
6. PROPERTY, PLANT & EQUIPMENT			
Operating assets	6.1	3,899,478,437	2,937,768,506
Capital work-in-progress	6.2	8,784,000	396,386,791
		3,908,262,437	3,334,155,297

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

Description	Freehold land	Factory building on freehold land	Plant & machinery	Coal gasification plant	Power plant	Weighing machine	Office equipment	Electric equipment & installation	Furniture & fittings	Vehicles	Arms and ammunitions	Computers	Office building on leasehold land	Total
							Rupees							
Gross carrying value basis														
As at June 30, 2014 - restated														
Cost	63,325,863	69,373,568	2,123,912,945	30,463,089	258,281,114	91,434	862,421	115,571,523	1,148,972	78,603,635	260,693	6,084,164	30,400,000	2,778,379,421
Accumulated depreciation	-	5,261,290	86,696,511	2,933,964	33,168,707	15,163	145,842	11,247,243	266,266	27,494,601	52,590	960,932	2,026,667	170,269,776
Net book Value	63,325,863	64,112,278	2,037,216,434	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,608,109,645
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	
Net carrying value basis														
Year ended June 30, 2015 -restated														
Opening Net book value	63,325,863	64,112,278	2,037,216,434	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,608,109,645
Additions	-	7,755,773	334,503,695	-	-	-	18,500	142,061	2,761,430	79,209,634	-	744,250	-	425,135,343
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	(4,591,810)	-	-	-	(4,591,810)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	1,162,750	-	-	-	1,162,750
Net book value	-	-	-	-	-	-	-	-	-	(3,429,060)	-	-	-	(3,429,060)
Depreciation charge	-	(2,710,253)	(56,770,438)	(688,228)	(7,878,934)	(1,907)	(72,283)	(5,203,110)	(199,957)	(11,141,577)	(20,810)	(1,685,258)	(5,674,667)	(92,047,422)
Balance as at June 30, 2015 -restated	63,325,863	69,157,798	2,314,949,691	26,840,897	217,233,473	74,364	662,796	99,263,231	3,444,179	115,748,031	187,293	4,182,224	22,698,666	2,937,768,506
Gross carrying value basis														
As at June 30, 2015 - restated														
Cost	63,325,863	77,129,341	2,458,416,640	30,463,089	258,281,114	91,434	880,921	115,713,584	3,910,402	153,221,459	260,693	6,828,414	30,400,000	3,198,922,954
Accumulated depreciation	-	7,971,543	143,466,949	3,622,192	41,047,641	17,070	218,125	16,450,353	466,223	37,473,428	73,400	2,646,190	7,701,334	261,154,448
Net book Value	63,325,863	69,157,798	2,314,949,691	26,840,897	217,233,473	74,364	662,796	99,263,231	3,444,179	115,748,031	187,293	4,182,224	22,698,666	2,937,768,506
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	
Net carrying value basis														
Year ended June 30, 2016														
Opening Net book value	63,325,863	69,157,798	2,314,949,691	26,840,897	217,233,473	74,364	662,796	99,263,231	3,444,179	115,748,031	187,293	4,182,224	22,698,666	2,937,768,506
Additions	-	3,902,637	1,003,964,321	-	-	127,000	1,086,000	1,988,020	37,500	55,060,081	-	417,781	-	1,066,583,340
Disposals:														
Cost	-	-	-	-	-	-	-	-	-	(4,993,754)	-	-	-	(4,993,754)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	2,338,747	-	-	-	2,338,747
Net book value	-	-	-	-	-	-	-	-	-	(2,655,007)	-	-	-	(2,655,007)
Depreciation charge	-	(2,791,973)	(61,377,359)	(671,022)	(7,603,172)	(7,948)	(95,941)	(4,974,068)	(346,637)	(18,502,959)	(18,729)	(1,288,861)	(4,539,733)	(102,218,402)
Balance as at June 30, 2016	63,325,863	70,268,462	3,257,536,653	26,169,875	209,630,301	193,416	1,652,855	96,277,183	3,135,042	149,650,146	168,564	3,311,144	18,158,933	3,899,478,437
Gross carrying value basis														
As at June 30, 2016														
Cost	63,325,863	81,031,978	3,462,380,961	30,463,089	258,281,114	218,434	1,966,921	117,701,604	3,947,902	203,287,786	260,693	7,246,195	30,400,000	4,260,512,540
Accumulated depreciation	-	10,763,516	204,844,308	4,293,214	48,650,813	25,018	314,066	21,424,421	812,860	53,637,640	92,129	3,935,051	12,241,067	361,034,103
Net book Value	63,325,863	70,268,462	3,257,536,653	26,169,875	209,630,301	193,416	1,652,855	96,277,183	3,135,042	149,650,146	168,564	3,311,144	18,158,933	3,899,478,437
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	

Rupees	Note	2016	2015 Restated
6.1.1 The depreciation for the year has been allocated as follows:			
Cost of sales		77,444,271	73,273,680
Administrative Expenses		24,774,131	18,773,742
		102,218,402	92,047,422

6.1.2 The Company has temporarily leased out its ferro plant and power plant with aggregate cost of Rs. 286.747 million (2015: Rs. 286.747 million) to Mughal Steel Metallurgies Corporation Limited.

6.1.3 The fair value of freehold land, building on freehold land and plant & machinery is not less than its carrying value.

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

Description	Buyer	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sales proceeds	Gain / (loss)
Motor car	Abdul Ghafur	Negotiation	3,993,754	2,092,822	1,900,932	5,050,000	3,149,068
Motor car	Executive - Employee	Company policy	1,000,000	245,925	754,075	1,010,800	256,725
June 30, 2016			4,993,754	2,338,747	2,655,007	6,060,800	3,405,793
June 30, 2015			4,591,810	1,162,750	3,429,060	2,609,691	(819,369)

Rupees	2016	2015
6.2 Capital work-in-progress:		
Tangible:		
Plant & machinery	-	389,385,291
Intangible assets:		
Software	8,784,000	7,001,500
	8,784,000	396,386,791

Rupees	Opening balance	Expenditure	Transfers	Closing balance
6.2.1 Following is the movement in capital work-in-progress:				
Tangible:				
Plant & machinery	389,385,291	512,478,060	901,863,351	-
Intangible:				
Software	7,001,500	1,782,500	-	8,784,000
June 30, 2016	396,386,791	514,260,560	901,863,351	8,784,000
June 30, 2015	306,714,525	416,881,929	327,209,663	396,386,791

Rupees	2016	2015
7. LONG - TERM LOANS TO EMPLOYEES		
(Secured & considered good)		
Executives	2,585,820	2,235,340
Other employees	105,000	-
	2,690,820	2,235,340
Less: amounts recoverable within one year	(781,520)	(483,720)
	1,909,300	1,751,620

7.1 These secured loans have been provided to employees under their terms of employment and are interest free. Loans under the scheme have been provided to facilitate purchase of motor vehicles / bikes and are repayable over a period up to five years from date of disbursement. The loans are secured by registration of the vehicle in the name of the Company and against security cheques.

7.2 The maximum aggregate amount of loan to employees at the end of any month during the year was Rs. 3.618 million (2015: Rs. 3.391 million). No amount was due from Directors or Chief Executive as at June 30, 2016 (2015: Nil).

Rupees	Note	2016	2015
7.3 Reconciliation of carrying amount of long-term loans to employees:			
Opening balances		2,235,340	1,442,715
Add: disbursements		2,018,000	2,406,000
		4,253,340	3,848,715
Less: repayments		(1,562,520)	(1,613,375)
Closing balances		2,690,820	2,235,340
8. LONG-TERM DEPOSITS			
Al-Bashir Steel Industries (Private) Limited - related party		500,000	500,000
Others	8.1	17,758,313	17,758,313
		18,258,313	18,258,313

8.1 These mainly include deposits with various utility companies.

9. STORES, SPARES & LOOSE TOOLS		
Stores, spares & loose tools		
- in hand	285,454,356	215,872,022
- in-transit	12,850,328	25,412,606
	298,304,684	241,284,628

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

Rupees	Note	2016	2015
10. STOCK-IN-TRADE			
Raw material			
- in hand		2,865,490,150	2,539,081,770
- in-transit		1,264,362,289	1,892,235,358
		4,129,852,439	4,431,317,128
Finished goods		90,876,482	381,047,176
		4,220,728,921	4,812,364,304

11. TRADE DEBTS			
(Considered good - unsecured)			
Due from:			
Related party:			
- Mughal Steel Metallurgies Corporation Limited	11.1	17,066,120	-
- Fine steel		-	31,319,948
Others		922,820,678	441,922,948
		939,886,798	473,242,896

11.1 The maximum amount due at the end of any month during the year was Rs. 354.493 million. (2015: Rs. 262.384 million). Balance amounting to Rs. Nil (2015: Rs. Nil) in respect of related party is past due 90 days.

