

Joint Venture of:



Arif Habib

**Metal One**

UNIVERSAL METAL CORPORATION



# Striving to LEAD

The Steel Industry

**Aisha Steel**

Annual Report  
2015



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## Other Information

## **Vision**

To be a world class manufacturer of Cold Rolled Steel.

## **Mission**

To become an efficient producer of Cold Rolled Steel while serving interests of all stakeholders.

# Pickling

HRC is imported as raw material for conversion into the final product, CRC. Before processing into cold rolled steel, it is necessary to pickle the steel to eliminate the black oxide scale on the surface, subsequent to which, the Hot Rolled flat steel is cold rolled to the required final thickness at room temperature.

## Overall Corporate Strategy

**Our corporate strategy entails producing the highest quality of products benefitting all stakeholders. The company emphasizes on transparency, building greater standards for ethical values. ASML focuses on its team and believes in regular training and development of its human resource given the technologically advanced nature of ASML's plant and machinery.**

There is a strong commitment for continuous improvement of each process in order to optimize efficiency.

**We strongly adhere to the following to be in line with the global best practices:**

- Value creation for all stakeholders while maintaining a strong competitive position;
- Keep a strong focus on the long run sustainable advantages;
- Develop and strengthen a transparent and inventive culture while encouraging ethical values;
- Ensuring that corporate strategy passes throughout the organization and is inculcated across the Company;

# Cold Rolling

In cold rolling, the hot rolled coil is rolled into thinner gauges of the required size through further passage in rolling stands. Cold rolled steel possesses a better surface, enhanced strength, and better dimensional characteristics than hot rolled steel.



## Core Values

### **Our People**

We are an equal opportunity employer. Discrimination on any grounds is fundamentally unacceptable.

### **Health, Safety & Environment**

The Company strongly endorses and emphasizes on managing resources ensuring safety within and beyond its own facilities.

ASML stands committed to carry out its business in a sustainable manner to promote preservation of the environment.

### **Regulatory Compliance & Corporate Governance**

The Company remains committed to high standards of corporate governance, while adhering to the applicable laws and regulations.

### **Integrity**

Key success for any business fosters in a transparent environment based on ethical values.

Our values are based on highest integrity, which determines the way we work, leading to our well-founded reputation.

### **Excellence & Efficiency**

Efficiencies, appropriate risk management measures and pricing strategies should enable profitable operations and good shareholder returns in all market scenarios.

At ASML, our conviction for excellence emerges with a passion to provide our customers with CRC comparable with international standards.

# Cleaning & Batch Annealing

The product passes through an electrolytic cleaning line for removal of oil, iron powder and other foreign materials. The steel is then annealed, which involves slow heating and cooling to improve workability.

# Code of Conduct

Being a highly responsible corporate, Aisha Steel Mills Ltd. expects its employees to uphold and enhance the reputation of the company by:

- Maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the company.
- Fostering the highest standard of conduct and competence amongst those for whom they are responsible.
- Ensuring transparency in business transaction, and rejecting any business practice, which might be deemed to be improper.
- Promoting fair business practices and ensuring compliance with legal and regulatory requirements.

**In applying these rules, employees should use the following guidelines:**

## **1. Conflict of Interest**

- Any personal interest, which may affect or might reasonably be deemed by others to affect an employee's impartially, should be declared up front in writing.
- The company property must not be used for personal work unless specific permission is obtained.
- Each staff member is employed in the company on a full time basis and therefore, they should not be involved, directly or indirectly, in any vacation, business or commercial activity. Any departure from this can only be made with the written permission the Chief Executive Officer.

## **2. Confidentiality and Accuracy of Information**

The confidentiality of information received in the course of business must be respected and never be used for personal gain; information given in the course of business must be honest and never designed to mislead.

Further, all company affairs are to be treated as confidential and should not be discussed with third parties not only during service with the company, but even after departing from service. Interaction with competitors beyond the approved level will be regarded as gross misconduct.

## **3. Gifts**

All members are forbidden to accept gifts or borrow money from another member of the company or from Showroom Dealers, Vendors or a customer of ASML.

## **4. Proper Recording of Funds, Assets, Receipts and Disbursements**

- I. All funds, assets, receipts and disbursements should be properly recorded in the books of the company. In particular, no funds or accounts should be established or maintained for purposes that are not fully and accurately reflected in the books and records of the company.
- II. In principle, all resources and supplies – telephone, printing, internet, office van, stationary, other supplies and most importantly your office time etc. are for official use.

## **5. Health & Safety**

Every staff member should take reasonable care to ensure the health and safety of him / her and others who may be affected by his / her acts at work.

## **6. Environment**

To preserve and protect the environment, all staff members should:

- Design and operate the company's facilities and processes so as to ensure the trust of adjoining communities.
- Promote conservation of resources and waste minimization.
- Strive continuously to improve environment awareness and protection.
- Help assist in ensuring minimum wastage of resources.

## **7. Work Place Harassment**

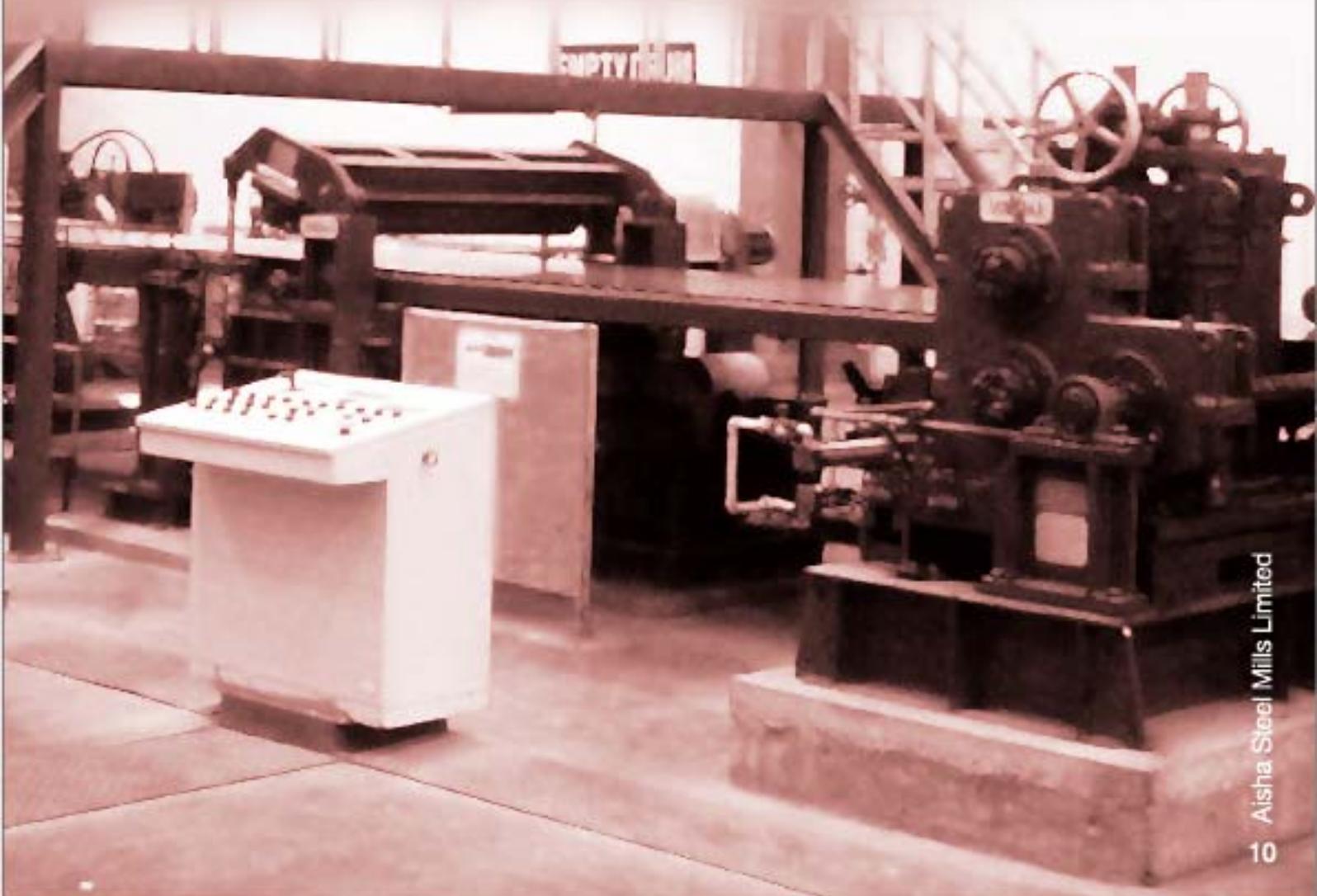
The staff will maintain an environment that is free from harassment and in which all employees are equally respected.

## **8. Legal Proceedings**

It is essential that a staff member, who becomes involved in legal proceedings, whether civil or criminal, should immediately inform his superior with a copy to the CEO in writing.

# Skin Passing & Recoiling

**Skin Passing is done to improve and normalize the mechanical properties and to get the specified surface finish, hardness and flatness; after which the finished product is passed through a recoiling line to adjust the width by edge trimming, coil weight by dividing a large coil into small coils.**





## Company Information

### Board of Directors

Mr. Arif Habib, Chairman  
 Mr. Shinpei Asada  
 Mr. Hasib Rehman  
 Mr. Nasim Beg  
 Mr. Kashif A.Habib  
 Mr. Muhammad Ejaz  
 Mr. Khalid S. Tirmizey  
 Mr. Kamran Ali Kazim  
 Dr. Munir Ahmed, Chief Executive Officer

### Audit Committee

Mr. Kashif A.Habib - Chairman  
 Mr. Hasib Rehman - Member  
 Mr. Nasim Beg - Member  
 Mr. Kamran Ali Kazim - Member

### Registered Address

Arif Habib Centre, 23 - M.T. Khan Road,  
 Karachi – Pakistan.  
 website: [www.aishasteel.com](http://www.aishasteel.com)

### Plant Address

DSU - 45, Pakistan Steel  
 Down Stream Industrial Estate,  
 Bin Qasim, Karachi - Pakistan.

### Auditors

A.F. Ferguson & Co., Chartered  
 Accountants, State Life Building No.1-C, I.I  
 Chundrigar Road, Karachi.  
 Share Registrar Department  
 Central Depository Company of Pakistan,  
 CDC, House,  
 99-B, SMCHS, Shahrae Faisal, Karachi.  
 Phone: 92-21-111-111-500

### Legal Advisor

- Mr. Ajmal Awan (Sattar & Sattar Advocates)  
 - Bawaney & Partners

### Bankers

Allied Bank Ltd.  
 Askari Bank Ltd.  
 Bank Alfalah Ltd.  
 Bank Islami Pakistan Ltd.  
 Faysal Bank Ltd.  
 JS Bank Ltd.  
 Habib Metropolitan Bank Ltd.  
 Habib Bank Ltd.  
 MCB Bank Ltd.  
 National Bank of Pakistan  
 NIB Bank Ltd.  
 Pak China Investment Company Ltd.  
 Saudi Pak Ind. & Agr. Inv. Co. Ltd.  
 Silk Bank Ltd.  
 Summit Bank Ltd.  
 Sindh Bank Ltd.  
 Standard Chartered Bank (Pakistan) Ltd.  
 The Bank of Khyber  
 The Bank of Punjab

## Company profile

**Aisha Steel Mills Limited (ASML) is a state-of-the-art cold rolling complex with a nameplate capacity of 220,000 metric tons per year. ASML is one of the largest private sector investments in the value added flat-rolled steel industry in Pakistan.**

It is the only Cold Rolled Coil (CRC) manufacturer in the country which is using brand new Japanese and Austrian machinery for all of its main processes, ensuring best quality production of CRC in the country.

