MUGHAL IRON & STEEL INDUSTRIES LIMITED

FINANCIAL STATEMENTS

for the year ended June 30, 2015

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 of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** ("the Company") for the year ended 30 June 2015, to comply with the code contained in regulation No.5.19 of the rule book of Karachi Stock Exchange Limited and regulation No.35 of chapter XI of the Listing Regulations of the Lahore Stock Exchange Limited where the company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the company for the year ended 30 June 2015.

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

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

Date: September 30, 2015
Lahore

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement partner: Fazal Mahmood

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **MUGHAL IRON & STEEL INDUSTRIES LIMITED** ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

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

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

Date: September 30, 2015
Lahore

FAZAL MAHMOOD & COMPANY
Chartered Accountants
Engagement Partner: Fazal Mahmood

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BALANCE SHEET
as at June 30, 2015

Rupees	Note	2015	2014 Restated
ASSETS			
NON - CURRENT ASSETS			
Property, plant & equipment	5.	3,285,942,164	2,865,374,803
Long-term loan to employees - secured	6.	1,751,620	824,535
Long-term deposits	7.	18,258,313	18,183,313
Total non - current assets		3,305,952,097	2,884,382,651
CURRENT ASSETS			
Stores, spare parts & loose tools	8.	241,284,628	189,241,050
Stock-in-trade	9.	4,812,364,304	2,683,315,636
Trade debts - unsecured	10.	473,242,896	321,049,463
Advances	11.	335,953,875	294,549,694
Short-term deposits & prepayments	12.	453,297,727	8,832,069
Refunds due from the Government	13.	868,227,607	569,897,941
Other receivables	14.	4,361,925	5,106,976
Short-term investments	15.	524,620,436	–
Cash and bank balances	16.	450,323,976	117,345,747
Total Current Assets		8,163,677,374	4,189,338,576
TOTAL ASSETS		11,469,629,471	7,073,721,227
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised share capital	17.	1,500,000,000	1,500,000,000
Issued, subscribed and paid-up capital	17.	1,093,911,530	820,411,530
Capital reserve	18.	603,500,176	-
Equity portion of sponsor shareholders' loan	19.	717,344,149	476,707,943
Revenue reserve	20.	1,226,788,543	505,906,156
Shareholders' Equity		3,641,544,398	1,803,025,629
LIABILITIES			
NON - CURRENT LIABILITIES			
Long-term financing	21.	950,936,943	1,612,401,800
Deferred liabilities	22.	65,221,192	39,968,644
Total non-current liabilities		1,016,158,135	1,652,370,444
CURRENT LIABILITIES			
Trade and other payables	23.	4,582,879,886	586,300,571
Accrued profit / interest / mark-up	24.	43,222,437	40,512,933
Short-term borrowings - secured	25.	2,046,402,710	2,802,741,491
Current maturity of long-term liabilities	21.	139,421,905	188,770,159
Total current liabilities		6,811,926,938	3,618,325,154
Total liabilities		7,828,085,073	5,270,695,598
CONTINGENCIES AND COMMITMENTS	26.		
TOTAL EQUITY & LIABILITIES		11,469,629,471	7,073,721,227

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

Chief Executive Officer

Director

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

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

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

Chief Executive Officer

Director

STATEMENT OF COMPREHENSIVE INCOME
for the year ended June 30, 2015

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

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

Chief Executive Officer　　　　Director

CASH FLOW STATEMENT
for the year ended June 30, 2015

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

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

Chief Executive Officer

Director

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2015

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

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

Chief Executive Officer

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

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

2.4.3 Estimated liability in respect of retirement benefit obligation

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

2.4.4 Provisions against doubtful balances

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

2.4.5 Taxation

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

2.4.6 Contingencies

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

2.4.7 Sponsor shareholders' loan

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant & equipment

Operating assets:

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

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

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

Capital work in progress:

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

3.2 Stores, spare parts and loose tools

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

3.3 Stock-in-trade

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

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

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

3.4 Trade debts and other receivables

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

3.5 Cash and cash equivalents

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

3.6 Trade and other payables

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

3.7 Provisions

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

3.8 Contingent liabilities

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

3.9 Foreign currency translations

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

3.10 Borrowings and their costs

a) Borrowings

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

b) Borrowing costs

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

3.11 Financial instruments

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

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

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

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

3.12 Share capital

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

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

3.13 Proposed dividend and transfer between reserves

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

3.14 Retirement benefit obligation - defined benefit plan

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

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

3.15 Revenue recognition

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

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

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

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

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

3.16 Taxation

a) Current

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

b) Deferred

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

3.17 Earnings per share

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

3.18 Related party transactions

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

3.19 Segment Reporting

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

3.20 Operating leases

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

3.21 Investments

'Held-to-maturity' investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description	Free-hold land	Building on free-hold land	Plant & machinery	Coal gasification plant	Power plant	Weighing machine	Office equipment	Electric equipment & installation	Furniture & fittings	Vehicles	Arms and ammunitions	Computers	Development of property	Total
							Rupees							
As At June 30, 2013														
Cost	63,325,863	41,659,583	1,921,223,237	30,463,089	258,281,114	91,434	774,921	114,871,773	1,122,577	76,360,635	260,693	1,117,266	-	2,509,552,185
Accumulated depreciation	-	3,250,115	36,931,441	2,228,089	25,004,008	13,207	75,138	5,793,320	168,196	18,476,444	29,467	394,394	-	92,363,819
Net book Value	63,325,863	38,409,468	1,884,291,796	28,235,000	233,277,106	78,227	699,783	109,078,453	954,381	57,884,191	231,226	722,872	-	2,417,188,366
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	-	
Year ended June 30, 2014														
Opening Net book value	63,325,863	38,409,468	1,884,291,796	28,235,000	233,277,106	78,227	699,783	109,078,453	954,381	57,884,191	231,226	722,872	-	2,417,188,366
Additions	-	27,713,985	152,207,816	-	-	-	87,500	699,750	26,395	2,243,000	-	4,966,898	30,400,000	218,345,344
Depreciation charged for the year	-	(2,011,175)	(48,732,545)	(705,875)	(8,164,699)	(1,956)	(70,704)	(5,453,923)	(98,070)	(9,018,157)	(23,123)	(566,538)	(2,026,667)	(76,873,432)
Closing Net book value	63,325,863	64,112,278	1,987,767,067	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,558,660,278
As At June 30, 2014														
Cost	63,325,863	69,373,568	2,073,431,053	30,463,089	258,281,114	91,434	862,421	115,571,523	1,148,972	78,603,635	260,693	6,084,164	30,400,000	2,727,897,529
Accumulated depreciation	-	5,261,290	85,663,986	2,933,964	33,168,707	15,163	145,842	11,247,243	266,266	27,494,601	52,590	960,932	2,026,667	169,237,251
Net book Value	63,325,863	64,112,278	1,987,767,067	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,558,660,278
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	
Year ended June 30, 2015														
Opening Net book value	63,325,863	64,112,278	1,987,767,067	27,529,125	225,112,407	76,271	716,579	104,324,280	882,706	51,109,034	208,103	5,123,232	28,373,333	2,558,660,278
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
Written down value	-	-	-	-	-	-	-	-	-	(3,429,060)	-	-	-	(3,429,060)
Depreciation charged for the year	-	(2,710,253)	(55,534,204)	(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)	(90,811,188)
Closing Net book value	63,325,863	69,157,798	2,266,736,558	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	2,889,555,373
As At June 30, 2015														
Cost	63,325,863	77,129,341	2,407,934,748	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	3,148,441,062
Accumulated depreciation	-	7,971,543	141,198,190	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	258,885,689
Net book Value	63,325,863	69,157,798	2,266,736,558	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	2,889,555,373
Depreciation Rate (%)	-	4	2.50	2.50	3.50	2.50	10	5	10	15	10	30	20	