Rupees	Note	2016	2015
12. ADVANCES			
(Considered good)			
Employees - secured	12.1		
- Executives		5,271,400	4,489,800
- Others employees		10,783,697	7,550,075
		16,055,097	12,039,875
Other advances - unsecured			
- Suppliers		185,414,186	323,852,480
- Against expenses		329,739	61,520
		201,799,022	335,953,875

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

Rupees	Note	2016	2015
13. SHORT-TERM DEPOSITS & PREPAYMENTS			
Prepayments		3,517,291	2,415,383
Letters of credit		2,544,489	2,986,517
Deposit against deferred letters of credit		-	447,895,827
Security deposits		38,450,172	-
		44,511,952	453,297,727

Rupees	Note	2016	2015 Restated
14. DUE FROM THE GOVERNMENT			
Refunds / adjustments due on account of:			
- Advance income tax		846,760,024	554,788,110
- Sales tax		558,008,670	208,809,197
- Export regulatory duty	14.1	54,148,408	54,148,408
		1,458,917,102	817,745,715

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

Rupees	Note	2016	2015
15. OTHER RECEIVABLES			
(Considered good)			
Current portion of long-term loans to employees	7.	781,520	483,720
Interest accrued on short-term investments	16.1.	382,723	889,410
Other receivables		2,000,000	2,988,795
		3,164,243	4,361,925
16. SHORT-TERM INVESTMENTS			
Held-to-maturity investments under:			
- Term deposit receipts		108,492,583	524,620,436

16.1 These represent term deposit receipts with different banks carrying profit ranging from 4.50% to 6.50% (2015: 6.40% to 8.25%).

Rupees	Note	2016	2015
17. CASH AND BANK BALANCES			
Balances with banks in:			
Current accounts		485,224,212	439,561,899
Deposit accounts	17.1	88,442,106	10,429,806
		573,666,318	449,991,705
Cash in hand		2,391,619	332,271
		576,057,937	450,323,976

17.1 These carry return up to 5.5 % (2015: 6%) per annum.

18. SHARE CAPITAL

Authorized share capital

This represents 150,000,000 (2015: 150,000,000) ordinary shares of Rs. 10/- each amounting to Rs. 1,500,000,000 (2015: Rs. 1,500,000,000).

Issued, subcribed & paid-up capital

This represents 125,799,825 (2015: 109,391,153) ordinary shares of Rs. 10/- each amounting to Rs. 1,257,998,250 (2015: Rs. 1,093,911,530).

2016	2015		2016	2015
Number of Shares			Rupees	
36,151,710	36,151,710	Allotted for consideration paid in cash	361,517,100	361,517,100
58,579,553	58,579,553	Allotted for consideration other than cash	585,795,530	585,795,530
31,068,562	14,659,890	Allotted as bonus shares	310,685,620	146,598,900
125,799,825	109,391,153		1,257,998,250	1,093,911,530

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

18.2 Directors and sponsor shareholders hold 94,347,324 (2015: 82,041,153) ordinary shares comprising 75% of total paid up share capital of the Company.

18.3 Movement in share capital:

2016	2015		2016	2015
Number of Shares			Rupees	
109,391,153	82,041,153	Opening Balance	1,093,911,530	820,411,530
-	27,350,000	Issuance of ordinary shares of Rs. 10/- each fully paid in cash	-	273,500,000
16,408,672	-	Issuance of fully paid-up bonus shares of Rs. 10/- each	164,086,720	-
125,799,825	109,391,153	Closing Balance	1,257,998,250	1,093,911,530

Rupees	Note	2016	2015 Restated
19. CAPITAL RESERVES			
Share premium reserve	19.1	439,413,456	603,500,176
Equity portion of sponsor shareholders' loan	19.2	425,689,277	483,026,942
		865,102,733	1,086,527,118

19.1 Movement in share premium reserve:

Opening balance	603,500,176	-
Add: Share premium	-	656,400,000
Less: Transaction costs related to issuance of shares	-	(52,899,824)
Less: Issuance of bonus shares	(164,086,720)	-
Closing balance	439,413,456	603,500,176

Share premium represents premium of Rs. 24/- per share charged on initial public issue of 27,350,000 ordinary shares of Rs. 10/- each in 2015. It has been accounted for in accordance with the provisions of

Section 83 of the Companies Ordinance, 1984. This reserve can be utilized by the Company only for the purpose specified in section 83(2) of the Companies Ordinance, 1984.

Rupees		Note	2016	2015 Restated
19.2	**Equity portion of sponsor shareholders' loan**			
	Present value adjustment on sponsors' loan:			
	Opening balance		849,177,524	518,895,632
	Present value adjustment		-	330,281,892
			849,177,524	849,177,524
	Transferred to P&L account on account of un-winding of discount		(232,236,543)	(131,833,375)
	Gross present value		616,940,981	717,344,149
	Less: related deferred taxation in respect of:			
	Opening balance		(234,317,207)	(157,313,622)
	Present value adjustment		-	(105,690,205)
	Charged to profit & loss account		43,065,503	28,686,620
			(191,251,704)	(234,317,207)
			425,689,277	483,026,942
20.	**LONG-TERM FINANCING**			
	Loans from banking companies - secured	20.1	36,747,959	114,243,876
	Sponsor shareholders' loan - unsecured	20.2	937,096,235	836,693,067
			973,844,194	950,936,943
20.1	**Loans from banking companies:**			
	Bank Alfalah Limited			
	- LTFF (P&M)	20.1.1	-	43,433,500
	- Term Finance	20.1.2	105,208,487	177,827,964
			105,208,487	221,261,464
	MCB Bank Limited			
	- LF I & II	20.1.3	-	12,404,317
	- Demand Finance	20.1.4	4,000,000	20,000,000
			4,000,000	32,404,317
			109,208,487	253,665,781
	Less: current maturity presented under current liabilities		(72,460,528)	(139,421,905)
			36,747,959	114,243,876

20.1.1 This was completely repaid during the year.

20.1.2 This represents outstanding amount of loan obtained from Bank Alfalah Limited under term finance facility. This loan was used for financing import and construction of electrical induction melting furnace and ancillary components. The principal was repayable in 4 years including grace period of 12 months in 12 equal quarterly instalments with the last instalment payable in October 2017. It carries mark up @ 6 MK + 2 % p.a. The facility is secured against 1st specific charge of Rs. 100.000 million on land and exclusive charge of Rs. 250.00 million on plant & machinery of new electric furnace, CCM, load management system and auxiliary components and personnel guarantees of all directors (except independent director) including Chief Executive Officer.

20.1.3 This was completely repaid during the year.

20.1.4 This represents outstanding amount of loan obtained from MCB Bank Limited under demand finance facility. This loan was used for financing construction of building / civil works / electrical panel / wires and erection of induction furnace. The principal was repayable in 3 years including grace period of 6 months in 10 equal quarterly installments with the last installment payable in July 2016. It carries mark up @ 3 MK + 1.5 % p.a. The above facilities along with short term financing facilities from MCB Bank Limited are secured against 1st specific charge of Rs. 876.000 million over specific fixed assets of the Company (by way of equitable / token registered mortgage with respect to land & building and by hypothecation of machinery), 1st pari passu charge of Rs. 507.000 million, 2nd charge of Rs. 310.000 million and 5th charge of Rs. 100.000 million over current assets of the Company, making the aggregate charge amount as Rs. 917.000 million and personnel guarantees of all directors (except independent director) and Chief Executive Officer.

Rupees		2016	2015 Restated
20.2	**Sponsor shareholders' loan:**		
	Interest free loan	1,554,037,216	1,554,037,216
	Present value adjustment	(849,177,524)	(849,177,524)
		704,859,692	704,859,692
	Unwinding of discount	232,236,543	131,833,375
	Present value of sponsor shareholders' loan	937,096,235	836,693,067

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

Rupees		Note	2016	2015 Restated
21.	**DEFERRED LIABILITIES**			
	Deferred taxation - net	21.1	623,926,972	237,052,327
	Retirement benefit obligation	21.2	81,675,140	59,652,572
	Deferred income	21.3	3,780,000	2,833,500
			709,382,112	299,538,399
21.1	**Net deferred tax liability is recognized in respect of following temporary differences:**			
	Credit balances arising in respect of taxable temporary differences on account of:			
	- Accelerated tax depreciation		535,760,534	258,316,901
	- Equity portion of sponsor shareholders' loan		191,251,704	234,317,207
			727,012,238	492,634,108
	(Debit) balance arising in respect of deductible temporary differences on account of:			
	- Unused tax losses		-	(82,188,917)
	- Unused tax credits , minimum taxes etc.		(78,778,744)	(161,922,358)
	- Others		(24,306,522)	(11,470,506)
			(103,085,266)	(255,581,781)
			623,926,972	237,052,327

The management conducts periodic assessment to assess the benefit of the unavailed tax credits in respect of minimum tax, taxable losses & other tax credits as the Company would be able to set off the taxable profit earned in future years against them. Based on such assessment, the management has recognised these tax credits, which are determined on the basis of projected taxable profits of the Company for future years. The determination of future taxable profits is most sensitive to certain key assumptions such as capacity utilization, margins and duties etc. Accordingly, any significant change in the key assumptions may have an effect on the reliability of deductible temporary differances.