ASML is a business venture between premier Pakistani and Japanese business groups namely:

- Arif Habib Group, one of the largest conglomerates in Pakistan;

- Metal One Corporation, major owned subsidiary of Mitsubishi Group, Japan  
- Universal Metal Corporation, Japan;

ASML was incorporated in 2005, and is set to become the largest supplier of cold rolled steel coils in the Country. ASML has also entered into a strategic tie-up with Mitsubishi Corporation to assist in and ensure seamless marketing, sales, and distribution of its products.



## Product

ASML produces Cold Rolled Coils (CRC) of international standards from imported Hot Rolled Coils (HRC).

The CRC products are being offered to the industrial, engineering and manufacturing industry as a premium raw material for transformation into any number of value added products for the domestic and export markets.

ASML is the largest CRC plant in Pakistan with an Electrolytic Cleaning Line ("ECL") which substantially improves the product quality, removing all impurities making ASML one of the most valuable CRC producers meeting the highest quality standards.



## Swot Analysis



# S

## Strengths

- Sixteen exclusive Dealer Partner(s) supplying CRC all-over Pakistan;
- Experienced Management;
- Successful track record of envisaging and executing projects;
- State of Art Plant;
- Quality equivalent to international standards;

# W

## Weakness

- Highly Leveraged;
- Limited Product(s);
- Risk of Reduction in Import Tariff;
- Strapped Cash flows due to infancy stage of ASML;

# O

## Opportunities

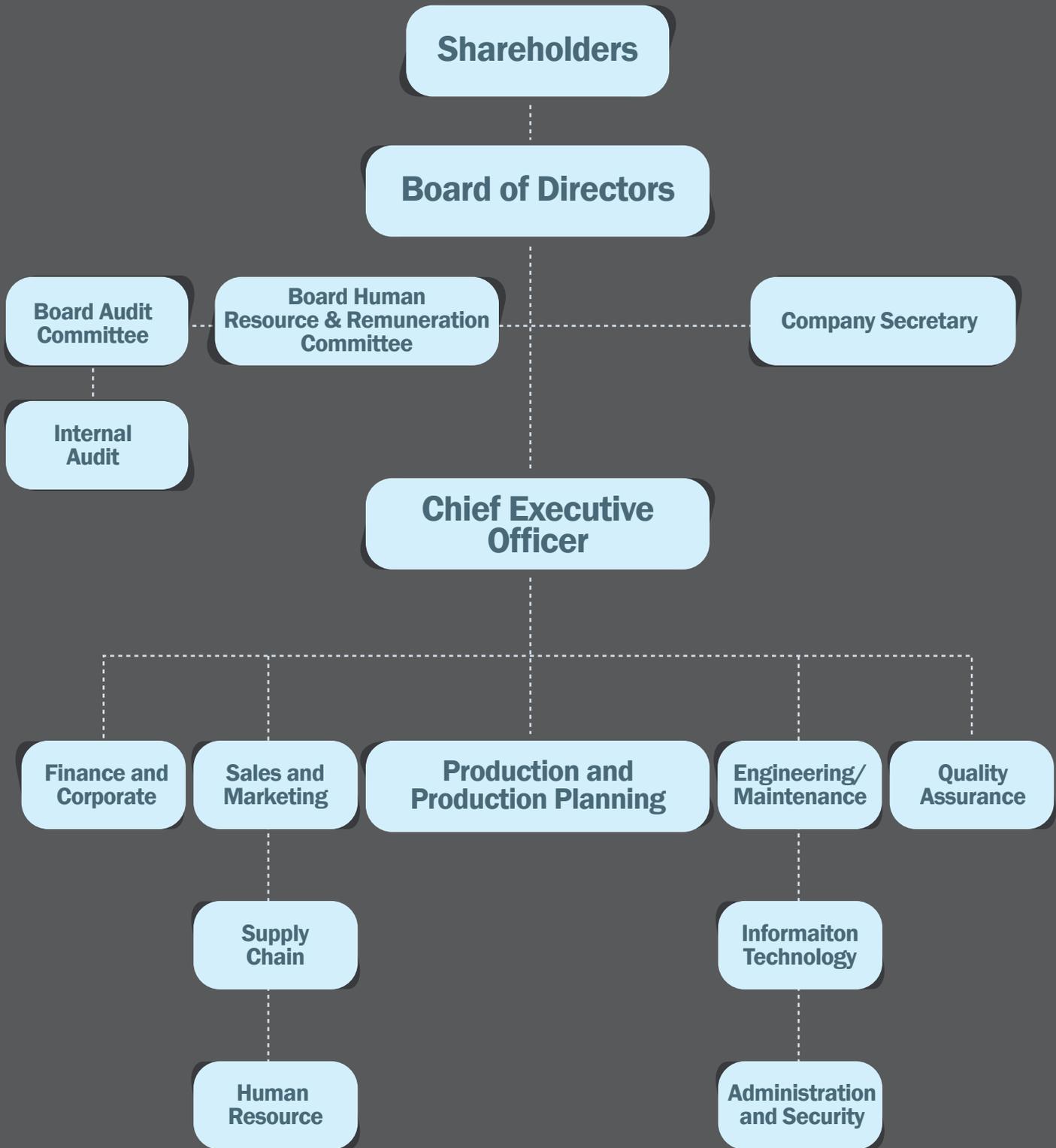
- High Domestic Demand;
- Internationally Competitive Price;
- Growth in various segments to accelerate steel sector growth;

# T

## Threat

- Adverse Foreign Exchange movement may affect imports and operational profitability;
- Business Risk / Off-take Risk;
- Competition from other new organized and unorganized market players;

# Company Organogram



## Directors' Profile



**Mr. Arif Habib**  
Chairman & Non - Executive Director

Mr. Arif Habib is the Chief Executive of Arif Habib Corporation Limited. He is also the Chairman of Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, DH Fertilizers Limited, Aisha Steel Mills Limited and Javedan Corporation Limited. He also serves as a Director in various companies including Sui Northern Gas Pipelines Company Limited, PIA and Pakistan Engineering Company Limited.

Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatization Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan.

Mr. Habib participates with significant dedication in welfare activities of different organizations. To quote a few, he remains one of the trustees of Fatimid Foundation and Memon Health & Education Foundation as well as the director of Pakistan Centre for Philanthropy and Karachi Education Initiative.

### Other Corporate Responsibilities:

#### As Chairman

Arif Habib Consultancy (Pvt.) Limited  
Arif Habib DMCC (resigned 31st July)  
Arif Habib Foundation  
DH Fertilizers Limited  
Fatima Fertilizer Company Limited  
Javedan Corporation Limited  
Pakarab Fertilizers Limited  
Sachal Energy Development (Pvt.) Limited

#### As Director

Arif Habib Corporation Limited  
Pakistan International Airlines Corporation  
Pakistan Engineering Company Limited  
Sui Northern Gas Pipelines Limited  
Pakistan Opportunities Limited  
International Complex Projects Limited  
Pakistan Centre for Philanthropy

#### As Honorary Trustee/Director

Fatimid Foundation  
Karachi Education Initiative  
Pakistan Veterans Cricket Association  
Memon Health and Education Foundation



**Mr. Shinpei Asada**  
Non - Executive Director

Mr. Shinpei Asada has over 30 years of experience in steel related projects. Currently he is Division COO of Metal One Corporation, Japan. Before that he was associated with Nissho Iwai Corporation for 20 years. Mr. Asada graduated from department of Economics, Chuo University, Japan. Mr. Asada has been appointed on the Aisha's Board as the new nominee director of Metal One in year 2014.

**Mr. Kashif A. Habib**  
Non- Executive Director

Mr. Kashif A. Habib is the Chief Executive of Power Cement Limited. Being a member of the Institute of Chartered Accountants of Pakistan (ICAP) he completed his articleship from A.F. Ferguson & Co. (a member firm of Price Waterhouse Coopers), where he gained experience of a diverse sectors serving clients spanning the Financial, Manufacturing and Services industries.

He has to his credit four years of experience in Arif Habib Corporation Limited as well as five years' experience as an Executive Director in cement and fertilizer companies of the group.

### Other Corporate Responsibilities:

#### As CEO

Power Cement Limited  
Safe Mix Concrete Products Limited

#### As Director

Arif Habib Corporation Limited  
Arif Habib Dolmen REIT Management Limited  
Bubber Sher (Pvt.) Limited  
DH Fertilizers Limited  
Fatima Fertilizer Company Limited  
Javedan Corporation Limited  
Memon Health and Education Foundation  
Pakarab Fertilizers Limited  
Real Estate Modaraba Management Company Limited  
Reliance Sacks Limited  
Rotocast Engineering Company (Pvt.) Limited



**Mr. Nasim Beg**  
Non-Executive Director

Mr. Nasim Beg, a Fellow Member of the Institute of Chartered Accountants of Pakistan, is the Chief Executive Officer of Arif Habib Consultancy (Pvt.) Limited along with being the Vice Chairman of MCB-Arif Habib Savings & Investments Limited, an Asset Management Company that was conceived and set up by him and which he headed as Chief Executive till June 2011. With over forty-five years of experience in the business world including industry and the financial services (in and outside the country), Mr. Nasim Beg is one of the most highly experienced professionals of the country.

Before joining the Arif Habib Group, Mr. Beg served as the Deputy Chief Executive of NIT, which he joined during its troubled period and played an instrumental role in its modernization and turn around. He also served as the acting Chief Executive of NIT for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies.

Mr. Beg has also held senior level responsibilities in the automobile industry. During his tenure as the Chief Executive of Allied Precision (a subsidiary of the Allied Engineering Group), he set up a green field project for the manufacture of sophisticated indigenous components for the automotive industry under transfer of technology licenses with Japanese and European manufacturers. His initiation to the financial services business was with the Abu Dubai Investment Company, UAE, where he was a part of the team that set up the company in 1977. He has also been a member of the Prime Minister's Economic Advisory Council (EAC).

**Other Corporate Responsibilities:**

**As CEO**

Arif Habib Consultancy (Pvt.) Limited

**As Director**

- Arif Habib Corporation Limited
- Arif Habib Dolmen REIT Management Limited (non-executive Chairman)
- MCB-Arif Habib Savings & Investments Limited (Vice Chairman)
- Pakarab Fertilizers Limited
- Pakistan Opportunities Limited
- Power Cement Limited (non-executive Chairman)
- Salemix Concrete Limited
- Summit Bank Limited



**Mr. Hasib Rehman**  
Non - Executive Director

Mr. Hasib Rehman is the Chairman of Universal Metal Corporation Japan. His experience in the steel industry spans a period of over 20 years both in the local as well as the international arena. Mr. Hasib Rehman is also a director of Japan-Pakistan Association and a member of Japan-Pakistan business co-operation. He is also a member of Tokyo Chamber of Commerce and Industry.

**Other Corporate Responsibilities:**

**As Chairman**

- Universal Metal Corporation Japan

**As Chief Executive**

- UMC Pakistan (Pvt.) Ltd

**As Director**

- Japan Pakistan Association



**Mr. Khalid Siddiq Tirmizey**  
Non-Executive Director

Mr. Khalid Siddiq Tirmizey completed his MBA degree in 1972 from IBA Karachi. He also holds a masters degree in Economics from the University of Punjab. After clearing CSS exams in 1974 he joined the civil service academy for training. He worked for PICIC from 1973 till 1979. He held various managerial positions in Pakistan and abroad after joining ANZ Grindlays bank. He remained with Faysal Bank Limited from 2000 till 2008 and left to join the Bank of Punjab in 2008 as Deputy Chief Executive Officer till date. He has been Chairman of Board of Directors of First Punjab Modaraba and a regular member (as invitee) of all BOD meetings.