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

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

5.1.2 Details of operating assets disposed off during the year:

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

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

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

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

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

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

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

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

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

7.1 This mainly includes deposits with various utility companies.

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

Rupees	2015	2014

8. STORES, SPARE PARTS & LOOSE TOOLS

Stores, spare parts & loose tools :		
- in hand	215,872,022	189,241,050
- in-transit	25,412,606	–
	241,284,628	189,241,050

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

Rupees	Note	2015	2014

9. STOCK-IN-TRADE

Raw material			
- in hand		2,539,081,770	1,082,698,119
- in-transit		1,892,235,358	1,052,690,308
		4,431,317,128	2,135,388,427
Finished goods		381,047,176	547,927,209
		4,812,364,304	2,683,315,636

10. TRADE DEBTS

(Considered good - unsecured)			
Due from related parties	10.1		
- Mughal Steel Metallurgies Corporation Limited		–	141,686,862
- Fine Steel		31,319,948	–
		31,319,948	141,686,862
Due from Others		441,922,948	179,362,601
		473,242,896	321,049,463

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

Rupees	Note	2015	2014

11. ADVANCES

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

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

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

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

Rupees		Note	2015	2014
14.	**OTHER RECEIVABLES**			
	(Considered good)			
	Other receivables		2,988,795	2,088,796
	Related parties			
	- Current portion of long-term loans to employees	6	483,720	618,180
	- Mughal Steel Metallurgies Corporation Limited		–	2,400,000
			483,720	3,018,180
	Accrued markup	15.1	889,410	–
			4,361,925	5,106,976

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22.1 Retirement benefit obligation - unfunded gratuity plan

	Amount recognized in balance sheet	59,652,572	35,258,666

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

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

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

22.1.7 Sensitivity analysis for actuarial assumptions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24. ACCRUED PROFIT / INTEREST / MARK-UP

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

25. SHORT-TERM BORROWINGS

(Secured)

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

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

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

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

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

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

26. CONTINGENCIES AND COMMITMENTS

Contingencies:

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

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

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

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

Commitments:

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

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

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

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

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

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

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

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

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

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

Rupees		Note	2015	2014
30.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		19,200,000	9,000,000
	Salaries & other benefits	30.1	43,509,817	31,767,009
	Traveling & conveyance		3,023,059	3,872,234
	Postage, telephone & fax		1,294,965	597,663
	Printing, stationery & office supplies		1,571,560	399,316
	Legal & professional charges		3,809,309	3,424,018
	Entertainment		366,770	723,170
	Fee & subscription		4,437,177	1,095,170
	Rent, rates & taxes		1,440,000	1,581,000
	Repair and maintenance		1,324,185	231,190
	Computer expenses		984,121	216,500
	Vehicle running & maintenance		1,862,920	2,471,734
	Utilities		14,728,808	10,019,659
	Insurance		478,943	1,963,365
	Miscellaneous		32,601	–
	Depreciation	5.1.1	18,773,742	11,780,136
			116,837,977	79,142,164

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

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

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

Rupees		Note	2015	2014
31.2	**Auditors' remuneration:**			
	Audit fee		1,000,000	885,000
	Review report on code of corporate governance		50,000	–
	Out of pocket expenses		20,000	20,000
			1,070,000	905,000
32.	**OTHER INCOME**			
	Income from financial assets:			
	Return on saving accounts		2,016,182	183,214
	Balances written back		1,557,236	–
	Return on held-to-maturity investments		4,644,711	–
			8,218,129	183,214
	Income from non-financial assets:			
	Exchange gain - net		1,757,950	–
	Rental income from related party		4,800,000	3,480,000
			14,776,079	3,663,214
33.	**FINANCE COST**			
	Profit / interest / mark-up:			
	- Advance from related party		15,329,630	–
	- Short-term borrowings		291,530,275	183,436,681
	- Long-term financing		34,198,144	26,798,430
			341,058,049	210,235,111
	Bank & other charges		8,974,206	7,364,783
			350,032,255	217,599,894