Rupees		2016	2015 Restated
21.1.2	**Movement in the deferred tax liability during the year is as follows:**		
	Opening balance	237,052,327	159,260,356
	Charge for the year recognized in:		
	- Profit & loss account - in respect of current year	427,989,075	1,024,352
	- Profit & loss account - reclassified from equity to profit and loss account	(43,065,503)	(28,686,620)
	- Equity - in respect of equity portion of sponsor shareholders' loan	-	105,690,205
	- Other comprehensive income - in respect of retirement benefit obligation	1,951,073	(235,966)
	Closing balance	623,926,972	237,052,327

Rupees		2016	2015
21.2	**Retirement benefit obligation**		
	Present value of amount recognized in balance sheet	81,675,140	59,652,572

The Company operates a defined benefit plan which comprises of an unfunded gratuity scheme for its permanent employees. The scheme defines the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the scheme. Actuarial valuation of the scheme is carried out every year. The latest actuarial valuation was carried out on June 30, 2016 using Projected Unit Credit method by an approved actuary. Details of the obligation as per the actuarial valuation is as follows:

Rupees		2016	2015
21.2.1	**Movement in balance sheet liability:**		
	Opening balance	59,652,572	35,258,666
	Expense charged to profit & loss account	20,118,683	27,405,993
	Remeasurements recognized in other comprehensive income	6,293,784	715,048
		86,065,039	63,379,707
	Less: benefits paid	(4,389,899)	(3,727,135)
	Present value of defined benefit obligation	81,675,140	59,652,572

Rupees	2016	2015
21.2.2 Movement in present value of defined benefit obligation:		
Opening liability	59,652,572	35,258,666
Current Service cost	15,099,974	12,010,394
Past service cost	-	10,970,749
Interest cost on defined benefit obligation	5,018,709	4,424,850
Actuarial (loss) on remeasurement of retirement benefit obligation	6,293,784	715,048
Benefits paid	(4,389,899)	(3,727,135)
Present value of defined benefit obligation as June 30,	81,675,140	59,652,572

21.2.3 Expense charged to profit & loss account consists of:		
Current Service cost	15,099,974	12,010,394
Past service cost	-	10,970,749
Interest cost	5,018,709	4,424,850
	20,118,683	27,405,993

21.2.4 Amounts recognized in other comprehensive income are:		
Actuarial loss on retirement benefit obligation	6,293,784	715,048

21.2.5 Expense charged to profit & loss account:		
Cost of sales	12,820,661	20,554,495
Distribution cost	641,560	270,423
Administrative expenses	6,656,462	6,581,075
	20,118,683	27,405,993

Rupees	2016	2015
21.2.6 Key actuarial assumptions used:		
Discount rate used for interest cost %	9.75%	13.25%
Discount rate used for benefit obligation %	7.25%	9.75%
Future salary increased %	6.25%	8.75%
Next salary increase	01-Jul-17	01-Jul-16
Pre-retirement mortality	SLIC 2001-2005 Set back 1 year	SLIC 2001-2005 Set back 1 year
Withdrawal rates	Age based	Age based
Retirement assumption	Age 60	Age 60
Actuarial valuation method used	Projected unit credit (PUC) actuarial cost method	

Expenses of defined benefit plan is calculated by the actuary. Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2016.

21.2.7 Sensitivity analysis for actuarial assumptions

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

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+- by 100 bps	69,392,532	83,167,208
Salary increase	+- by 100 bps	83,323,763	69,142,085

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

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

Based on actuary's advice, the amount of expected liability in respect of gratuity fund in 2016-17 will be Rs. 22.886 million.

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

21.2.8 Experience adjustments in respect of:

	2016	2015	2014	2013
Benefit obligation	6,293,784	715,048	13,847,244	993,973

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

Rupees	Note	2016	2015
22. TRADE AND OTHER PAYABLES			
Creditors			
- Local		59,030,030	112,032,539
- Foreign		1,217,591,483	3,055,198,443
		1,276,621,513	3,167,230,982
Murabahah - secured	22.1	601,279,916	258,733,825
Accrued liabilities			
- Salaries, wages & benefits payable		44,843,033	36,934,676
- Others		1,070,000	1,217,800
		45,913,033	38,152,476
Utilities payable		70,184,393	126,557,923
Withholding taxes payable		4,873,357	2,779,410
Advances from customers			
- Foreign		146,589,698	190,738,223
- Local			
- Mughal Steel Metallurgies Corporation Limited (Related party)		-	71,144,669
- Others		25,122,083	43,792,907
		171,711,781	305,675,799
Unclaimed dividends		294,571	-
Regulatory duty payable	22.2	-	333,090,324
Workers' profit participation fund payable	22.3	68,013,042	38,156,726
Workers' welfare fund payable		14,929,449	-
		2,253,821,055	4,270,377,465

22.1 This represents Murabaha / Import Murabahah facilities obtained for purchase of used / bailed tires, direct reduced iron, cobble plates, steel scrap/billet, Ferro silicone / ferro manganese / Ferro chrome and silicone manganese etc. and retirement of LCs. These facilities carry profit rate ranging between KIBOR + 0.85 % to 1.25 % per annum. The facilities are secured against 1st pari passu charge and ranking charge over present and future current assets of the Company. The above funded facilities have been obtained against total limit of Rs. 2,825.000 million out which Rs. 2,223.720 million remained un-utilized. The aggregate available unfunded facilities and the amounts remaining unavailed at the year end have been disclosed in Note. 24.5.

22.2 This was paid off during the year.

Rupees	2016	2015
22.3 Workers' profit participation fund payable:		
Opening balance	38,156,726	20,927,908
Allocation for the year	68,013,042	38,156,726
	106,169,768	59,084,634
Paid during the year	(38,156,726)	(20,927,908)
Closing balance	68,013,042	38,156,726

Rupees	Note	2016	2015
23. ACCRUED PROFIT / INTEREST / MARK-UP			
Payable in respect of:			
Long term borrowings		2,293,170	7,344,073
Short term borrowings			
- Related party	24.3	-	15,329,630
- Others		34,264,406	20,548,734
		34,264,406	35,878,364
		36,557,576	43,222,437
24. SHORT-TERM BORROWINGS			
From banking companies - secured:	24.1		
Short-term borrowings		2,178,881,831	1,691,412,153
Short-term running finances		649,825,159	203,640,075
		2,828,706,990	1,895,052,228
From related parties - unsecured:			
Sponsor shareholders	24.2	382,295,370	-
Mughal Energy Limited	24.3	-	312,502,421
		382,295,370	312,502,421
		3,211,002,360	2,207,554,649
Temporary bank overdraft	24.4	287,795,888	151,350,482
		3,498,798,248	2,358,905,131

24.1 These facilities have been obtained from various banking companies for meeting working capital requirements and are secured by charge over current and future assets of the Company, personal guarantees of the Directors, pledge of stocks, lien over documents and title of ownership of goods imported under letters of credit, Lien over EE statements and against Trust Receipts duly executed in favour of banks. These facilities carry mark-up at the rates ranging from SBP rate + 1% to 3 MK + 1.25% (2015: SBP rate +1% to 3 MK+ 1.50%) per annum.

24.2 This represents interest free and unsecured short-term loan from sponsor shareholders and is repayable at their discretion.

24.3 This represented unsecured short-term advance from Mughal Energy Limited, which was fully repaid during the year. It carried interest ranging from 6.35% to 9.50% per annum.

24.4 This represents temporary overdraft due to cheques issued by the Company at the reporting date to be met with subsequent deposits.

24.5 The aggregate available funded facilities amounted to Rs. 7,439.000 million (2015: Rs. 5,550.000 million) out of which Rs. 4,385.065 million (2015: 3,654.948 million) remained unavailed at the year end. Facilities available for opening letters of credit / guarantee aggregate to Rs. 11,160.500 million (2015: Rs. 10,414.500 million) out of which Rs. 8,283.144 million (2015: Rs. 7,752.450 million) remained unutilized at the year end.

25. CONTINGENCIES AND COMMITMENTS

Contingencies:

i) The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), thus rendering the Company liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. However, in 2013, a larger bench of Sindh High Court (SHC) passed an order declaring that the amendments introduced through Finance Act 2008 do not suffer from any constitutional and legal infirmity. Both the decisions of LHC and SHC are pending before Supreme Court for adjudication. The management is of the view that the decision of LHC will remain applicable to the Company as the Company's registered office is situated in its jurisdiction till the decision of Supreme Court. Accordingly, aggregate net of tax provision of Rs. 29.165 million (June 2015: Rs. 27.841 million) has not been recorded in these financial statements.

ii) Writ petition has been filed before the Honourable Lahore High Court against demand of Rs. 18.324 million raised by the Customs Authorities which was created by treating wastage recovered during manufacturing process of M.S Products as sale of recoverable waste instead of burning loss. The Company has temporarily deposited Rs. 4.717 million under protest against the above demand. However, no provision has been made in these financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

iii) Writ petition has been filed before the Honourable Lahore High Court against demand of surcharge of Rs. 18.601 million raised by the Customs Authorities. The demand was created on the grounds that the material imported under public bond was not used for manufacturing goods to be exported, although the Company had deposited the applicable duties and taxes before clearance of goods. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

iv) Sales tax liability of Rs. 7.638 million was determined vide investigation initiated u/s 38 of Sales Tax Act 1990 on the in-house consumption of Ferro silicon. Appeal was filed before the ATIR who remanded the case back to the revenue department for reconsideration. The matter is currently pending at the relevant forum. However, no provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

v) The Additional Commissioner Inland Revenue (ACIR) passed an amended assessment order u/s 122(1)/122(5A) for tax year 2013 and created demand of Rs. 198.484 million. The Company filed appeal before CIR(A). However CIR(A) maintained the order of ACIR. The Company subsequently filed an appeal before ATIR who accepted the appeal of the Company. However, effect to ATIR order u/s 124 is pending at the end of ACIR. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

vi) The Commissioner Inland Revenue (CIR) selected the Company for audit u/s 177 of the Income Tax Ordinance, 2001, against which writ petition was filed before the Honourable Lahore High Court. The Honourable Lahore High Court disposed of the writ allowing the CIR to conduct audit of the tax payer but only after confronting issues and providing an hearing opportunity to the Company. However, instead of confronting the issues and providing the hearing opportunities, the DCIR demanded the Company to provide its records for audit. The Company's stance was that in the light of Honourable Lahore High Court decision, the DCIR should first confront the Company with the issues for selection. However, the DCIR instead of confronting the issues or providing an hearing opportunity to the Company passed an order u/s 122(5)/177 creating a demand of Rs. 1,056.773 million. The Company filed a writ against the said order as it was passed against the direction of the Honourable Lahore High Court in W.P No. 8170/2011. The Honourable Court issued notices to the respondents and also suspended operation of