**Other Corporate Responsibilities:**

**As Director**

Punjab Modaraba Services Limited  
Nimir Chemical Industries Limited  
Pak Elektron Limited  
Gharibwal Cement Limited



**Mr. Kamran Ali Kazim**  
Non-Executive Director

Kamran Kazim brings over 19 years of experience in International Investment Banking and has completed a number of transactions in New York & London. An Investment Banker by training, he has worked for JP Morgan, Moody's and Merrill Lynch in New York as lead banker on many land mark bonds and derivatives.

Kamran has completed Municipal deals for New York City, Philadelphia, New Jersey, Florida and Chicago. Moreover, Kamran has also completed many securitization transactions including Mortgage-Backed securities, Asset-Backed Commercial Paper, Structured Investment Vehicles, Market Value Swaps, CDO's & CLO's.

Working for RBS in London as Head of Structured Transactions Credit, he completed several European deals including the privatization of the Bulgarian Steel Mills, Thames Water (U.K) and an Equity Derivative financing for 4% of HSBC Bank's shares. Kamran has also completed the first Dominican Republic Trade receivable transaction. Based on his diverse experience on both the regulatory side and the private sector, and extensive network of contacts, Najam will be involved in developing the optimal transaction structure, obtaining regulatory approvals and transaction marketing.



**Dr. Munir Ahmed**  
Director & CEO

Dr. Munir gained a B.E (Metallurgy) degree in 1978 from Dawood College of Engineering & Technology Karachi, MS (Metallurgy) in 1982 and a Ph.D. (Metallurgy) in 1985 from Institute of Material Science, University of Connecticut, USA.

He holds 36 years rich experience in progressively senior positions. Prior joining Aisha Steel Mills he was associated with People Steel Mills as Managing Director and also heading EPRF (ENAR Petroleum Refining Facilities). He was associated with Peoples Steel Mills Ltd. for the last 15 years in different roles including General Manager (Project/BMP), General Manager (Operations), Director Operations and lastly as Managing Director.

Dr. Munir was Member (Industrial Project) in Dr. A.Q. Khan Research Laboratories from June 2009 to June 2014, and also contributed as Chief Scientist from 2002 to 2009.

Dr. Munir Ahmed contributed significantly in the field of Metallurgy and Material Engineering through his researches & publications. Till date he has published 45 articles in Journals and proceedings of International repute. He was also invited by University of Connecticut, USA in June 1989 as a Visiting Scientist to carry out research in the field of thin film superconductors. He was honored with Special Creativity award by National Science Foundation, USA, on the basis of "exceptional creativity" shown in research work on surface modification. He was also awarded Sitara-e-Imtiaz by the Govt. of Pakistan for his contribution in the field of Metallurgy.



**Mr. Muhammad Ejaz**  
Non-Executive Director

Mr. Ejaz is the Chief Executive of Arif Habib Dolmen REIT Management Limited. He has over 20 years of experience in the fields of Treasury, Corporate Finance and Investment Banking. Mr. Ejaz has served in senior positions at leading local and international banks including Faysal Bank, Union Bank and Emirates NBD Bank.

He holds a Master's degree in Business Administration from the Institute of Business Administration where he is also a regular visiting faculty member. He is also a certified Financial Risk Manager.

**Other Corporate Responsibilities:**

**As CEO**

Arif Habib Dolmen REIT Management Limited

**As Director**

Arif Habib Corporation Limited

Al-Hamra City (Pvt.) Limited

Dolmen Arif Habib Real Estate Services (Pvt.) Limited

Javedan Corporation Limited

Power Cement Limited

Real Estate Modaraba Management Company Limited

Sachal Energy Development (Pvt.) Limited

## Key Executives' Profile



### Mr. Tahir Iqbal

Chief Financial Officer & Company Secretary

Mr. Tahir is an Associate Member of ICMAP, having seventeen years of experience in finance, accounting, taxation, corporate affairs, risk management, audit/assurance coupled with general management experience. Prior to joining ASML, he was working as the CFO & Company Secretary of Arif Habib Corporation Ltd for six years. He also serves on the board of Realestate Modaraba Management Company Limited and similar responsibilities in other group companies as described above.

#### Other Corporate Responsibilities:

##### As Director

- Realestate Modaraba Management Company Ltd.

##### As CFO & Company Secretary

- Power Cement Ltd.
- Rotocast Engineering Company (Pvt.) Ltd.



### Miss Hina Akhtar

Deputy General Manager Human Resources

Hina Akhtar holds 19 years of experience in the field of Human Resource Management. She is currently associated as Deputy General Manager Human Resources. She started her Professional Career from Hino Pak Motors in 1995 and in 2008 she got the opportunity to work as Director HR & Operations in Kaisoft Limited.

Hina joined ASML in 2012. She holds Master's Degree in Business Administration from Adamson University, Manila Philippines. Her academic achievement comprises of being awarded Gold Medal in Intermediate program.



**Mr. Khawar A Siddiqui**  
General Manager Sales & Marketing

Mr. Khawar A Siddiqui has 22 years of rich experience in the field of Sales & Marketing. He has done his MBA Marketing from WIJ, Arizona, USA. He holds membership of AMIM, UK, MITA, USA and MAP, Pakistan. He was also member of Think Tank Committee of IEP, Karachi.

Mr. Khawar joined ASML in June'15. He previously worked for a multinational company Future Pipe Industries LLC, Dubai and developed the market of Fiberglass products in Pakistan, Afghanistan, Bangladesh & Sri Lanka. He has been associated with Crescent Steel & Allied Products Ltd for 15 years; selling steel products in Oil, Gas & infrastructure sectors of Pakistan.



**Mr. Mohsin Jawed Lodhi**  
Head of Production & Production Planning Division

Mohsin Jawed Lodhi is currently the Head of Production and Production Planning Division. He has more than 12 years of experience. Prior to joining ASML, Mohsin was associated with Toyota Indus Motors Limited for nine years.

Mohsin joined ASML in August 2012. He holds a B.E Degree in Mechanical from NED University of Engineering & Technology, Karachi.



**Mr. Khurram Abbas**  
Deputy General Manager Supply Chain

Mr. Khurram holds an MBA degree from Institute of Business Administration, Karachi along with Bachelor of Engineering in Mechanical from N.E.D. University of Engineering & Technology, Karachi. He has fourteen years of proven track record working with top tier MNCs (Siemens and Standard Chartered Bank) in Pakistan and public entities namely Pakistan Industrial Credit & Investment Co. (PICIC) and Pakistan International Airlines (PIA). His work experience encompasses; Supply Chain Management, Strategic Sourcing, Business Planning, Project Management, Corporate Planning and Project Finance.

Mr. Khurram joined ASML in July 2013. He acquired Senior Professional in Supply Management (SPSM) Certification from Next Level Purchasing, Pennsylvania, USA in 2013. Also acquired project management related certification from Standard Chartered, Singapore in 2010.



**Mr. Syed Ghulam Arif Hasni**  
Deputy General Manager Engineering

Syed Ghulam Arif Hasni holds Bachelor's degree of Engineering in mechanical from N.E.D, University of Engineering and Technology Karachi. He holds about 25 years' experience in maintenance of Heavy industry.

During his professional career he worked in different heavy sectors including, steel, cement, Hydraulic (B.W.L), Pneumatic, appliances sector, Textile and Tiles manufacturing sector, and is currently associated with ASML as DGM Engineering.



**Mr. Waseem Saeed**  
Head - Quality Assurance and Quality Control

Before joining ASML in year 2012, he worked in different departments of Crescent Steel and Allied Products Ltd for about 22 years as Head of Quality, Head of Engineering Services and Head of Production. (1988 - 2011). While working in Crescent Steel, imparted different trainings, besides presenting many technical papers in national and international seminars.

He holds qualification i) M.E.(Manufacturing) — NED Engineering University, Karachi, ii) B.E. (Mechanical) — NED Engineering University, Karachi, and iii) Diploma in Business Administration — Lahore University of Management Sciences (LUMS)



**Mr. Nasir Feroze Bhatti**

Deputy General Manager Administration & Security

Mr. Nasir Bhatti holds more than 25 years of experience in the field of administration, support services, project management, corporate security and government relations. He is a naval veteran and has rendered 23 years of successful and meritorious service as Commander in Pakistan Navy. His vital assignments include Commanding Officer of Maritime Security Ship, Director at Naval Headquarters and Head of Ops & Admin at Pakistan Naval Academy. He is a graduate of Pakistan Naval Academy and PN War College.

Prior to joining Aisha Steel in Feb 2015, he has also served at Midas Safety, Beltexco Limited.



**Mr. Ali Awan**

Deputy General Manager IT

Mr. Muhammad Ali Awan is working as Head of IT and he has over 20 Years of rich experience in the field of IT in diversified industries (Manufacturing, Banks, Brokerage House, Software House, Education and NGOs).

He worked in different organization in different capacities from Programmer to IT Director like The Aman Foundation, Pak Qatar (Family & general) Takatuf Ltd., Alka (Pvt) Ltd., 360 Training Inc., S. Fazaillahi & Sons, Avanza Solutions, Happy Home School etc.,

Mr. Awan holds MS (Software Engineering) degree from MAJU (Mohammad Ali Jinnah University) and PGD in Islamic Banking and Finance. He also holds major IT certifications including Project management, COBIT, ISMS, ITIL, SAP FICO, SAP HCM, etc.

## Board & Management Committees

Based on the listing requirements and to ensure good corporate governance for our stakeholders, various committees have been formed at both the Board and Management level. Majority members of the board are non executive directors.

### Board Committees

#### Board Audit Committee

The audit committee remains responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any questions of resignation or removal of

external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit its financial statements.

Name	No of meetings held during the year	Meetings attended
Mr. Kashif A. Habib – Chairman	4	4
Mr. Hasib Rehman - Member	4	2
Mr. Nasim Beg - Member (inducted during the year)	4	2
Mr. Kamran A. Kazim - Member (inducted during the year)	4	Leave of absence
Mr. Muhammed Ejaz (Outgoing Member)	4	2

**In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee in the following matters:**

- i. To determine appropriate measures to safeguard Company assets;
- ii. Review of preliminary announcements of results prior to publication;
- iii. Review of financial statements (quarterly, half yearly and yearly) prior to the approval by the Board of Directors with major emphasis on:
  - a. Significant adjustments resulting from the audit;
  - b. Major judgment areas;
  - c. Going concern assumption;
  - d. Any change in accounting policies and practices;
  - e. Compliance with applicable accounting standards, and
  - f. Compliance with listing regulations and other statutory and regulatory requirements;
- iv. Facilitating the external audit and discussion with external auditors of major observations arising from the interim and final audits and any matter that the auditors may wish to highlight (in the absence of Management, where necessary);
- v. Review of Management Letter issued by external auditors letter and management's response thereto;
- vi. Ensuring coordination between the internal and external auditors of the Company;
- vii. Review of the scope and extent of the internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
- viii. Consideration of major findings of internal investigations and Management's response thereto;
- ix. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- x. Instituting special projects value for money studies or other investigations or any matter specified by the Board of Directors in consultation with the CEO and to consider remittance of any matter to the external auditors or to any external body;
- xi. Determination of compliance with the relevant statutory requirements;
- xii. Monitoring compliance with the best practice of corporate governance and identification of significant violations thereof;
- xiii. Consideration of any other issue of matter as may be assigned by the Board of Directors;

## Board Human Resource & Remuneration Committee

The role of the HR & R committee is to assist the directors in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement involvement.

The committee will recommends any adjustments which are fair and required to attract/retain high caliber staff for consideration and approval. The committee has the following responsibilities, powers, authorities and discretion:

- i. Conduct periodic reviews of the good performance awards, bonuses, long term service award policy and safety awards for safe plant operations.
- ii. Conduct periodic reviews of amount and forms of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.