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

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

34.1 Relationship between income tax expense and accounting profit:

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

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

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

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

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

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

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

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

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

Profit before taxation		724,977,799	397,630,248
Adjustments for non-cash charges and other items:			
Depreciation		90,811,188	76,873,432
Finance costs		350,032,255	217,599,894
Loss on de-recognition of 'available-for-sale' investments		–	561,600
Retirement benefit charge		27,405,993	6,215,282
Balances written back		(1,557,236)	–
Balances written off		1,957,013	–
Loss on sale of fixed assets		819,369	–
Provision against regulatory duty		186,372,238	–
Return on 'held-to-maturity' investments		(4,644,711)	–
Provision for workers' profit participation fund		38,156,726	20,927,908
		689,352,835	322,178,116
Profit before working capital changes		1,414,330,634	719,808,364
Effect on cash flow due to working capital changes			
(Increase) in current assets:			
Stores, spare parts & loose tools		(52,043,578)	(48,779,348)
Stock-in-trade		(1,982,330,582)	(2,210,340,167)
Trade debts		(154,150,446)	(90,488,841)
Advances		(41,404,181)	(221,510,590)
Short-term deposits & prepayments		(444,465,658)	(2,458,998)
Refunds due from the Government		(40,814,808)	36,578,612
Other receivables		1,500,001	2,598,173
		(2,713,709,252)	(2,534,401,159)
Increase in current liabilities:			
Trade and other payables		3,647,817,409	306,003,753
		2,348,438,791	(1,508,589,042)

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

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

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

40. RELATED PARTY DISCLOSURES

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

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

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

41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

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

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

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

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

42. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

42.1 Risk management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

42.2 Financial instruments by category:

Rupees	Loans & receivables 2015	Loans & receivables 2014	Held to maturity 2015	Held to maturity 2014	2015	2014
Financial assets						
Maturity up to one year:						
Trade debts	473,242,896	321,049,463	–	–	473,242,896	321,049,463
Advances	12,039,875	7,999,858	–	–	12,039,875	7,999,858
Short-term deposits & prepayments	447,895,827	-	–	–	447,895,827	-
Other receivables	4,361,925	5,106,976	–	–	4,361,925	5,106,976
Short-term Investments	–	–	524,620,436	–	524,620,436	–
Cash and bank balances	450,323,976	117,345,747	–	–	450,323,976	117,345,747
Maturity after one year:						
Long-term loan to employees	1,751,620	824,535	–	–	1,751,620	824,535
Long-term deposits	18,258,313	18,183,313	–	–	18,258,313	18,183,313
	1,407,874,432	470,509,892	524,620,436	–	1,932,494,868	470,509,892
Financial liabilities						
Maturity up to one year:						
Trade and other payables					3,903,177,627	230,293,986
Accrued profit / interest / mark-up					43,222,437	40,512,933
Short-term borrowings					2,046,402,710	2,802,741,491
Current maturity of long-term liabilities					139,421,905	188,770,159
Maturity after one year:						
Long-term financing					950,936,943	1,612,401,800
					7,083,161,622	4,874,720,369
Off balance sheet financial instruments						
Letters of credit					2,012,185,698	1,096,732,501
Letters of guarantee					649,861,899	124,400,000
					2,662,047,597	1,221,132,501

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

42.3 Financial risk factors

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

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

42.3.1 Credit Risk

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

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

Exposure to credit risk:

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

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

Concentration of credit risk:

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

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

Credit quality and impairment:

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

Counterparties without external credit ratings:

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

The aging of trade debts at the reporting dates is:

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

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

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

Counterparties with external credit ratings:

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

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

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

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

42.3.2 Liquidity Risk

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

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

Exposure to liquidity risk:

Contractual maturities of financial liabilities, including estimated interest payments:

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

	2015				
Rupees	Carrying ammount	Contractual cash flows	Withing 1 year	Between 1 & 5 years	After 5 year
Non-derivative financial liabilities					
At amortized cost					
Long-term financing	1,090,358,848	1,123,270,101	155,877,532	130,699,503	836,693,067
Short-term borrowings	2,046,402,710	2,046,402,710	2,046,402,710	–	–
Trade and other payables	3,903,177,627	3,903,177,627	3,903,177,627	–	–
Accrued profit / interest / mark-up	43,222,437	43,222,437	43,222,437	–	–
	7,083,161,622	7,116,072,875	6,148,680,306	130,699,503	836,693,067

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

42.3.3 Market Risk

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

Currency risk:

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

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

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

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

Price risk:

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

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

Interest rate risk:

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

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

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

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

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

42.4 Fair value

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

43. OPERATING SEGMENTS

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

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

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

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

44. CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

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

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

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

45. CORRESPONDING FIGURES

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

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

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

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

46. SUBSEQUENT EVENTS

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

47. DATE OF AUTHORIZATION

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

48. GENERAL

The figures have been rounded off to the nearest rupee.

MUGHAL IRON & STEEL INDUSTRIES LIMITED

PATTERN OF SHAREHOLDDING

As on June 30, 2015

PATTERN OF SHAREHOLDDING

As on June 30, 2015

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

CATEGORY OF SHAREHOLDERS

As on June 30, 2015

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

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

CATEGORY OF SHAREHOLDERS
As on June 30, 2015

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

MUGHAL IRON & STEEL INDUSTRIES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

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

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

Ordinary Business

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

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

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

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

Special Business

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

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

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

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

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

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

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

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

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

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

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

Lahore: October 09, 2015

(By Order of the Board)
Pervez Iqbal
Company Secretary

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

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

Agenda Item No. 4.

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

Agenda Item No. 5.

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

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

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

Agenda Item No. 6.

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

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

NOTES:

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

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

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

   A. For attending the meeting

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

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

   B. For appointing proxies

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

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

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

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

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

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

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

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

a) Change in their addresses;

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

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

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

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

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

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

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

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

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

MUGHAL IRON & STEEL INDUSTRIES LIMITED

FORM OF PROXY

FORM OF PROXY
6th ANNUAL GENERAL MEETING

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

At witness my/our hand this__________________day of ________________2015.

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

Please affix here Revenue Stamps of Rs. 5/-

Members' Signature

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

Note:

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

ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

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

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

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

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

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

Share Registrar Office

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

Principal Office

Mughal Iron & Steel Industries Limited
31-A, Shadman I,
Lahore-54000
Email: fahadhafeez@mughalsteel.com

CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Share Registrar Office

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

Principal Office

Mughal Iron & Steel Industries Limited
31-A, Shadman I,
Lahore-54000
Email: fahadhafeez@mughalsteel.com

Subject: CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Dear Sirs,

I/we, being the shareholder(s) of Mughal Iron & Steel Industries Limited ("Company"), do hereby consent and authorize the Company for electronic transmission of the Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the Company of any change in my Email address.

I understand that the transmission of Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email shall meet the requirements as mentioned under Section 50, 158 and 233 of the Companies Ordinance, 1984.

1. Name of Shareholder(s): ______________________
2. Fathers / Husband Name: ______________________
3. CNIC: ______________________
4. NTN: ______________________
5. Participant ID / Folio No: ______________________
6. E-mail address: ______________________
7. Telephone: ______________________
8. Mailing address: ______________________

____

____

Signature:
(In case of corporate shareholders, the authorized signatory must sign)

Date: ______________________