DCIR order. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

vii) Tax liability amounting to Rs. 18.537 was created u/s 161/205 by ACIR. The said order was set aside by CIR(A) and the matter was remanded back to the assessing officer for de novo consideration with direction to provide fair opportunity to the appellant. Against CIR(A) cross appeals are pending before ATIR. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

viii) A demand of Rs. 85.552 million was raised by ACIR for Tax Year 2015. Appeal against same was filed before CIR(A) who allowed relief to the company. However, the company filed rectification application u/s 221 to CIR(A) on issues which were not addressed by CIR(A) in his order. The rectification application is pending before the CIR(A) for adjudication. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

ix) Appeals were filed with the CIR(A) against demands on account of charging further tax on sales to un-registered persons. The CIR(A) vacated the order and remanded the cases back to the ACIR, regarding charging of sales tax liability of Rs. 18.28 million. The ACIR has not yet given his findings in the light of aforementioned CIR (A) order. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

x) A demand of Rs. 1.912 million was raised by the Deputy Director Administration, PESSI on account of contribution arrears of employees. A complaint under section 57 of Social Security Ordinance, 1965 has been filed against the said demand. No provision has been made in these financial statements as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

xi) Writ petition has been filed before the Honourable Lahore High Court against demand of Rs. 1.581 million. The Company has challenged the constitutionality of Punjab Infrastructure Development Cess Act 2015. However, no provision has been made in these financial statements in respect of the matter as the management and the Company's legal advisor are confident that the ultimate outcome of this case will be in favour of the Company.

xii) The Company has issued post dated cheques in favour of customs department aggregating to Rs. 283.369 million (June 2015: Rs. 508.918 million) on account of duties and taxes in respect of material imported in bonded warehouses.

xiii) Aggregate amount of guarantees issued by banks on behalf of the Company amounted to Rs. 212.117 million. (June 2015: Rs. 319.771 million).

Rupees		2016	2015
Commitments:			
i)	Non-capital commitments	1,448,895,304	2,012,185,698
ii)	Capital commitments	52,787,305	-
iii)	The amount of future payments under operating leases and the period in which these payments will become due are as follows:		
	Not later than one year	1,440,000	1,440,000
	Later than one year and not later than five years	5,760,000	7,200,000
		7,200,000	8,640,000

Rupees		Note	2016	2015
26.	**SALES - NET**			
	Local	26.1	18,467,174,935	10,622,384,143
	Less: - Sales tax		-	(17,009,179)
	-Sales return		(149,975,001)	-
			(149,975,001)	(17,009,179)
			18,317,199,934	10,605,374,964
	Export		666,278,858	1,635,896,888
			18,983,478,792	12,241,271,852

26.1 This includes trading sales amounting to Rs. Nil (2015: Rs. 94.495 million). The related cost has been included in cost of sales.

Rupees		Note	2016	2015 Restated
27.	**COST OF SALES**			
	Opening stock of raw material		2,539,081,770	1,082,698,119
	Add: purchases - net		13,579,071,477	9,896,962,554
			16,118,153,247	10,979,660,673
	Less: closing stock of raw material		(2,865,490,150)	(2,539,081,770)
	Raw material consumed		13,252,663,097	8,440,578,903
	Wages, salaries & other benefits	27.1	337,520,421	244,241,908
	Stores, spares & loose tools consumed		679,360,102	783,027,839
	Fuel and power		2,234,657,614	1,165,479,709
	Repair & maintenance		10,799,353	6,403,886
	Other manufacturing expenses		46,903,238	48,932,040
	Depreciation		77,444,271	73,273,680
	Cost of goods manufactured		16,639,348,096	10,761,937,965
	Add: opening stock of finished goods		381,047,176	547,927,209
	Less: transfer to capital work-in-progress		(4,860,350)	(13,900,768)
	Less: closing stock of finished goods		(90,876,482)	(381,047,176)
			16,924,658,440	10,914,917,230

27.1 This includes Rs. 12.821 million (2015: Rs. 20.554 million) on account of retirement benefit charge.

27.2 Cost of sales relating to trading sales amounted to Rs. Nil (2015: Rs. 90.391 million).

Rupees	Note	2016	2015
28. DISTRIBUTION COST			
Salaries & other benefits		5,888,683	3,872,869
Freight & forwarding		66,812,968	42,157,565
Sales promotion & marketing expenses		21,265,297	15,640,340
Travelling		726,483	175,803
Vehicle running & maintenance		30,000	-
		94,723,431	61,846,577

28.1 This includes Rs. 0.642 million (2015: 0.270 million) on account of retirement benefit charge.

Rupees	Note	2016	2015
29. ADMINISTRATIVE EXPENSES			
Directors' remuneration		35,160,000	19,200,000
Salaries & other benefits	29.1	95,311,224	86,994,582
Travelling & conveyance		1,292,490	3,023,059
Postage, telephone & fax		2,781,123	1,294,965
Printing, stationery & office supplies		9,738,106	1,571,560
Legal & professional charges		1,869,000	3,809,309
Mess & entertainment expenses		4,281,129	366,770
Fee & subscription		7,613,056	4,437,177
Rent, rates & taxes		1,440,000	1,440,000
Repair and maintenance		1,239,945	1,324,185
Computer expenses		75,150	984,121
Vehicle running & maintenance		1,850,978	1,862,920
Utilities		19,917,772	14,728,808
Insurance		171,266	478,943
Miscellaneous		-	32,601
Depreciation	6.1.1	24,774,131	18,773,742
		207,515,370	160,322,742

29.1 This includes Rs. 6.656 million (2015: 6.581 million) on account of retirement benefit charge.

Rupees	Note	2016	2015
30. OTHER CHARGES			
Workers' profit participation fund		68,013,042	38,156,726
Workers' welfare fund		14,929,449	-
Charity & donations	30.1	-	3,064,471
Loss on sale of store items		-	119,984
Balances written off		2,520,518	1,957,013
Auditors' remuneration	30.2	1,195,000	1,070,000
Loss on sale of fixed assets		-	819,369
		86,658,009	45,187,563

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

Rupees	Note	2016	2015
30.2 Auditors' remuneration			
Audit fee		1,000,000	1,000,000
Interim audit fee		125,000	-
Review report on code of corporate governance		50,000	50,000
Out of pocket expenses		20,000	20,000
		1,195,000	1,070,000

31. OTHER INCOME			
Income from financial assets:			
Return on deposit accounts		10,744,539	2,016,182
Return on held to maturity investments		18,256,761	4,644,711
Exchange gain		-	1,757,950
Balances written back		10,150,042	1,557,236
		39,151,342	9,976,079
Income from assets other than financial assets:			
Gain on sale of fixed assets		3,405,793	-
Rental income from related party		4,800,000	4,800,000
		8,205,793	4,800,000
		47,357,135	14,776,079

Rupees	2016	2015 Restated
32. FINANCE COST		
Profit / interest / mark-up in respect of:		
Advance from related party	22,676,226	15,329,630
Short-term borrowings	133,130,771	291,530,275
Long-term financing	13,845,431	34,198,144
	169,652,428	341,058,049
Notional interest on sponsors' loan	100,403,168	89,645,686
Exchange loss	106,893,431	-
Bank & other charges	48,083,855	8,974,205
	425,032,882	439,677,940

32.1 Borrowing cost capitalized during the year amounted to Rs. Nil million (2015: Rs. 6.769 million). The rate of mark-up has been disclosed in Note. 20 to the financial statements.

Rupees	2016	2015 Restated
33. TAXATION		
Current tax		
- Current year	-	-
- Prior years	13,912,642	2,591,978
	13,912,642	2,591,978
Deferred tax		
- Current year	427,989,075	1,024,352
- Reclassified from equity to profit and loss account	(43,065,503)	(28,686,620)
	384,923,572	(27,662,268)
	398,836,214	(25,070,290)

33.1 Relationship between income tax expense and accounting profit:

Profit before taxation	1,292,247,794	634,095,879
Tax on accounting profit at the applicable tax rate of 32% (2015: 33%)	413,519,294	209,251,640
Tax effect of amounts that are admissible for tax purposes	(188,814,545)	(108,362,157)
Tax effect of amounts that are inadmissible for tax purposes	68,775,217	44,046,204
Tax effect of tax credits / losses / minimum taxes	(315,645,604)	(88,441,158)
Income subject to final and minimum taxation	(4,889,700)	(56,494,529)
Income subject to super tax	27,055,338	-
Effect of prior year	13,912,642	2,591,978
Tax effect of timing differences	384,923,572	(27,662,268)
	398,836,214	(25,070,290)
Average rate of tax	31%	-4%

33.2 The tax provision is calculated by considering the tax applicable on local, exports and trading income in view of provisions of various sections of Income Tax Ordinance, 2001, after taking to account any adjustments of brought forward tax losses, minimum taxes and tax credits (if any) available under the Income Tax Ordinance, 2001.

33.3 The income tax assessments of the Company have been finalized up to and including the assessment year 2008, except for Tax Year 2004. Tax returns of subsequent years are deemed to be assessed under provisions of the Income Tax Ordinance, 2001, unless selected for audit by the taxation authorities. The Commissioner of Income Tax may at any time during the period of five years from date of filing of return, select the deemed assessment order for audit. As at the year end, the Company has filed tax returns up to tax year 2015.