Name	No of meetings held during the year	Meetings attended
Mr. Arif Habib – Chairman	1	1
Mr. Hasib Rehman - Member	1	Leave of absence
Mr. Muhammad Ejaz - Member	1	1
Mr. Shinpei Asada - Member	1	1

- iii. Consider any changes to the company's retirement benefit plans including gratuity, pension, post-retirement medical treatment, based on actuarial report, assumptions and funding recommendations.
- iv. Review organizational policies concerning housing/welfare schemes, scholarships and incentives for outstanding performance.
- v. Ensure in consultation with the CEO that succession plans are in place and review such plans at regular intervals for those executives whose appointment requires board approval (under code of corporate governance), namely the CFO, the Company Secretary and the Head of Internal Audit including the terms of

appointment and remuneration package in accordance with the market positioning.

- vi. Review and recommend compensation/benefits for the Chief Executive Officer.

The committee meets on as required basis or when directed by the board of directors. The secretary sets the agenda, time, date and venue of the meeting in consultation with the chairman of the committee. The head of HR acts as secretary of the committee and submit its minutes of the meeting duly signed by the chairman. These minutes are then circulated to the board of directors.

## Management Committees

### Management Executive Committee (Mancom)

Dr. Munir Ahmed-Chairman	Mr. Tahir Iqbal-Member	Mr. Nasir Feroze Bhatti-Member
Mr. Mohsin Lodhi-Member	Mr. Syed Ghulam Arif Hasni-Member	Mr. Khurram Abbas-Member
Mr. Khawar A Siddiqui-Member	Ms. Hina Akhtar-Member	Mr. Waseem Saeed-Member

MANCOM conducts its business under the guidance of the CEO. The Committee is represented by the heads of all the department of the Company. MANCOM meeting is held monthly to discuss and review the ongoing business operations.

Committee formed: December 2011  
No of meetings held till Year end: 12

**The Committee is responsible for the formulation of the business strategy based on the corporate objectives of the Company as set by the Board of Directors. The terms of reference of the committee are as follows:**

- To develop and approve medium term plan(s) to meet the interim objectives and milestones in accordance with the long term plan as approved by the Board;
- Update regarding the progress of the various segments of the Company;
- Discuss new ideas regarding business/ product lines, new markets/refer opportunities and feasibility for onward submission to the Board;
- Identify any potential risk factors and manage them accordingly;
- Timely decision making with regard to business and employee related issues;
- Review the adequacy of operational, administration and financial control;
- To improve performance and efficiency of the Company;



## Management HR Committee

Dr. Munir Ahmed-Chairman

Mr. Tahir Iqbal-Member

Ms. Hina Akhtar - Member

The objective of management HR committee is to review, monitor and make recommendations to the Board through the Human Resource & Remuneration Committee for the following:

Committee formed: December 2011  
3 meetings held during the year.

- Effective Employee Development Program;
- Sound Compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel required to manage the business effectively.
- Review organization structure to evaluate and recommend changes in the various functions for effective management of the business operations;
- Establish plans and procedures that provide an effective basis for management basis over Company manpower;
- Determine appropriate limits of authority and approval procedures for delegating authority to facilitate decision making at various management levels.



## Evaluation of Board's Performance and Criteria used

**As the Board of Directors act as the custodian of the shareholders' money and is responsible to oversee its translation into objectives for the Company, the Board has put in place a mechanism for performance evaluation by setting specific, measurable, achievable and realistic goals. The Directors have set the following evaluation criteria to judge its performance:**

- Corporate Governance
- Compliance with regulatory requirement of legal framework,
- Value addition for all Stakeholders of the Company
- Financial performance of the Company
- Attendance of directors in meetings;
- Frequency of meeting during the year;
- Participation and application of collective wisdom in pursuing Company's corporate objectives , vision and mission statement while adhering to the principles of core values/ code of conduct and ensuring compliance with the regulatory frame work.

**The Board remains satisfied that during the year it truly strived for the above.**

## Core Competencies

The Board comprises of highly qualified professionals from all disciplines to ensure effective and efficient decision making. The Board comprises of Finance and Engineering

Professionals to form an excellent combination of highly experienced professionals to run the affairs of the Company.



## CEO's Performance Review

**Amongst the key responsibilities of the Board of Directors is to warrant success of the Company by way of effective management. CEO is empowered by the Board to efficiently run the organization leading it towards progression and contributing value to its stakeholders.**

### Chairman of the Board's review of the CEO's performance

Dr. Munir Ahmed joined Aisha Steel Mills in October 2014, prior to which he was the Managing Director of Peoples Steel Mills, a speciality steel producing facility. Given his strong engineering knowledge and experience, the Company has seen improvements in the production capacity utilization, product quality and conversion cost efficiencies. In particular, the production for the period January – June 2015 was 73% of plant capacity as compared with 54% during the first half of the financial year.

However, the challenge of producing higher value-added products and achieving full plant capacity utilization remain

elusive. Certain measures have been initiated towards these ends, which are expected to start showing results going forward. The other challenge will be to sell all that the plant produces and that too at healthy margins. Measures are also under way to wean away from the distribution arrangement with Mitsubishi Corporation and develop the Company's own sales force so as to be better aligned with the end customers.

We expect that the CEO will meet these challenges during the financial year 2015-16.

# Directors' Report

Dear Fellow Shareholders

The Directors of Aisha Steel Mills Limited (“the Company”) are pleased to present the Annual Report of the Company and the audited financial statements for the year ended June 30, 2015 together with auditors' report thereon and a brief overview of financial and operational performance of the Company.

## Pakistan Economy

The Pakistan economy is benefitting from low oil and commodity prices translating into low inflation and a sharp reduction in interest rates. Additionally, the Law & order situation in the country improved significantly with the implementation of the National Action Plan. This has increased investor confidence leading to enhanced economic activity. A major development in this regards is the announcement of the China-Pakistan Economic Corridor (CPEC). Action is also under way for setting up power projects based on coal, hydel and wind to mitigate demand and supply gap.

## Regulatory Issues Faced by Domestic CRC Producers

An issue that continues to hurt domestic industry is the miss-declarations by a few unscrupulous traders. In the case

of the domestic CRC manufacturers, there is significant abuse by such traders under the China-Pak FTA; additionally, the Government has imposed 5% custom duty on the Company's raw material, i.e., Hot Rolled Coils (HRC) through the 2014 Federal Budget. This is in contrast to the Government's commitment to encourage investment in the CRC manufacturing plants given in FY2005-06, when Custom Duty for CRC manufacturers was reduced from 5% to 0% As a result two new CRC plants including Aisha Steel Mills were set up.

The Government needs to provide duty protection to domestic CRC manufacturers. Those countries which have provided due protection to their steel sector have been able to grow and subsequently become net exporters. It is also a well-known fact that countries having an established steel industry progress faster as steel is the basic raw material for engineering industry in general and construction industry in particular.

## Market Share

Your Company became the largest supplier of CRC in the market. The following table shows market share of three domestic CRC manufacturers:

CRC Manufacturer	2012-13	2013-14	2014-15	2014-15 %
Aisha Steel Mills Limited	71,810	127,384	134,272	66%
International Steel Limited	76,500	122,823	69,473	34%
Pakistan Steel Mills*	15,000	10,000	Nil	0%
<b>Domestic production total</b>	<b>160,182</b>	<b>237,893</b>	<b>203,745</b>	

Note \*: Pakistan Steel Mills data is based on market estimates.

If problems confronting the local producers are addressed, local producers can meet requirements of CRC in the country.

CRC related market saw three major developments in the year under review. The Yamaha Motorcycle manufacturing plant set up at Port Qasim commenced production of 100cc and higher motor cycles for the domestic as well as exports purposes. Marubeni and Dawood Engineering are putting up a Coil Service Centre at Port Qasim. This will be Pakistan's first Coil Service Centre and will cater for commercial as well as high end OEM market. Both these initiatives will increase domestic consumption of CRC by 10,000 to 30,000MT per annum. Lastly, International Steel Limited has completed work on the second GI line. The CRC production capacity is also being enhanced. These developments are expected to provide stability against smuggling and other unscrupulous importers.

### Rights Share Issue & Share Price

In order to strengthen the balance sheet of your Company, the Board of Directors approved one for two Rights Issue in shape of Cumulative Convertible Voting Preference Shares which was subsequently unanimously approved in Extra Ordinary Shareholders Meeting. The structure of Rights Shares has been made lucrative. Each Preference Share is convertible into Common Shares of ASML any time after one year from the date of issuance. The right issue process has been completed with the injection of Rs.1.7 billion into the Company.

### Company's Operations

Financial year 2014-15 is the second full year of operations for your Company. During this period, ASML operated at 61% (2014: 58%) capacity utilization and produced 134,272 Metric Tons (2014: 127,384 Metric Tons) with total sales of 138,923 Metric Tons (2014: 126,129 Metric Tons).

Your management has started a program to recognize those ASML team members who come up with such suggestions. This is resulting in a culture of ownership throughout the hierarchy of the ASML management. As the cost of electricity has gone up by over 75% during the last year, special emphasis was given on energy saving initiatives. This included installation of energy metering system, VFD motors, optimization of production planning, setting up minimum air-conditioning at 26oc, etc. These measures have resulted in curtailing electricity consumption during the year.

Other cost saving measures includes alternate sourcing of quality spares from component manufacturers directly instead of buying through OEM's. Setting up of an in house repair work shop for jobs requiring quick turnaround.

Vendors have been shortlisted for maintenance work not feasible to be carried out in house. Localization of consumable spares will also result in substantial savings.

### Sales & Marketing

ASML has a Sales & Distribution Agreement with Mitsubishi Pakistan to sell 100% of ASML's product within Pakistan via two channels namely: Direct Sales, and Sales via Dealers. At ASML, we believe that CRC is a specialized product and therefore requires commitment and dedication throughout the distribution channel. Keeping this in mind, ASML decided to have exclusive ASML Dealers to sell CRC in Pakistan and as this requires commitment from both ASML as well as our Dealers therefore, they are called Dealer-Partner. ASML has presently operates through 16 Dealer-Partners across Pakistan covering all major demand centers of CRC consumption. These Dealer-Partners are managed by Mitsubishi Pakistan's offices in Karachi, Lahore, and Islamabad.

ASML also started its direct sales to End Users and has been able to consistently add well established blue chips customers. Some of these End Users have very stringent CRC product approval criteria and it gives us great pleasure to share with you that ASML has been successful in getting approval from all End Users it has approached.

Sales & Marketing team has played a vital role in product development and in designing best-selling practices (fastest and round the clock), awareness about the product in the market helped in switching customers from other sources to ASML's product. Continuous marketing and direct consumer visits with push sale strategy helped in boosting up the sales, customer engagement and retention in competitive market environment where Imports were dominating. ASML believes that the main competition comes from the imported CRC and the increase in ASML sales means imports substitution.

### Raw Material Procurement

The raw material for CRC plant is Hot Rolled Coils (HRC). ASML has to import the same due to unavailability of the required quality and weight of coil. During the year under review, ASML focused on reduction of HRC cost by diversifying the supplier base further. This, however, adds to the complexity of producing quality CRC from HRC of different origin as each manufacturer has its peculiarities. Frequent adjustments have to be made in both rolling and annealing cycles. Despite this the company has been able to achieve over 10% increase Prime/Standard Grade CRC compared to previous year. ASML will continue to pursue a policy of procuring from price competitive sources for commercial CRC market and better quality HRC for high end applications.

# Financial Review

## The Company's Results

The summary of financial results is as follows:-

Rupees in '000'

	2014-15	2013-14
Loss before tax	(1,488,240)	(408,914)
Taxation – Deferred	277,418	62,247
Loss after tax	(1,210,822)	(346,667)
Other comprehensive income-net	830	189
Accumulated losses – carried forward	(2,737,365)	(1,532,979)
Basic earnings per share (loss) - Rupees	(4.97)	(1.62)

### Future Outlook

The industry is hopeful that the government will impose anti-dumping duties to safeguard and protect the local industry and to check imports of finished goods from all countries. This is important to enable CRC domestic manufacturers achieve sustainable margins. Simultaneously, all efforts are being directed to increase productivity and optimize cost of production.