33.4 The Finance Act, 2015 introduced certain amendments relating to taxation of companies. As per these amendments a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital was levied. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year. The Company is not liable to pay any tax in respect of aforementioned tax, as the required criteria for taxability is not applicable, in case of the Company.

Rupees		Note	2016	2015 Restated
34.	**BASIC & DILUTED EARNINGS PER SHARE**			
	Profit after taxation attributable to ordinary shareholders		893,411,580	659,166,169
	Weighted average number of ordinary shares - (2015: restated)	34.1	125,799,825	105,287,325
	Basic earnings per share - (2015: restated)		7.10	6.26

34.1 During the current year, the Company has issued 15% bonus shares (i.e. 1.5 ordinary shares for every 10 ordinary shares held), which has resulted in restatement of weighted average number of ordinary shares and basic earnings per share for the year ended June 30, 2015. This effect on basic earnings per share is in addition to the effect of restatement as mentioned in note. 4.23.

34.2 Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2016.

Rupees		Note	2016	2015
35.	**CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**			
	Cash and bank balances		576,057,937	450,323,976
	Temporary overdrawn		(287,795,888)	(151,350,482)
	Short-term running and cash finances		(1,174,825,159)	(761,390,075)
			(886,563,110)	(462,416,581)

Rupees	2016	2015 Restated
36. CASH (USED IN) / GENERATED FROM OPERATIONS		
Profit before taxation	1,292,247,794	634,095,879
Adjustments for non-cash charges and other items:		
Depreciation	102,218,402	92,047,422
Finance costs	217,736,283	350,032,254
Notional interest on sponsor shareholders' loan	100,403,168	89,645,686
Retirement benefit charge	20,118,683	27,405,993
Balances written back	(10,150,042)	(1,557,236)
Balances written off	2,520,518	1,957,013
(Gain) / loss on sale of fixed assets	(3,405,793)	819,369
Provision against regulatory duty	-	186,372,238
Return on 'held-to-maturity' investments	(18,256,761)	(4,644,711)
Provision for workers' profit participation fund	68,013,042	38,156,726
Provision for workers' welfare fund	14,929,449	-
Profit before working capital changes	494,126,949	780,234,754
Effect on cash flow due to working capital changes	1,786,374,743	1,414,330,633
Decrease / (Increase) in current assets:		
Stores, spare & loose tools	(57,020,056)	(52,043,578)
Stock-in-trade	591,635,383	(1,982,330,582)
Trade debts	(469,164,420)	(154,150,446)
Advances	134,154,853	(41,404,181)
Short-term deposits & prepayments	408,785,775	(444,465,658)
Refunds due from the Government	(349,199,473)	(40,814,808)
Other receivables	988,795	1,500,001
	260,180,857	(2,713,709,252)
(Decrease) / Increase in current liabilities:		
Trade and other payables	(2,051,486,704)	3,647,817,409
	(4,931,104)	2,348,438,790

37. CAPACITY AND PRODUCTION		
Total installed capacity (MT)		
Melting	546,000	366,000
Re-Rolling	688,000	688,000
Installed capacity availability (MT)		
Melting	155,719	72,250
Re-Rolling	326,563	229,688
Actual production (MT)		
Melting	99,657	59,557
Re-Rolling	245,675	180,230

37.1 Overall production is subject to availability of electricity and current available load capacity. Currently the Company is fully utilizing its available load capacity from its dedicated grid station. Melting production is dependant on availability of surplus load capacity after meeting Rolling production.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2016

Rupees	2016	2015
38. NUMBER OF EMPLOYEES		
Number of employees as at the end of the year	578	575
Weighted average number of employees	595	537

39. RELATED PARTY DISCLOSURES

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

Rupees	2016	2015
Associated companies / undertakings		
Mughal Steel (Sole Proprietor)		
- Sale	-	49,964,266
- Service charges	-	12,717,230
Fine Steel (Sole Proprietor)		
- Sale	-	169,051,433
- Service charges	-	25,732,476
Mughal Steel Metallurgies Corporation Limited		
- Sale	777,950,270	2,756,249
- Rolling income	82,428,886	-
- Rolling charges	36,922,952	-
- Rental income	4,800,000	4,800,000
- Reimbursement of expenses	30,347,214	-
Al-Bashir Steel Industries (Private) Limited		
- Rent paid	1,440,000	1,440,000

Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method. Outstanding balances with related parties as at year end have been disclosed in relevant notes. There are no transactions with key management personnel other than under the terms of employment. Any transactions, if any, with key management other than under terms of employment have been disclosed in relevant notes. Transactions, with key management under terms of employment have been disclosed in note. 40.

40. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

	Chief Executive		Executive Director		Executives	
Rupees	2016	2015	2016	2015	2016	2015
Managerial remuneration	9,900,000	6,000,000	9,900,000	6,000,000	43,704,419	37,312,509
Other allowances	-	-	-	-	17,618,215	16,730,330
	9,900,000	6,000,000	9,900,000	6,000,000	61,322,634	54,042,839
Number of persons	1	1	1	1	45	34

40.1 Non-executive directors of the Company including the Chairman, are paid remuneration aggregating Rs. 15.360 million (2015: Rs. 7.200 million) with view of encouraging value cration within the Company. Amount charged in these financial statements in respect of meeting fee for independent director aggregates to Rs. 45,000/-.

40.2 Chief Executive Officer, Executive Director and some of the Executives are provided with Company maintained cars in accordance with their terms of employment. Executives include employees other than the Chief Executive and Directors whose annual basic salary is more than Rs. 500,000/- in a financial year.

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

40.4 The Chief Executive, Executive Director and Executives as above including close members of the families of such individuals, represent key management personnel of the Company, i.e. persons having authority and responsibility for planning, directing and controlling the activities of the Company.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

41.1 Financial instruments by category

Rupees	Other financial liabilities	Loans & receivables	Held to maturity	Total
Financial assets measured at amortized cost		**June 30, 2016**		
Maturity within one year:				
- Trade debts	-	939,886,798	-	939,886,798
- Advances	-	16,055,097	-	16,055,097
- Short-term deposits & prepayments	-	38,450,172	-	38,450,172
- Other receivables	-	3,164,243	-	3,164,243
- Short-term investments	-	-	108,492,583	108,492,583
- Cash and bank balances	-	576,057,937	-	576,057,937
Maturity after one year				
- Long-term loan to employees	-	1,909,300	-	1,909,300
- Long-term deposits	-	18,258,313	-	18,258,313
	-	1,593,781,860	108,492,583	1,702,274,443
Financial liabilities measured at amortized cost				
Maturity within one year:				
- Trade and other payables	1,994,293,426	-	-	1,994,293,426
- Accrued profit / interest / mark-up	36,557,576	-	-	36,557,576
- Short-term borrowings	3,498,798,248	-	-	3,498,798,248
- Current maturity of long-term liabilities	72,460,528	-	-	72,460,528
Maturity after one year:				
- Long-term financing	973,844,194	-	-	973,844,194
	6,575,953,972	-	-	6,575,953,972
Financial assets measured at amortized cost		**June 30, 2015**		
Maturity up to one year:				
- Trade debts	-	473,242,896	-	473,242,896
- Advances	-	12,039,875	-	12,039,875
- Short-term deposits & prepayments	-	-	447,895,827	447,895,827
- Other receivables	-	4,361,925	-	4,361,925
- Short-term investments	-	-	524,620,436	524,620,436
- Cash and bank balances	-	450,323,976	-	450,323,976
Maturity after one year				
- Long-term loan to employees	-	1,751,620	-	1,751,620
- Long-term deposits	-	18,258,313	-	18,258,313
	-	959,978,605	972,516,263	1,932,494,868
Financial liabilities measured at amortized cost				
Maturity within one year:				
- Trade and other payables	3,590,675,206	-	-	3,590,675,206
- Accrued profit / interest / mark-up	43,222,437	-	-	43,222,437
- Short-term borrowings	2,358,905,131	-	-	2,358,905,131
- Current maturity of long-term liabilities	139,421,905	-	-	139,421,905
Maturity after one year:				
- Long-term financing	950,936,943	-	-	950,936,943
	7,083,161,622	-	-	7,083,161,622

Rupees	2016	2015
Off balance sheet financial instruments		
Letters of credits	1,501,682,609	2,012,185,698
Letters of guarantees	212,117,000	649,861,899
	1,713,799,609	2,662,047,597

41.2 Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its long-term deposits, long-term loan to employees, trade debts, advances to employees, other receivables, short-term investments and its balances with banks.

To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counter party limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

i) Exposure to credit risk:

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

Rupees	2016	2015
Financial assets at amortized cost		
Held-to-maturity financial assets:		
- Short-term investments	108,492,583	524,620,436
Loans & receivables:		
- Long-term loans to employees	1,909,300	1,751,620
- Long-term deposits	18,258,313	18,258,313
- Trade debts	939,886,798	473,242,896
- Advances	16,055,097	12,039,875
- Short-term deposits & prepayments	38,450,172	447,895,827
- Other receivables	3,164,243	4,361,925
- Bank balances	573,666,318	449,991,705
	1,591,390,241	1,407,542,161
	1,699,882,824	1,932,162,597
Secured	18,745,917	462,171,042
Unsecured	1,681,136,907	1,469,991,555
	1,699,882,824	1,932,162,597

ii) Concentration of credit risk:

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

Rupees	2016	2015
Customers	939,886,798	473,242,896
Banking companies and financial institutions	682,541,624	1,423,397,378
Others	77,454,402	35,522,323
	1,699,882,824	1,932,162,597

iii) Credit quality and impairment:

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Counterparties, with the exception of customers, long-term loans to employees, long-term deposits and other receivables, (except for interest accrued) have external credit ratings determined by various credit rating agencies.

a) Counterparties without external credit ratings:

The counterparties for which external credit ratings are not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations. These mainly include customers which are counterparties to local trade debt against sale of steel products. Long-term loans to employees, long-term deposits and other receivables are considered good.

The analysis of ages of trade debts of the Company as at the reporting date is as follows:

Rupees	2016	2015
- Not past due 30 days	493,465,644	229,069,817
- Past due 31-90 days	416,177,542	240,363,762
- Past due 31-180 days	27,797,864	2,842,391
- Past due 181-360 days	1,473,778	966,926
- Past due 360 days	971,970	-
	939,886,798	473,242,896

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

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

b) Counterparties with external credit ratings:

These include banking companies and financial institutions which are counterparties to cash deposits, term deposits, margin deposits thereon etc.

Following are the credit ratings of the counterparties with external credit ratings:

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

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

Out of the total balances of Rs 682.158 million (2015: Rs 1,423.397 million) placed with banking companies and financial institutions, amounts aggregating to Rs. 375.915 million (2015: Rs 722.230 million) are with banks having short-term credit rating of A1+. Whereas the remaining amounts are placed with banks having minimum short term credit rating of A2. Management, after giving due consideration to their strong financial standing, does not expect non-performance by these counter parties on their obligations to the company.

41.3 Liquidity Risk

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note. 25.4 to the financial statements is a detail of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

i) Exposure to liquidity risk:

The following are the remaining contractual maturities at the reporting date. The amounts are grossed and undiscounted, except, for sponsor shareholders' loans from which has been discounted (note. 20.2) and include estimated interest payments and exclude the impact of netting agreements.

	June 30, 2016				
Rupees	Carrying ammount	Contractual cash flows	Within 1 year	Between 1 & 5 years	After 5 year
Non-derivative financial liabilities					
At amortized cost					
- Long-term financing	1,046,304,722	1,675,192,203	82,728,566	1,592,463,637	-
- Short-term borrowings	3,498,798,248	3,498,798,248	3,498,798,248	-	-
- Trade and other payables	1,994,293,426	1,994,293,426	1,994,293,426	-	-
- Accrued profit / interest / mark-up	36,557,576	36,557,576	36,557,576	-	-
	6,575,953,972	7,204,841,453	5,612,377,816	1,592,463,637	-

	June 30, 2015				
Rupees	Carrying ammount	Contractual cash flows	Within 1 year	Between 1 & 5 years	After 5 year
Non-derivative financial liabilities					
At amortized cost					
Long-term financing	1,090,358,848	1,123,270,102	155,877,532	130,699,503	836,693,067
Short-term borrowings	2,358,905,131	2,358,905,131	2,358,905,131	-	-
Trade and other payables	3,590,675,206	3,590,675,206	3,590,675,206	-	-
Accrued profit / interest / mark-up	43,222,437	43,222,437	43,222,437	-	-
	7,083,161,622	7,116,072,876	6,148,680,306	130,699,503	836,693,067

41.4 Market Risk

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

i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The company is mainly exposed to currency risk on foreign creditors and foreign letter of creditors which are denominated in currency other than the functional currency of the Company.

a) Exposure to currency risk:

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

Rupees	2016	2015
	FCY	FCY
Liabilities:		
- Foreign creditors (USD)	11,552,186	30,010,850
- Foreign creditors (EURO)	77,150	-
Off balance sheet items:		
- Outstanding letters of credit (USD)	14,342,718	19,218,584
The following exchange rate has been applied as at the reporting date		
USD	104.70	101.78
EURO	116.31	-

The figures represent foreign currency balances after conversion in Pak Rupees using exchange rates prevailing at the balance sheet date.

b) Sensitivity analysis:

At the reporting date, if the PKR had reasonably possibly strengthened / weakened by 5% against USD, it would have affected the measurement of financial instruments denominated in foreign currency and affected profit after taxation by the amounts shown below at the balance sheet date.

Rupees	2016	2015
Net effect on profit after tax due to:		
- increase / decrease in foreign creditors (USD)	60,475,694	152,725,216
- increase / decrease in foreign creditors (EURO)	448,666	-
- increase / decrease in outstanding letters of credit (USD)	75,084,130	97,803,372
	136,008,490	250,528,587

The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

c) Currency risk management:

The Company manages by maintianing balance between sight and deferred letters of credit and switching amongst them when required necessary.

ii) Price risk:

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

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

iii) Interest rate risk:

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Exposure to interest rate risk:

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was as follows:

Rupees	2016	2015
Financial assets:		
Fixed rate instruments		
- Short-term investments	108,492,583	524,620,436
Financial liabilities:		
Fixed rate instruments		
- Sponsor shareholders' loan	937,096,235	836,693,067
- Advance from related party	-	312,502,421
	937,096,235	1,149,195,488
Variable rate instruments		
- Long-term financing	109,208,487	253,665,781
- Short-term borrowings	3,812,282,276	2,153,786,053
	3,921,490,763	2,407,451,834

b) Sensitivity analysis:

Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilties that mature or re-price in a given period.

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at reporting date would have increased / decreased profit for the year by Rs. 30.321 million (2015: 27.635 million).

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

c) Interest rate risk management:

The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company's significant borrowings are based on variable rate pricing that is mostly dependent on Karachi Inter bank Offer Rate ("KIBOR") as indicated in respective notes.

41.5 Fair value measurements

i) Fair value at initial recognition

The Company takes in to account factors specific to the transaction and to the asset or liability, when determining whether or not the fair value at initial recognition equals the transaction price. Except for sponsor shareholders' loan, long term loans to employees and long term deposits, the fair value of financial assets and financial liabilities recognised in these financial statements equals the transaction price at initial recognition. Due to immaterial effect the fair value of long-term loans to employees and long-term deposits has not been determined and their is carrying value has been assumed to be equal to their fair value.

ii) Valuation techniques and inputs used

The fair values of sponsors' loan at initial recognition has been determined in accordance with generally accepted pricing model based upon discounted cash flow analysis, with the most significant input representing Level 2 being the adjusted discount rate that reflects the credit risk of counterparties. Since the discount factor which is significant to the entire measurement has been adjusted, therefore, the fair value measurement of sponsors' loan has been categorised within Level 3 of the fair value hierarchy.

The interest rate used to discount estimated cash flows, reflects assumptions that market participants would use when pricing a financial liability of similar nature and characteristics.

For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

iii) Fair value of the Company's financial assets and liabilities that are measured at fair value on recurring basis after initial recognition:

The Company does not measure any financial assets and financial liabilities at fair value on recurring basis.

iv) Fair value of the Company's financial assets and liabilities that are not measured at fair value after initial recognition:

The carrying amount of financial assets and financial liabilities recognized in these financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost have been determined for disclosure purposes only and have been categorised in level 2 of fair value hierarchy except for sponsor shareholders' loan which has been categorised in level 3.

Rupees	June 30, 2016 Carrying amount	June 30, 2016 Fair value	June 30, 2015 Carrying amount	June 30, 2015 Fair value
Financial assets carried at amortized cost:				
- Long-term loan to employees	1,909,300	1,909,300	1,751,620	1,751,620
- Long-term deposits	18,258,313	18,258,313	18,258,313	18,258,313
- Trade debts	939,886,798	939,886,798	473,242,896	473,242,896
- Advances	16,055,097	16,055,097	12,039,875	12,039,875
- Short-term deposits & prepayments	38,450,172	38,450,172	447,895,827	447,895,827
- Other receivables	3,164,243	3,164,243	4,361,925	4,361,925
- Short-term investments	108,492,583	108,492,583	524,620,436	524,620,436
- Cash and bank balances	576,057,937	576,057,937	450,323,976	450,323,976
	1,702,274,443	1,702,274,443	1,932,494,868	1,932,494,868
Financial liabilities carried at amortized cost:				
- Trade and other payables	1,994,293,426	1,994,293,426	3,590,675,206	3,590,675,206
- Accrued profit / interest / mark-up	36,557,576	36,557,576	43,222,437	43,222,437
- Short-term borrowings	3,498,798,248	3,498,798,248	2,358,905,131	2,358,905,131
- Long-term financing	1,046,304,722	1,046,304,722	1,090,358,848	1,090,358,848
	6,575,953,972	6,575,953,972	7,083,161,622	7,083,161,622

v) Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

a) Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Rupees	2016	2015
vi) Reconciliation of level 3 fair value measurement:		
Opening balance	836,693,067	393,751,766
Recognized in profit & loss account	100,403,168	89,645,686
Recognized in equity	-	353,295,615
Closing balance	937,096,235	836,693,067

42. OPERATING SEGMENTS

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

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

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

(iii) All non-current assets of the Company as at June 30, 2016 are located in Pakistan.

43. CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

Rupees		2016	2015
	Unit		
Total debt from banking companies	Rupees	2,937,915,477	2,148,718,009
Total debt from sponsors and related parties	Rupees	1,319,391,605	1,149,195,488
	Rupees	4,257,307,082	3,297,913,497
Less: cash and bank balances	Rupees	(576,057,937)	(450,323,976)
Net debt	Rupees	3,681,249,145	2,847,589,521
Total equity	Rupees	4,235,429,579	3,404,958,432
Total capital employed	Rupees	7,916,678,724	6,252,547,953
Gearing	Percentage	46%	46%

Total debt comprises of long-term financing & short-term borrowings excluding temporary overdraft.