### Risk Management

The risk management system of company established by the Board comprises of a wide range of finely tuned organizational and procedural components and is capable of identifying events and developments impairing the going-concern status of the Company. The risk management system is designed; to promote a balanced approach to risks at all organizational levels, identify and analyse the opportunities and risks at an early stage, their measurement and the use of suitable instruments to manage and monitor risks.

With the Company's key business being that of a manufacturing concern, it has evolved its risk management system as its production & sales strategy has evolved. Starting with raw material procurement, the Company has always followed a policy of diversification between sources and quality and at the same time basing decisions regarding product mix requirements of the market on fundamental customers demand and market analysis and following the golden rule of value investing.

The Company manages its risk by applying caution with respect to the stock selection and inventory levels; avoiding concentration risk, ensuring credit/receipt of clean funds from the buyer dealers and continuously assessing the capacity of the counterparty. In addition, the Company has played a continuing role through its representatives in the development of sector on both ends of manufacturers & customers' awareness and simplification of customs and tariff matters.

Our CRC production and sales target is that the remaining high-end OEMs can also be added to customers list. ASML is looking into the possibility of technical collaboration with a renowned international CRC manufacturer.

In order to increase market share, an aggressive marketing structure is being put in place to replace imported CRC. ASML firmly believes that its competition is with imports and not so much with other domestic CRC manufacturers.

For operational risk management, the starting point has always been carrying out an in depth analysis before making investment in inventory procurement globally, and supplementing that with hiring of qualified and experienced professionals, applying budgetary and other internal controls, continuing review of performance of the procurement, production, sales and corporate governance segments and taking corrective measures as and when needed.

The detailed Qualitative Reports and Quantitative analysis on Risk management is presented in note no. 37 to the financial statements.



## Risk Factors and Mitigants

Risk	Criticality	Mitigate
<b>Foreign Exchange Risk</b> Adverse foreign exchange movement can increase the price of input and reduce profitability.	<b>Medium</b>	Foreign exchange risk is contained to a minimum level as the product will act as an import substitute. The price of finished goods, namely CRC, is linked to prices in the international market, which are quoted in USD, thus protecting the Company from any adverse exchange fluctuations.
<b>Business Risk / Off-take Risk</b> Decrease in demand for products may have an adverse impact on the business	<b>Medium</b>	Currently the demand for CRC exceeds domestic production.  Demand is expected to increase due to multiple factors including economic growth of the country, rising population leading to increased consumption of finished steel goods, change in consumption pattern as a result of increased per capita income .
<b>Business Cycle Risk</b> Steel is a cyclical industry thus exposing ASML to adverse price fluctuations during business cycle movements.	<b>Medium</b>	Despite the cyclical nature of steel industry, margins between CRC and HRC are relatively stable in the long run. Based on historic averages margin of USD 88/ MT exists between HRC and CRC prices. In addition to that, some tariff protection can provide some safeguard to the margin.
<b>Credit Risk</b> There is a risk that the Company will be unable to meet its financial obligations and hence will default on its commitment to repay the debt.	<b>Low</b>	The principal shareholder has continued to provide the Company with Support.

### Capital Management and Liquidity

The Company's cash flows management system projects cash inflows and outflows on a regular basis as well as monitoring cash position on a daily basis. Keeping in view the saving in financial cost owing to a declining trend in KIBOR, the Company manages its working capital requirements through KIBOR based funded and non-funded lines with different banks and financial institutions. As part of long-term strategy the fixed assets are maintained out of long term borrowings.

During the financial year the weighted average cost of borrowings, including exchange losses of PKR 107.51 million (2014: PKR 48.786 million), was remains at PKR 1,249.256 million (2014: PKR 1,299.141 million).

The long term debt equity ratio of the Company on 30th June 2015 was 79:21 as against 82:18 as on 30th June 2014.

### Human Resource Management

Your Company takes great pride in the commitment, competence and vigour shown by its workforce in all realms of business. The Company continues to take new initiatives to further align its HR policies to meet the growing needs of its business. People development continues to be a key focus area in your Company.

At ASML Human Resource, in its business partner role, enacts strategies to raise the performance of each team member to its maximum potential. The primary reason for our success is that our organization is not built solely around machines, it is also built around people.

Our continuous improvement philosophy and benchmarking with the best in class will help in making ASML a high performance organization.

# CORPORATE SUSTAINABILITY

## Corporate Social Responsibility (CSR)

**Aisha Steel Mills Limited as an organization believes that the highest standards of corporate behaviour are essential to long term success. To achieve our sustainability targets ASML Management has always been keen to contribute to improve peoples' health and well-being and, in turn, create a sustainable future with all business partners.**

During 2014-15, our main initiatives included:

### i. Energy Conservation Day

"National Cut You Energy Cost Day" was Celebrated on January 10th, 2015 by giving tips to save energy and money, intra department competition was held and the top 3 departments namely IT, Production Planning & Control and Administration were found contributing best towards cutting the Energy cost were awarded certificates.

Additionally a number of initiatives have been taken at the mill to conserve energy. Some of these are:

- Use of eco-efficient lighting in admin block.
- Department wise energy measurement.

### ii. Environmental Protection Measures:

ASML has been a key enabler for pursuing Company's growth ambition in an environmentally responsible manner. The key environmental protection initiatives include:

- a. Using the 'right sized' vehicles for each route for picking employees scattered across the city.
- b. Optimization of vehicle routes as per vehicle load.
- c. Reducing travel related environmental footprint by using technology e.g. live meetings & Skype etc.
- d. Recycling treated water for watering factory green belts & wash rooms.

### iii. Earth Day – April 22, 2015

This year it was celebrated with the theme of "The Face of Climate Change." As part of our CSR initiatives the management of ASML wanted to ensure that everyone at ASML not only understood the concept of Earth Day but also within their own domains played a role in returning back to the environment.

So this time employees participated by visiting the "ASML Earth Gallery and Green House" that was set up in the training room at Port Qasim.

### Activities included:

- Documentary Screening - A Documentary by 'Chintan Environmental Research and Action Group', "60 Kilos", an untold story of an active army!
- Photo Gallery & Charts on Artificial Nesting – Charts and photo gallery was put up on how artificial nests can be made & how sparrows that are almost on the verge of extinction can be saved & their count can be increased.
- Captain Planet Quiz Competition - Participants were invited to participate in the Quiz Corner. The topics given were based on the environment and issues surrounding it.
- Green Day - A day when employees flaunted the colour green in support of environment the Earth Day

### iv. Independence Day Celebration

"Independence Day" was Celebrated on August 13th, 2014 by conducting intra-departments online quiz competition regarding our beautiful homeland Pakistan, gifts were presented to the top 14 employees who took minimum time in completing the quiz with maximum correct answers. Lucky draw was conducted for all shift based employees who do not have access to emails.



#### v. Employee Care

- At ASML, we discourage late sittings and encourage our staff to complete work during office hours. This helps employees to spend quality time with their families and pursue a balanced work-life pattern.
- In order to make ASML "EMPLOYER OF THE CHOICE" various initiative were taken and improvements were made in existing practices to benefit both the Employee and the employer; some steps taken are as below:
  - o Change in working Hours: for general shift ASML working hours change from 09:00 am – 06:00 pm to 08:00 am – 05:00 pm.
- Third Shift Worker day-May 15, 2015  
Most People work during the day, which is lucky from them. Third Shift Workers' Day celebrates those who lead more nocturnal lives.
- To appreciate the right shift workers who work graveyard shift while others sleep soundly in soft warm bed. They're the people that really keep the world turning, yet they might as we invisible as far as most of us are concerned. It's due to their efforts that we are able to meet our production targets. Therefore to acknowledge the efforts all night shift workers of May 14, 2015 were awarded certificates and appreciation card.

#### vi. Education

ASML supports research, conferences, trade fairs, workshops and other events of educational institutions. We also provide internships for young graduates of four engineering universities of Pakistan i.e. NED University-Karachi, University of Engineering and Technology-Lahore, Mehran University-Jamshoro, Sir Syed University - Karachi.



In addition to this, student visits are arranged; whereby final year graduates from various disciplines are welcomed to visit

the factory. During these visits students are given presentations, plant visits and informal technical knowledge sharing opportunities.



#### Environment, Health & Safety (EHS)

ASML give highest priority to Environment, Health, and Safety. We have a fully committed and communicated EHS policy in place. We are working on building the management systems required to achieve our goal.



**So, far the following systems are being implemented and followed within ASML:**

1. Emergency Response Plan
2. Incidents Reporting, Recording and Management
3. Hazardous Material Storage and Handling
4. Permit to Work System
5. Corrective and Preventive Actions
6. Safe Food Handling in Canteen
7. Lock Out & Tag Out System

Apart from the above mentioned systems the EHS team has also implemented the daily safety talk's culture onsite and a daily 10-15minute safety talk is delivered on a selected topic in a selected area. For all incidents analysis and investigation a well know method of TRIPOD BETA is used and mitigation measures are being taken on priority.

In the coming months "Fire Fighting Training" & "Certified First Aid Training" is planned to be conducted in ASML premises to equip the employees with necessary skills to meet any emergency needs.

**Industrial Relations**

Your Company believes in providing an equitable, fair and merit based environment. We believe that if permanent and contracted employees are treated fairly and with respect then that would result in high motivation of workforce thus resulting in peaceful and continuous operations. We intend to maintain this approach in years to come.

**Gratuity Scheme as Retirement Benefit**

The Company maintains plan that provide retirement benefits to its employees. This includes a non-contributory and unfunded gratuity scheme for all employees.

**Equal Opportunity Employer and Employment of Special Persons**

Your Company takes pride in equal opportunity and therefore provides employment opportunities on merit irrespective of sex, creed, religion or any other affiliation. In addition to equality, your Company also plans to give employment opportunities to persons with special needs.



**Information Systems and Re-Engineering**

SAP – ERP Business Suite has been rolled out and key modules have gone live. The introduction of SAP will bring about considerable improvements in the areas of functional integration, record management, internal controls, process efficiencies and adoption of best practices. This will facilitate the generation of real time information for the management and enhance effective and optimal decision making.



**Contribution to the National Exchequer**

Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. The Company has contributed over PKR 410.876 million (2014: PKR 656.589 million) during the year towards National Exchequer comprising of income tax, sales tax, duties and other taxes.



**Corporate Governance**

ASML is listed at the Karachi Stock Exchange. The Company's Board and Management are committed to observe the Code of Corporate Governance prescribed for listed companies and are familiar with their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

### The Board is pleased to state that:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts regarding the Company's ability to continue as going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Information regarding outstanding taxes and levies as required by the listing regulations is disclosed in the notes to the financial statements.
- The company has no outstanding obligations under gratuity, pension or provident fund.

In compliance with the Code, the Board hereby reaffirm that there is no doubt whatsoever about the Company's ability to continue as a going concern and that there has been no material departure from the best practices of corporate governance as detailed in the listing regulations and transfer pricing.

One director has participated in four parts of Corporate Governance Leadership Skills Program during the year. The Company has planned to hold training sessions for its directors in the current year. It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices, many of which have already been in place even before they were mandated by law or ASML got listed.

### Trading in Company's Share by Directors and Executives

During the year no trade in the shares of the Company was carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and other Executives of the Company and their spouses and minor children except as detailed in Annexure – II (Page-40).

Furthermore, it is informed to all above concerned persons to deliver written notices to the Company Secretary to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and CDC statement within 4 days of such transaction.

### Attendance at Board Meetings

A statement showing attendance at Board meetings is annexed as Annexure-I (Page-39).