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

44. CORRESPONDING FIGURES

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

Reclassified from component	Reclassified to component	Rupees
Equity portion of sponsor shareholders' loan	Capital reserve	
- Equity portion of sponsor shareholders' loan	- Equity portion of sponsor shareholders' loan	483,026,942
Trade & other payables	Short-term borrowings from Related party	
- Advance from related party	- Mughal Energy Limited	312,502,421
Cost of sales	Administrative expenses	
- Salaries, wages and benefits	- Salaries, wages and benefits	43,484,765

45. SUBSEQUENT EVENTS

The Board of Directors in its meeting held on September 26, 2016 (i) approved the transfer of Rs. 980.000 million from unappropriated profit to contingency reserve and (ii) proposed a final cash dividend of Rs. 3/- per ordinary share i.e. 30% amounting to Rs. 377.399 million for the year ended June 30, 2016. The dividend payment will be subject to approval of members at the forthcoming annual general meeting.

46. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 26, 2016 by the Board of Directors of the Company.

47. GENERAL

The figures have been rounded off to the nearest rupee.

Chief Executive Officer

Director

MUGHAL IRON & STEEL INDUSTRIES LIMITED

PATTERN OF SHAREHOLDDING

PATTERN OF SHAREHOLDDING

As on June 30, 2016

No. of shareholder	Having shares From	To	Shares held	Percentage
769	1	100	41885	0.0333
729	101	500	309232	0.2458
3099	501	1000	1923711	1.5292
991	1001	5000	2236424	1.7778
159	5001	10000	1205518	0.9583
50	10001	15000	648761	0.5157
30	15001	20000	550626	0.4377
17	20001	25000	385086	0.3061
15	25001	30000	419871	0.3338
12	30001	35000	397828	0.3162
11	35001	40000	414222	0.3293
3	40001	45000	129771	0.1032
9	45001	50000	442825	0.3520
2	50001	55000	105550	0.0839
7	55001	60000	404451	0.3215
1	60001	65000	63623	0.0506
2	65001	70000	130900	0.1041
2	70001	75000	144750	0.1151
5	75001	80000	388760	0.3090
2	85001	90000	179710	0.1429
1	90001	95000	91500	0.0727
4	95001	100000	400000	0.3180
1	100001	105000	103000	0.0819
3	110001	115000	340150	0.2704
2	115001	120000	235500	0.1872
3	120001	125000	374000	0.2973
1	130001	135000	131500	0.1045
2	145001	150000	300000	0.2385
2	150001	155000	307000	0.2440
1	155001	160000	155500	0.1236
1	165001	170000	167500	0.1331
2	185001	190000	375000	0.2981
1	190001	195000	190025	0.1511
1	195001	200000	200000	0.1590
1	205001	210000	209000	0.1661
1	215001	220000	215500	0.1713
1	225001	230000	230000	0.1828
1	235001	240000	240000	0.1908
1	240001	245000	241500	0.1920
1	250001	255000	254000	0.2019
1	265001	270000	268000	0.2130
1	280001	285000	283500	0.2254
1	300001	305000	303000	0.2409
1	325001	330000	328651	0.2612
1	365001	370000	369900	0.2940
2	370001	375000	749083	0.5955
1	450001	455000	455000	0.3617
2	495001	500000	994213	0.7903
2	570001	575000	1150000	0.9142
1	575001	580000	579489	0.4606
1	580001	585000	583000	0.4634
1	820001	825000	824418	0.6553
1	995001	1000000	1000000	0.7949
1	1135001	1140000	1136500	0.9034
1	1140001	1145000	1142500	0.9082
1	1310001	1315000	1312137	1.0430
1	1835001	1840000	1840000	1.4626
1	1935001	1940000	1938635	1.5410
1	2060001	2065000	2064900	1.6414
1	2240001	2245000	2244754	1.7844
1	2295001	2300000	2300000	1.8283
1	2775001	2780000	2777250	2.2077
1	28095001	28100000	28098111	22.3356
1	28100001	28105000	28102715	22.3392
1	29665001	29670000	29669890	23.5850
5974		Company Total	125799825	100.0000

CATEGORY OF SHAREHOLDERS

As on June 30, 2016

Particulrs	No of Folio	Balance Share	Percentage
SPONSORS, DIRECTORS, CEO AND CHILDREN	9	94347324	74.9980
BANKS, DFI AND NBFI	6	2775500	2.2063
INSURANCE COMPANIES	6	2257112	1.7942
MUTUTAL FUNDS	35	8857076	7.0406
GENERAL PUBLIC (LOCAL)	5776	13139545	10.4448
GENERAL PUBLIC (FOREIGN)	97	368957	0.2933
OTHERS	40	3995099	3.1758
MODARABAS	3	18500	0.0147
FOREIGN COMPANIES	2	40712	0.0324
Company Total	5974	125799825	100.0000

Folio No	Name	Code	Balance Held	Percentage
000000000001	MIRZA JAVAID IQBAL	001	29669890	23.5850
000000000002	JAMSHED IQBAL	001	28102715	22.3392
000000000003	MUHAMMAD MUBEEN TARIQ MUGHAL	001	28098111	22.3356
000000000004	FAHAD JAVAID	001	2300000	1.8283
000000000005	KHURRAM JAVAID	001	2244754	1.7844
000000000006	FAZEEL BIN TARIQ	001	2777250	2.2077
000000000007	WALEED BIN TARIQ	001	579489	0.4606
000000000008	MATEEN JAMSHED	001	575000	0.4571
000000000009	SYED SALMAN ALI SHAH	001	115	0.0001
004127000028	MCB BANK LIMITED - TREASURY	004	1136500	0.9034
004606000029	SILKBANK LIMITED	004	57500	0.0457
007393000024	SUMMIT BANK LIMITED	004	375000	0.2981
009944000024	AL BARAKA BANK (PAKISTAN) LIMITED	004	56500	0.0449
012724000025	SINDH BANK LIMITED	004	150000	0.1192
016329000020	MCB ISLAMIC BANK LIMITED	004	1000000	0.7949
002139000029	PREMIER INSURANCE LIMITED	005	36500	0.0290
003277002538	EFU LIFE ASSURANCE LTD	005	2064900	1.6414
003277008372	EXCEL INSURANCE CO.LTD.	005	5712	0.0045
003277009404	ALLIANZ EFU HEALTH INSURANCE LIMITED	005	100000	0.0795
003277015009	CENTURY INSURANCE COMPANY LTD.	005	35000	0.0278
003459000996	ASKARI GENERAL INSURANCE CO. LTD.	005	15000	0.0119
005371000028	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	006	240	0.0002
005959000027	CDC - TRUSTEE ATLAS STOCK MARKET FUND	006	497713	0.3956
006072000023	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	006	15000	0.0119
007252000020	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	006	241500	0.1920
009449000025	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	006	150000	0.1192
009480000021	CDC - TRUSTEE NAFA STOCK FUND	006	1312137	1.0430
010108000022	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	006	30500	0.0242
010496000027	CDC - TRUSTEE DAWOOD ISLAMIC FUND	006	15000	0.0119
010603000021	CDC - TRUSTEE APF-EQUITY SUB FUND	006	487	0.0004
010728000027	CDC - TRUSTEE HBL - STOCK FUND	006	1938635	1.5410
010801000027	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	006	824418	0.6553
010900000025	CDC - TRUSTEE APIF - EQUITY SUB FUND	006	35000	0.0278
011056000028	CDC - TRUSTEE HBL MULTI - ASSET FUND	006	81	0.0001
011262000023	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	006	496500	0.3947
012195000021	CDC - TRUSTEE ABL STOCK FUND	006	27146	0.0216
012278000021	MCFSL - TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	006	24000	0.0191
012310000025	CDC - TRUSTEE FIRST HABIB STOCK FUND	006	36500	0.0290
012336000023	CDC - TRUSTEE LAKSON EQUITY FUND	006	583000	0.4634
012625000027	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	006	155000	0.1232
013391000026	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	006	455000	0.3617
013607000028	CDC - TRUSTEE PICIC STOCK FUND	006	124500	0.0990
013698000029	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	006	50000	0.0397
013714000025	CDC - TRUSTEE HBL PF EQUITY SUB FUND	006	39325	0.0313
013813000023	CDC - TRUSTEE ASKARI EQUITY FUND	006	54000	0.0429

CATEGORY OF SHAREHOLDERS

As on June 30, 2016

Folio No	Name	Code	Balance Held	Percentage
014126000026	CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	006	20500	0.0163
014415000021	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	006	76510	0.0608
014431000029	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT	006	70750	0.0562
014514000028	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	006	20500	0.0163
014704000025	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I	006	131500	0.1045
014969000025	CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	006	186500	0.1483
014977000024	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	006	328651	0.2612
015974000023	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	006	374083	0.2974
016402000020	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	006	209000	0.1661
016436000027	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	006	268000	0.2130
016535000024	CDC - TRUSTEE LAKSON TACTICAL FUND	006	65400	0.0520
000009900002	BONUS FRACTION B-2015	010	53	0.0000
000009900003	STAY ORDER CASES B-1 (5% TAX)	010	59451	0.0473
001164000027	TRUST SECURITIES & BROKERAGE LIMITED	010	10000	0.0079
003277002404	MOHAMAD AMIN BROS (PVT) LIMITED	010	10000	0.0079
003277012660	MOUNT FUJI TEXTILES LTD.	010	100000	0.0795
003277026972	WESTBURY (PRIVATE) LTD	010	190025	0.1511
003277061491	M/S RANG COMMODITIES (PVT) LTD	010	152000	0.1208
003277069336	RIBAT-UL-ULUM-IL-ISLAMIYAH	010	575	0.0005
003277070621	BALUCHISTAN WHEELS LIMITED	010	40000	0.0318
003277080189	PREMIER CABLES (PVT) LIMITED	010	90000	0.0715
003277083462	NADEEM INTERNATIONAL (PVT.) LTD.	010	91500	0.0727
003277086315	SKYLINE ENTERPRISES (PVT) LTD	010	167500	0.1331
003277086759	SOORTY ENTERPRISES (PVT) LTD.	010	369900	0.2940
003277089483	TRUSTEES OF FIRST UDL MODARABA STAFF PROVIDENT FUND	010	5000	0.0040
003525063817	NH SECURITIES (PVT) LIMITED.	010	10000	0.0079
003525087235	MAPLE LEAF CAPITAL LIMITED	010	1	0.0000
003939000021	PEARL SECURITIES LIMITED	010	60000	0.0477
004192000021	NETWORTH SECURITIES LIMITED	010	20000	0.0159
004333000023	S.D. MIRZA SECURITIES (PVT) LTD.	010	40000	0.0318
004457000078	FDM CAPITAL SECURITIES (PVT) LIMITED	010	25000	0.0199
004705087224	FEDERAL BOARD OF REVENUE	010	63623	0.0506
004804020205	FORTRESS TEXTILE PRIVATE LIMITED	010	16500	0.0131
004895000026	DJM SECURITIES (PRIVATE) LIMITED	010	12000	0.0095
005504000020	MGM SECURITIES (PRIVATE) LIMITED	010	20000	0.0159
006684000029	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.	010	18050	0.0143
006684146996	HAMID ADAMJEE TRUST	010	4000	0.0032
007294000026	AL-HAQ SECURITIES (PVT) LTD.	010	240000	0.1908
010181000024	HORIZON SECURITIES LIMITED	010	124500	0.0990
011387029150	B. K. SAADAAN (PVT) LIMITED	010	25750	0.0205
011692000021	ABA ALI HABIB SECURITIES (PVT) LIMITED	010	1840000	1.4626
011817000025	KHAWAJA SECURITIES (PVT.) LIMITED	010	10000	0.0079
012690000566	TRUSTEE THALL LIMITED- EMPLOYEES RETIREMENT BENEFIT FUND	010	3070	0.0024
013128000027	PEARL SECURITIES LIMITED - MF	010	18500	0.0147
013649000024	JS GLOBAL CAPITAL LIMITED - MF	010	65500	0.0521
013748000667	TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND	010	42571	0.0338
013748000691	AKHUWAT	010	24280	0.0193
014720000023	SHAJARPAK SECURITIES (PVT) LIMITED	010	5750	0.0046
015990000021	K & I GLOBAL CAPITAL (PVT) LTD.	010	4000	0.0032
016212000023	KASB SECURITIES LIMITED - MF	010	4000	0.0032
016261000028	AXIS GLOBAL LIMITED - MF	010	12000	0.0095
003277001651	FIRST UDL MODARABA	011	15000	0.0119
003277004962	FIRST ALNOOR MODARABA	011	2500	0.0020
007245025440	TRUST MODARABA	011	1000	0.0008
003533000722	HABIB BANK AG ZURICH, DEIRA DUBAI	012	27000	0.0215
006601024597	AA FRONTIER INVESTMENTS LP	012	13712	0.0109

MUGHAL IRON & STEEL INDUSTRIES LIMITED

FORM OF PROXY

FORM OF PROXY
7th ANNUAL GENERAL MEETING

I/We _____, being member(s) of Mughal Iron & Steel Industries Limited and holder of _____ Shares as per Folio No._____CDC Participation ID # _____ and Sub Account # _____/CDC Investor Account ID #_____do hereby appoint _____ _____ of _____ or failing him/her _____ of _____ having Folio No._____CDC Participation ID # _____ and Sub Account # _____/CDC Investor Account ID #_____as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Mughal Iron & Steel Industries Limited scheduled to be held on Monday, 31 October 2016 at 3:00 pm at Pearl Continental Hotel, Lahore, and at any adjournment thereof.

At witness my/our hand this_____day of _____2016.

1. Name _____

   N.I.C _____

   Address _____

   _____

Please affix here Revenue Stamps of Rs. 5/-

Members' Signature

2. Name _____

   N.I.C _____

   Address _____

   _____

Note:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Share Registrar Office of the Company, M/s. THK Associates (Pvt.) Limited 2nd Floor, State Life Building No. 3, Dr. Ziauddin Road, Karachi, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular# 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies:

i. In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

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

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

iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.

v. In case of a corporate entity, the Board of Directors' resolution/Power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

مغل آئرن اینڈ سٹیل انڈسٹریز لمیٹڈ

پراکسی فارم (مختارنامہ)

07 واں سالانہ اجلاس عام

میں/ہم

بحیثیت رکن مغل آئرن اینڈ سٹیل انڈسٹریز لمیٹڈ اور حامل _____ حصص بمطابق فولیو نمبر _____

سی ڈی سی پارٹیسپیشن (شرکت) آئی ڈی نمبر _____ اور سب اکاونٹ (ذیلی کھاتہ) نمبر _____ سٹرا کاؤنٹ آئی ڈی نمبر _____

محترم/محترمہ _____ یا اسکی غیر موجودگی میں _____

فولیو نمبر _____ سی ڈی سی پارٹیسپیشن (شرکت) آئی ڈی نمبر _____

اور سب اکاونٹ (ذیلی کھاتہ) نمبر _____ سی ڈی سی انوسیٹر اکاونٹ آئی ڈی نمبر _____ کو اپنے/ ہمارے ایما پر مورخہ 31 اکتوبر 2016ء بروز پیر دوپہر 3 بجے بمقام: پرل کانٹینینٹل ہوٹل، لاہور پر منعقد ہونے والے مغل آئرن اینڈ سٹیل انڈسٹریز لمیٹڈ کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز _____ بتاریخ _____ 2016

گواہان

1۔

دستخط: _____

نام: _____

پتہ _____

_____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

/5 روپے کا رسیدی ٹکٹ یہاں چسپاں کریں

2۔

دستخط: _____

نام: _____

پتہ _____

_____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____

دستخط رکن
کمپنی کے نمونہ دستخط سے مماثل ہونے چاہئیں

نوٹ

1۔ اجلاس عام میں شرکت اور رائے دہی کا مستحق رکن، پراکسی مقرر کرسکتا ہے۔

2۔ پراکسی اور مختارنامہ یا دیگر اتھارٹی (اگر کوئی ہوں) تقرری کے آلات جس کے تحت یہ دستخط شدہ ہو یا اس مختارنامہ کی نوٹریلی مصدقہ کاپی کمپنی کے شیئر رجسٹرار دفتر میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ 2nd فلور اسٹیٹ لائف بلڈنگ نمبر 3 ڈاکٹر ضیاالدین روڈ کراچی میں اجلاس منعقد ہونے سے کم از کم 48 (اڑتالیس) گھنٹے قبل جمع کروائے جانے چاہئیں۔

3۔ سی ڈی سی اکاونٹ ہولڈرز کو پراکسیز تقرری کے لیے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان مورخہ 26 جنوری 2000 کو جاری کردہ سرکلر نمبر 1 میں دی گئی مندرجہ ذیل گائیڈ لائنز کی پیروی کرنا ہوگی۔

i بصورت افراد اکاؤنٹ ہولڈرز اور/ یا سب اکاؤنٹ ہولڈرز جن کی سیکورٹیز اینڈ رجسٹریشن تفصیلات قواعد وضوابط کے مطابق اپ لوڈ ہوں انہیں درج بالا شرائط کے مطابق پراکسی فارم (مختارنامہ) جمع کرانا ہونگے۔

ii پراکسی فارم پر بطور گواہان دو افراد کے دستخط ہونے چاہیں اور ان کے نام و پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہوں۔

iii بینیفشل اونرز اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول، پراکسی فارم (مختارنامہ) کے ہمراہ جمع کرانا ہونگی۔

iv پراکسی، اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مہیا کرے گا/گی۔

v بصورت کارپوریٹ اینٹٹی بورڈ کی قرارداد/مختارنامہ معہ پراکسی ہولڈر کے دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختارنامہ) کے ہمراہ کمپنی میں جمع کروانا ہوگا۔

ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

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

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

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

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

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

Share Registrar Office

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

Principal Office

Mughal Iron & Steel Industries Limited
31-A, Shadman I,
Lahore-54000
Email: fahadhafeez@mughalsteel.com

CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Share Registrar Office

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

Principal Office

Mughal Iron & Steel Industries Limited
31-A, Shadman I,
Lahore-54000
Email: fahadhafeez@mughalsteel.com

Subject: CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Dear Sirs,

I/we, being the shareholder(s) of Mughal Iron & Steel Industries Limited ("Company"), do hereby consent and authorize the Company for electronic transmission of the Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the Company of any change in my Email address.

I understand that the transmission of Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email shall meet the requirements as mentioned under Section 50, 158 and 233 of the Companies Ordinance, 1984.

1. Name of Shareholder(s): _____
2. Fathers / Husband Name: _____
3. CNIC: _____
4. NTN: _____
5. Participant ID / Folio No: _____
6. E-mail address: _____
7. Telephone: _____
8. Mailing address: _____

_____

_____
Signature:
(In case of corporate shareholders, the authorized signatory must sign)

Date: _____

MUGHALSTEEL.COM

Mughal Iron & Steel Industries Limited
31-A, Shadaman I, Lahore.
Tel: 042-35960841-3