### Pattern of Shareholding

There were 1628 (2014: 1432) ordinary shareholders and 3782 (2014: 4211) preference shareholders of the Company as of 30 June 2015. The detailed pattern of shareholding and categories of shareholding of the Company including shares held by directors and executives, if any, are annexed as Annexure-III.

### Financial and Business Highlights

The key operating and financial data has been given in summarized form under the caption "Financial & Business Highlights – at a glance" (Page- 53) and graphic representation of the important statistics is presented on (Page-55).

### Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board. The Committee composition and its terms of reference are also attached with this report. The composition of Audit Committee will be made in line with requirements of 'Code of Corporate Governance 2012' at the time of next election of directors in accordance with the 'Implementation deadlines of Code of Corporate Governance 2012'.



## Auditors

The present external auditors M/s. A. F. Ferguson & Co., Chartered Accountants, shall retire at the conclusion of annual general meeting on 26th October 2015 and being eligible, have offered themselves for reappointment for the year ending on 30th June 2016. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board recommends reappointment of M/s. A. F. Ferguson & Co., Chartered Accountants, as auditors of the Company for the financial year ending on 30th June 2016 at a fee to be mutually agreed. Approval to this effect will be sought from the shareholders at the forthcoming annual general meeting scheduled on 26th October 2015.

## Compliance with Secretarial Practices

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under prevalent listing regulation 35(xiv) of Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Ordinance, 1984 and listing regulations have been duly complied with.

## Election of Directors

In accordance with the provisions of Section 180 of the Companies Ordinance, 1984 the three years term of directors elected in the annual general meeting of 31st October 2014 will be completed on 31st October 2017 and fresh election for new term of three years will be held in the AGM to be held on or before 31st October 2017.

## Post Balance Sheet Events

There have been no material changes since 30th June 2015 to the date of this report.

## Related Party Transactions

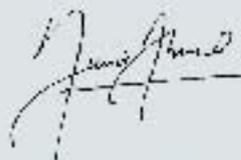
In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of related party transactions have been provided in note 34 of the annexed audited financial statements.

## Acknowledgement

The Directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We wish to place on record our appreciation and thanks for the faith and trust reposed by our Business Partners, Bankers & Financial Institutions. We recognise the continued support and guidance provided by the Government, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, Central Depository Company of Pakistan and the Management of Karachi Stock Exchange.

The results of an organization are greatly reflective of the efforts put in by the people who work for and with the company. The Directors fully recognize the collective contribution made by the employees of the company for successful completion of project and thereafter continuous operations of the company.

## For and on behalf of the Board



**Dr. Munir Ahmed**

Director & Chief Executive  
Karachi: September 10, 2015

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\*Mobile apps are also available for download for android and ios devices

## Annexure I

### Statement of attendance of board of directors

From July 1, 2014 to June 30, 2015

Name	Designation	No. of Meetings Held during the Year	Eligible to attend	Meetings attend	Leaves Granted	Remarks
Mr. Arif Habib	Chairman & Director	4	4	3	1	-
Mr. Shinpei Asada	Director	4	4	-	4	-
Mr. Hasib Rehman	Director	4	4	0	4	-
Mr. Nasim Beg	Director	4	4	4	-	-
Mr. Kashif A. Habib	Director	4	4	4	-	-
Mr. Muhammad Ejaz	Director	4	4	2	2	-
Mr. Khalid S. Tirmizey	Director	4	2	-	2	-
Mr. Kamran Ali Kazim	Director	4	2	2	-	-
Dr. Munir Ahmed	Newly Appointed CEO	4	2	2	-	-
Mr. Samad A. Habib	Outgoing Director	4	2	1	1	-
Mr. Shahid Aziz Siddiqui	Outgoing Director	4	2	-	2	-
Mr. Kashif Shah	Outgoing CEO	4	1	1	-	-
Mr. Naoki Setoguchi	Alternate Director	4	4	1	3	Alternate Director to Shinpei Asada

## Annexure II

### Statement of attendance of board of directors

#### Statement showing shares bought and sold by directors, CEO, CFO, Company Secretary and their spouses and Minor Children from July 1, 2014 to June 30, 2015

Name of Directors	Designation					Remarks
		Ordinary Shares		Preference Shares		
		Shares Sold	Shares Bought	Shares Sold	Shares Bought	
Mr. Arif Habib	Director	-	-	9,135,000	-	-
Mr. Shinpei Asada	Director	-	-	-	-	-
Mr. Hasib Rehman	Director	-	-	-	-	-
Mr. Nasim Beg	Director	-	-	-	-	-
Mr. Kashif A. Habib	Director	-	-	-	-	-
Mr. Muhammad Ejaz	Director	-	-	-	-	-
Mr. Khalid S. Tirmizey	Director	-	-	-	-	-
Mr. Kamran Ali Kazim	Director	-	-	-	-	-
Dr. Munir Ahmed	Director & Chief Executive	-	-	-	-	-
Mr. Shahid Aziz Siddiqui	Outgoing Director	-	-	-	-	-
Mr. Tahir Iqbal	CFO & Company Secretary	-	-	-	-	-

## Annexure III

# Pattern of Shareholdings of Ordinary Shares (Symbol: ASL)

As at June 30, 2015

Categories of Shareholders	Shareholders	Share Held	Per%
Directors and their spouse(s) and minor children Mr. Hasib Rehman	1	13,925,385	5.14
Associated Companies, undertakings and related parties			
Arif Habib Corporation Limited	2	80,008,250	29.51
Arif Habib Equity (Pvt) Limited	2	30,563,565	11.27
Universal Metal Corporation, Japan	2	37,394,829	13.79
Umc Pakistan (Private) Limited	1	5,910,000	2.18
Metal One Corporation	1	66,768,583	24.63
Executives	-	-	-
Public Sector Companies and Corporations	2	10,300,000	3.80
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	6,104,000	2.25
Mutual Funds			
Cdc - Trustee Picic Investment Fund	1	2,000,000	0.74
Cdc - Trustee Picic Growth Fund	1	3,000,000	1.11
Cdc - Trustee Nit-equity Market Opportunity Fund	1	228,500	0.08
Cdc - Trustee National Investment (Unit) Trust	1	392,388	0.14
General Public			
a. Local	1597	9,119,930	3.36
Foreign Investor	1	80,000	0.03
Others	14	5,337,233	1.97
<b>Totals</b>	<b>1628</b>	<b>271,132,663</b>	<b>100.00</b>
<b>Share holders holding 5% or more</b>			
		<b>Share Held</b>	<b>Per%</b>
Metal One Corporation		66,768,583	24.63
Arif Habib Equity (Pvt) Limited		30,563,565	11.28
Arif Habib Corporation Limited		80,008,250	29.52
Universal Metal Corporation, Japan		37,394,829	13.80
Mr. Hasib Rehman		13,925,385	5.14

# Pattern of Shareholdings of Ordinary Shares (Symbol: ASL)

Categories of Shareholders as at June 30, 2015

S.No.	Folio #	Name of shareholder	Number of shares	Per %
<b>Directors and their spouse(s) and minor children</b>				
1	1	Mr. Hasib Rehman	13,925,385	5.14
			<b>1</b>	<b>13,925,385</b>
				<b>5.14</b>
<b>Associated Companies, Undertakings And Related Parties</b>				
1	11	Arif Habib Corporation Limited	65,786,900	24.26
2	06452-8640	Arif Habib Corporation Limited	14,221,350	5.25
3	12	Arif Habib Equity (Pvt) Limited	24,347,362	8.98
4	06452-13087	Arif Habib Equity (Pvt) Ltd	6,216,203	2.29
5	9	Universal Metal Corporation, Japan	26,642,829	9.83
6	03277-62597	Universal Metal Corporation	10,752,000	3.97
7	10629-89741	Umc Pakistan (Private) Limited	5,910,000	2.18
8	10	Metal One Corporation	66,768,583	24.63
			<b>8</b>	<b>220,645,227</b>
				<b>81.38</b>
<b>Executive</b>				
			-	-
<b>Public sector companies and corporations</b>				
1	03889-44	National Bank Of Pakistan	10,000,000	3.69
2	06247-63	Saudi Pak Industrial & Agricultural Investment Co. Ltd.- Pmd	300,000	0.11
			<b>2</b>	<b>10,300,000</b>
				<b>3.80</b>
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>				
1	03111-46	United Bank Limited - Trading Portfolio	6,104,000	2.25
			<b>1</b>	<b>6,104,000</b>
				<b>2.25</b>
<b>Mutual Funds</b>				
1	05645-24	Cdc - Trustee Picic Investment Fund	2,000,000	0.74
2	05777-29	Cdc - Trustee Picic Growth Fund	3,000,000	1.11
3	12120-28	Cdc - Trustee Nit-equity Market Opportunity Fund	228,500	0.08
4	14902-21	Cdc - Trustee National Investment (Unit) Trust	392,388	0.14
			<b>4</b>	<b>5,620,888</b>
				<b>2.07</b>

# Pattern of Shareholdings of Ordinary Shares (Symbol: ASL)

Categories of Shareholders as at June 30, 2015

S.No.	Folio #	Name of shareholder	Number of shares	Per %
<b>General Foreign Investor</b>				
1	100908	Mr. Yoshikazu Uda	80,000	0.03
			<b>1</b>	<b>80,000</b>
				<b>0.03</b>
<b>Others</b>				
1	100639	M/s Edusoft System Solutions	3,000	0.00
2	01669-26	Shaffi Securities (Pvt) Limited	2,000	0.00
3	03277-1018	Sapphire Textile Mills Limited	74,800	0.03
4	03277-2307	Amer Cotton Mills (Pvt) Limited	74,800	0.03
5	03277-30088	Roomi Fabrics Ltd	4,664,000	1.72
6	03525-57191	Sarfraz Mahmood (Private) Ltd	500	0.00
7	03525-87235	Maple Leaf Capital Limited	1	0.00
8	04366-20	Multiline Securities (Pvt) Limited	29,920	0.01
9	04424-22	Sakarwala Capital Securities (Pvt) Ltd	412	0.00
10	04457-78	Fdm Capital Securities (Pvt) Limited	2,340	0.00
11	04705-48962	Shakil Express (Pvt) Ltd	14,960	0.01
12	05264-45695	Trustee-treet Corporation Ltd.-group Emp.superannuation Fund	150,500	0.06
13	06452-27	Arif Habib Limited	310,500	0.11
14	06684-29	Mohammad Munir Mohammad Ahmed Khanani Securities (Pvt.) Ltd	9,500	0.00
			<b>14</b>	<b>5,337,233</b>
				<b>1.97</b>
<b>Total</b>			<b>1628</b>	<b>271,132,663</b>
<b>General Public Local</b>			<b>1597</b>	<b>9,119,930</b>
				<b>100.00</b>
				<b>3.36</b>

# Pattern of Shareholdings of Ordinary Shares (Symbol: ASL)

Categories of Shareholders as at June 30, 2015

#Of Shareholders	Shareholdings' Slab		Total Shares Held
204	1	to 100	2,168
489	101	to 500	239,115
308	501	to 1000	304,835
387	1001	to 5000	1,234,431
94	5001	to 10000	830,338
33	10001	to 15000	447,840
19	15001	to 20000	348,140
14	20001	to 25000	337,444
7	25001	to 30000	209,340
6	30001	to 35000	206,500
1	35001	to 40000	38,000
4	40001	to 45000	170,500
11	45001	to 50000	543,992
2	50001	to 55000	102,500
2	55001	to 60000	113,000
1	60001	to 65000	61,000
1	65001	to 70000	70,000
2	70001	to 75000	149,600
1	75001	to 80000	80,000
1	90001	to 95000	95,000
8	95001	to 100000	799,000
3	110001	to 115000	339,500
1	115001	to 120000	119,448
1	145001	to 150000	150,000
1	150001	to 155000	150,500
2	160001	to 165000	324,972
2	165001	to 170000	336,500
2	195001	to 200000	400,000
1	225001	to 230000	228,500
1	295001	to 300000	300,000
1	310001	to 315000	310,500
1	345001	to 350000	350,000
1	390001	to 395000	392,388
1	495001	to 500000	500,000
1	505001	to 510000	509,000
1	1995001	to 2000000	2,000,000
1	2995001	to 3000000	3,000,000
1	4660001	to 4665000	4,664,000
1	5905001	to 5910000	5,910,000
1	6100001	to 6105000	6,104,000
1	6215001	to 6220000	6,216,203
1	9995001	to 10000000	10,000,000
1	10750001	to 10755000	10,752,000
1	13925001	to 13930000	13,925,385
1	14220001	to 14225000	14,221,350
1	24345001	to 24350000	24,347,362
1	26640001	to 26645000	26,642,829
1	65785001	to 65790000	65,786,900
1	66765001	to 66770000	66,768,583
<b>1628</b>			<b>271,132,663</b>

# Pattern of Shareholdings of Cumulative Preference Shares (Symbol: ASLCPS)

As at June 30, 2015

Categories of Shareholders	Shareholders	Share Held	Per%
Directors and their spouse(s) and minor children Mr. Arif Habib	1	55,816,802	32.47
Associated Companies, undertakings and related parties Arif Habib Corporation Limited	2	56,493,515	32.86
Arif Habib Equity (Pvt) Limited	4	52,612,714	30.60
Arif Habib Limited	1	28,000	0.02
Executives	1	22,506	0.01
Public Sector Companies and Corporations	0	-	-
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	8,594	0.00
Mutual Funds Cdc - Trustee Picic Investment Fund	1	1,065,000	0.62
Cdc - Trustee Picic Growth Fund	1	1,628,663	0.95
Cdc - Trustee Picic Stock Fund	1	10,000	0.01
General Public a. Local	114	2,856,503	1.66
Foreign Investor	0	-	-
Others	8	1,367,732	0.80
<b>Totals</b>	<b>135</b>	<b>171,910,029</b>	<b>100.00</b>
<b>Share holders holding 5% or more</b>		<b>Share Held</b>	<b>Per%</b>
Mr. Arif Habib		55,816,802	32.47
Arif Habib Corporation Limited		56,493,515	32.86
Arif Habib Equity (Pvt) Limited		52,612,714	30.60

# Pattern of Shareholdings of Cumulative Preference Shares (Symbol: ASLCPS)

As at June 30, 2015

S.No.	Folio #	Name of shareholder	Number of shares	Per %	
<b>Directors and their spouse(s) and minor children</b>					
1	06452-4953	Arif Habib	55,816,802	32.47	
			<b>1</b>	<b>55,816,802</b>	<b>32.47</b>
<b>Associated Companies, undertakings and related parties</b>					
1	6	Arif Habib Corporation Limited	12,847,547	7.47	
2	06452-8640	Arif Habib Corporation Limited	43,645,968	25.39	
3	1	Arif Habib Equity (Pvt) Limited	4,437,482	2.58	
4	26	Arif Habib Equity (Pvt) Limited	12,173,681	7.08	
5	27	Arif Habib Equity (Pvt) Limited	32,893,450	19.13	
6	06452-13087	Arif Habib Equity (Pvt) Ltd	3,108,101	1.81	
7	06452-27	Arif Habib Limited	28,000	0.02	
			<b>7</b>	<b>109,134,229</b>	<b>63.48</b>
<b>Executive</b>					
1	06452-13483	Tahir Iqbal	22,506	0.01	
			<b>1</b>	<b>22,506</b>	<b>0.01</b>
<b>Public sector companies and corporations</b>					
			NIL		
			<b>0</b>	<b>-</b>	<b>-</b>
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>					
1	07393-24	Summit Bank Limited	8,594	0.00	
			<b>1</b>	<b>8,594</b>	<b>0.00</b>
<b>Mutual Funds</b>					
1	05645-24	Cdc - Trustee Picic Investment Fund	1,065,000	0.62	
2	05777-29	Cdc - Trustee Picic Growth Fund	1,628,663	0.95	
3	13607-28	Cdc - Trustee Picic Stock Fund	10,000	0.01	
			<b>3</b>	<b>2,703,663</b>	<b>1.57</b>
<b>General Foreign Investor</b>					
			NIL		
			<b>0</b>	<b>-</b>	<b>-</b>
<b>Others</b>					
1	00307-10508	Treet Corporation Limited	14,000	0.01	
2	00307-10623	Trustees-treet Corp.ltd. E.Superannvat Fund	300,000	0.17	
3	00307-11134	Trustee- Treet Cor. Ltd Emp. Provident Fund	302,500	0.18	
4	00307-11837	Trustee- Treet Corporation Limited G.E. Gratuity	300,000	0.17	
5	00307-13346	Trustee- Treet Corporation Ltd.group Employees Service Fund	350,500	0.20	
6	04002-34898	Trustee-karachi Sheraton Hotel Employees Provident Fund	26	0.00	
7	04424-22	Sakarwala Capital Securities (Pvt)ltd.	206	0.00	
8	06684-117146	Trust Iqbal Adamjee	100,500	0.06	
			<b>8</b>	<b>1,367,732</b>	<b>0.80</b>
<b>Total</b>			<b>135</b>	<b>171,910,029</b>	<b>100.00</b>
<b>General Public Local</b>			<b>114</b>	<b>2,856,503</b>	<b>1.66</b>

# Pattern of Shareholdings of Cumulative Preference Shares (Symbol: ASLCPS)

Categories of Shareholders as at June 30, 2015

#Of Shareholders	Shareholdings' Slab		Total Shares Held
33	1	to 100	977
39	101	to 500	12,774
2	501	to 1000	1,735
15	1001	to 5000	40,590
7	5001	to 10000	48,552
2	10001	to 15000	29,000
2	15001	to 20000	40,000
1	20001	to 25000	22,506
2	25001	to 30000	57,140
1	35001	to 40000	37,500
3	40001	to 45000	126,000
5	45001	to 50000	244,500
2	50001	to 55000	106,500
1	70001	to 75000	72,255
1	80001	to 85000	83,250
1	95001	to 100000	100,000
1	100001	to 105000	100,500
1	195001	to 200000	195,556
1	220001	to 225000	221,000
2	295001	to 300000	600,000
1	300001	to 305000	302,500
1	350001	to 355000	350,500
1	495001	to 500000	500,000
1	995001	to 1000000	1,000,000
1	1060001	to 1065000	1,065,000
1	1625001	to 1630000	1,628,663
1	3105001	to 3110000	3,108,101
1	4435001	to 4440000	4,437,482
1	12170001	to 12175000	12,173,681
1	12845001	to 12850000	12,847,547
1	32890001	to 32895000	32,893,450
1	43645001	to 43650000	43,645,968
1	55815001	to 55820000	55,816,802
<b>135</b>			<b>171,910,029</b>

## Pattern of Shareholdings of Cumulative Preference Shares (Symbol: ASLPS)

As at June 30, 2015

Categories of Shareholders	Shareholders	Share Held	Per%
Directors and their spouse(s) and minor children			
Arif Habib	1	14,662,542	20.17
Muhammad Ejaz	1	11	0.00
Nasim Beg	2	2,006	0.00
Associated Companies, undertakings and related parties			
Arif Habib Corporation Limited	2	35,771,207	49.21
Executives	1	13	0.00
Public Sector Companies and Corporations	3	595,479	0.82
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	11	345,861	0.48
Mutual Funds			
Cdc - Trustee Picic Investment Fund	1	130,000	0.18
Cdc - Trustee Picic Growth Fund	1	257,327	0.35
Cdc - Trustee Picic Stock Fund	1	20,000	0.03
Cdc - Trustee National Investment (Unit) Trust	1	121,208	0.17
General Public			
a. Local	3543	2,757,365	3.79
b. Foreign	2	12,377	0.02
Foreign Companies	4	319,282	0.44
OTHERS	72	17,692,717	24.34
<b>Totals</b>	<b>3646</b>	<b>72,687,395</b>	<b>100.00</b>
Share holders holding 5% or more		Share Held	Per%
Arif Habib Corporation Limited		35,771,207	49.21
Al-abbas Sugar Mills Limited		16,994,000	23.38
Arif Habib		14,662,542	20.17

# Pattern of Shareholdings of Cumulative Preference Shares (Symbol: ASLPS)

As at June 30, 2015

S.No.	Folio #	Name of shareholder	Number of shares	Per %
<b>Directors and their spouse(s) and minor children</b>				
1	06452-4953	Arif Habib	14,662,542	20.17
2	06452-16908	Muhammad Ejaz	11	0.00
3	03277-35110	Nasim Beg / Zari Beg	1,915	0.00
4	06452-10901	Nasim Beg	91	0.00
			<b>4</b>	<b>14,664,559</b>
				<b>20.17</b>
<b>Associated Companies, undertakings and related parties</b>				
1	1	Arif Habib Corporation Limited	34,570,058	47.56
2	06452-8640	Arif Habib Corporation Limited	1,201,149	1.65
			<b>2</b>	<b>35,771,207</b>
				<b>49.21</b>
<b>Executive</b>				
1	06452-13483	Tahir Iqbal	13	0.00
			<b>1</b>	<b>13</b>
				<b>0.00</b>
<b>Public sector companies and corporations</b>				
1	03889-44	National Bank Of Pakistan	273,699	0.38
2	02683-23	State Life Insurance Corp. Of Pakistan	86,442	0.12
3	03277-4064	National Insurance Company Limited	235,338	0.32
			<b>3</b>	<b>595,479</b>
				<b>0.82</b>
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>				
1	3	Innovative Investment Bank Limited	687	0.00
2	03335-81	Bank Alfalah Limited - Karachi Stock Exchange Branch	1,240	0.00
3	04127-28	Mcb Bank Limited - Treasury	168,286	0.23
4	07393-24	Summit Bank Limited	18,837	0.03
5	11940-4410	Escorts Investment Bank Limited	49	0.00
6	11940-6951	Escorts Investment Bank Limited	42,088	0.06
7	03277-2538	Efu Life Assurance Ltd	343	0.00
8	03277-9404	Allianz Efu Health Insurance Limited	22,000	0.03
9	03277-71690	Adamjee Life Assurance Company Limited	3,300	0.00
10	06494-23	Picic Insurance Limited	1,031	0.00
11	13755-21	Adamjee Insurance Company Limited	88,000	0.12
			<b>11</b>	<b>345,861</b>
				<b>0.48</b>
<b>Mutual Funds</b>				
1	05645-24	Cdc - Trustee Picic Investment Fund	130,000	0.18
2	05777-29	Cdc - Trustee Picic Growth Fund	257,327	0.35
3	13607-28	Cdc - Trustee Picic Stock Fund	20,000	0.03
4	14902-21	Cdc - Trustee National Investment (Unit) Trust	121,208	0.17
			<b>4</b>	<b>528,535</b>
				<b>0.73</b>
<b>General Foreign Investor</b>				
1	00521-5543	Michael Churchill	12,045	0.02
2	06601-2601	Azfar-ul-ashfaque	332	0.00
			<b>2</b>	<b>12,377</b>
				<b>0.02</b>
<b>Foreign Companies</b>				
1	00521-5493	Classical Insights Fund Lp	48,400	0.07
2	03533-698	Habib Bank Ag Zurich, Zurich,switzerland	26,580	0.04
3	30	Khuda Bakhsh Asim	2	0.00
4	00547-8222	Tundra Pakistan Fund	244,300	0.34
			<b>4</b>	<b>319,282</b>
				<b>0.44</b>

## Pattern of Shareholdings of Cumulative Preference Shares (Symbol: ASLPS)

Categories of Shareholders as at June 30, 2015

#Of Shareholders	Shareholdings' Slab		Total Shares Held
1821	1	to 100	67,684
1211	101	to 500	269,419
250	501	to 1000	176,656
272	1001	to 5000	540,810
30	5001	to 10000	214,092
17	10001	to 15000	205,996
7	15001	to 20000	128,526
5	20001	to 25000	105,240
3	25001	to 30000	83,580
3	30001	to 35000	94,794
1	35001	to 40000	40,000
2	40001	to 45000	84,088
2	45001	to 50000	94,233
1	55001	to 60000	60,000
1	70001	to 75000	74,500
1	75001	to 80000	77,000
2	85001	to 90000	174,442
1	110001	to 115000	114,315
1	120001	to 125000	121,208
1	125001	to 130000	130,000
1	135001	to 140000	136,000
1	150001	to 155000	151,500
2	165001	to 170000	337,286
1	235001	to 240000	235,338
1	240001	to 245000	244,300
1	255001	to 260000	257,327
1	270001	to 275000	273,699
1	375001	to 380000	376,500
1	390001	to 395000	391,113
1	1200001	to 1205000	1,201,149
1	14660001	to 14665000	14,662,542
1	16990001	to 16995000	16,994,000
1	34570001	to 34575000	34,570,058
<b>3646</b>			<b>72,687,395</b>

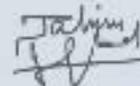
## Notice of Eleventh Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of the Shareholders of Aisha Steel Mills Limited ("the Company") will be held on Monday 26th October 2015 at 9:00 am at the Beach Luxury Hotel, Mouvi Tamizuddin Khan Road, Karachi to transact the following business:

### Ordinary Business

- 1) To confirm minutes of the Tenth Annual General Meeting held on 31st October 2014.
- 2) To receive, consider and adopt annual audited financial statements of the Company together with the Directors' and the Auditors' Reports thereon for the year ended 30th June 2015.
- 3) To appoint the Auditors for the year ending 30th June 2016 and fix their remuneration. The Board of Directors have recommended of M/s. A. F. Ferguson & Co., Chartered Accountants for reappointment as external auditors.
- 4) To consider any other business with the permission of the Chair.

By order of the Board



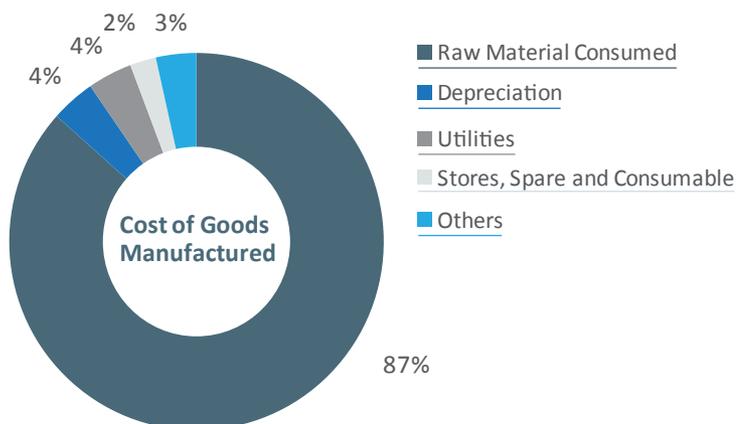
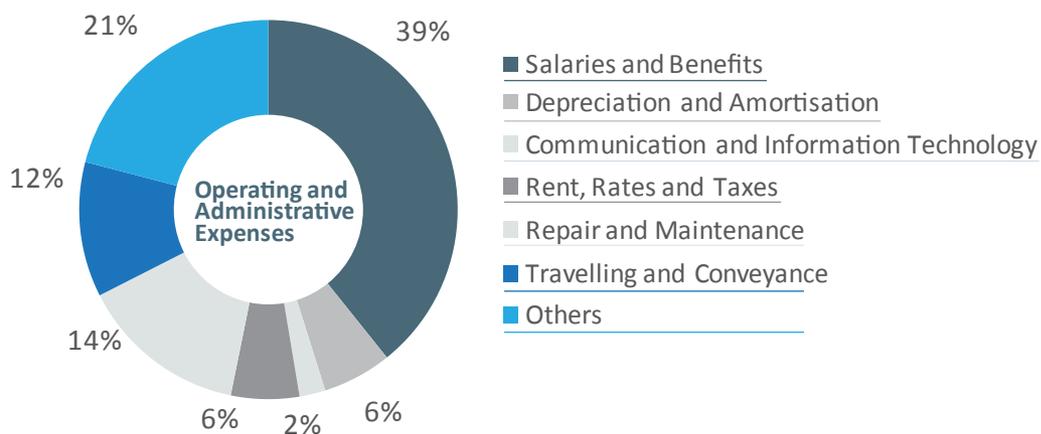
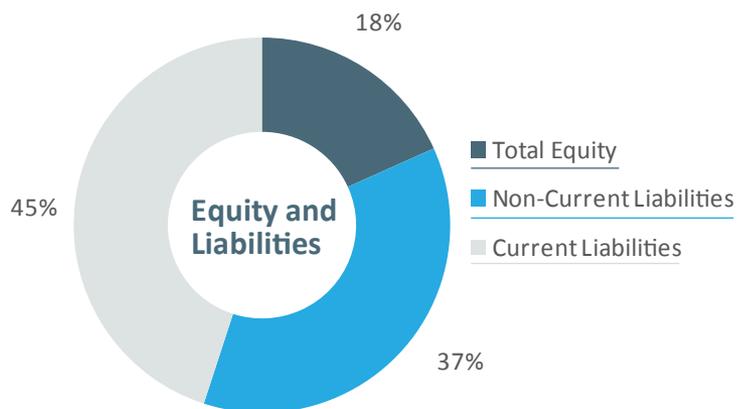
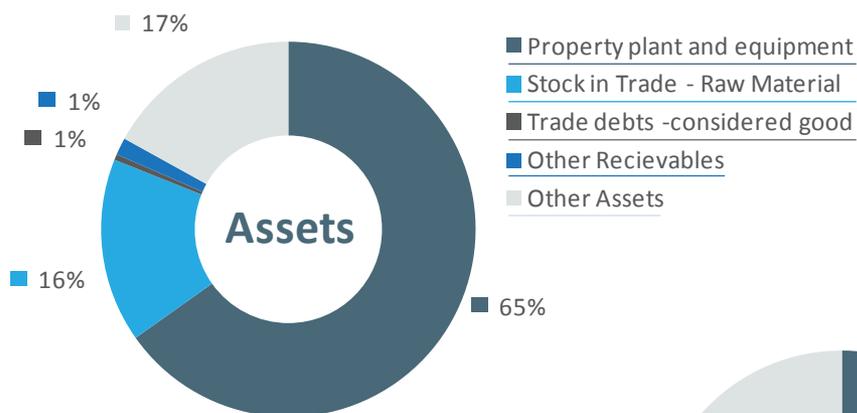
Tahir Iqbal  
Company Secretary

Karachi; 10th September 2015

### Notes:

1. Share transfer books of the Company will remain closed from 19th October to 26th October 2015 (both days inclusive). Transfers received in order at the office of our registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahr-e-Faisal, Karachi, by the close of business on Sunday 18th October 2015 will be treated in time for the determination of entitlement of shareholders to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARQ/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:
  - (i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
  - (ii) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
  - (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.
  - (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith form of proxy.
4. Members are requested to promptly notify any change in address by writing to the office of the registrar.

# Aisha Steel At A Glance



# Financial & Business Highlights

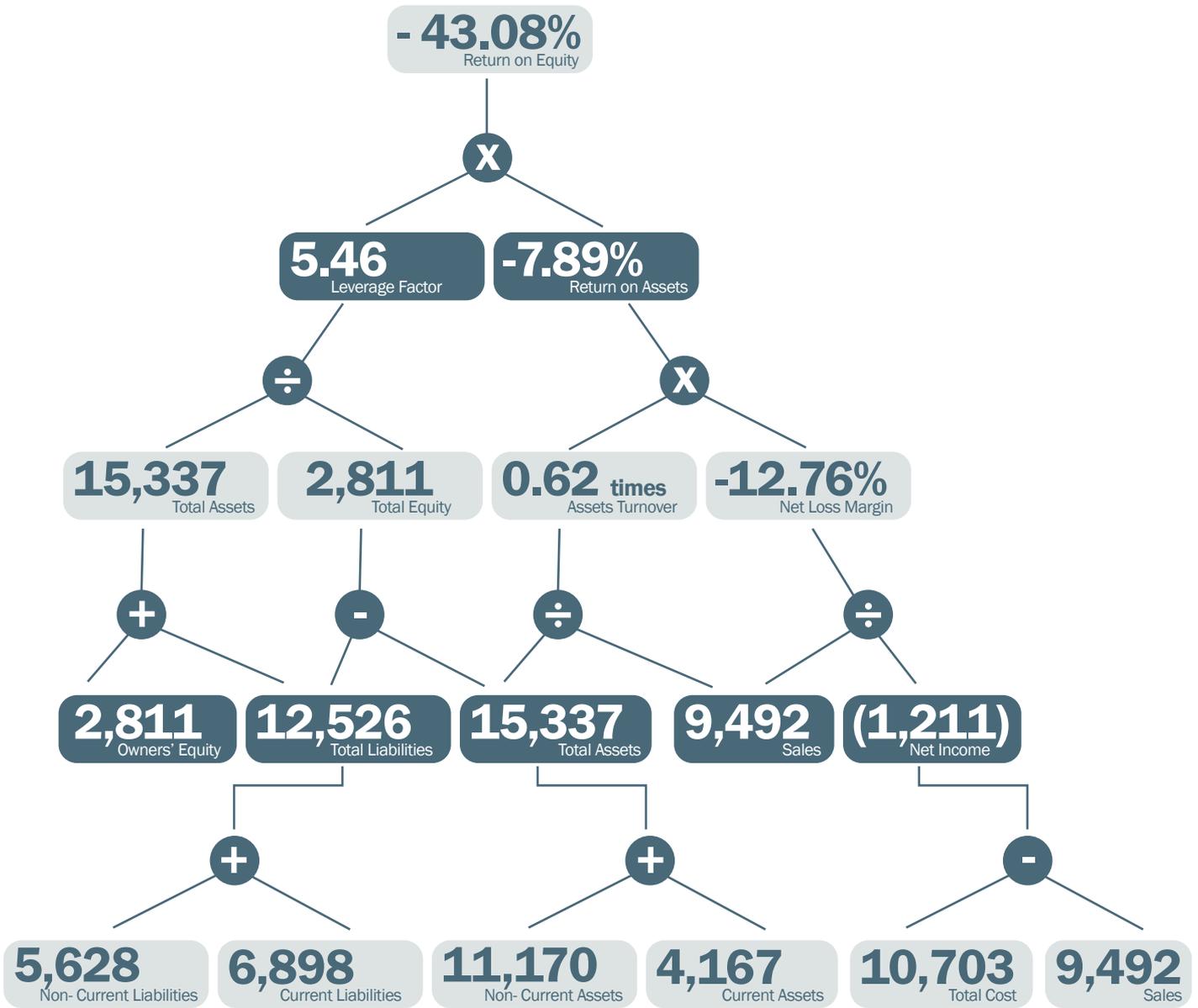
(Rupees in million)

Balance Sheet	2015	2014	2013	2012	2011	2010
Non-Current Assets	11,170	11,009	10,486	9,792	7,170	5,592
Current Assets	4,167	5,272	3,864	1,155	1,306	226
<b>Total Assets</b>	<b>15,337</b>	<b>16,281</b>	<b>14,351</b>	<b>10,947</b>	<b>8,476</b>	<b>5,819</b>
Non-Current Liabilities	5,628	5,504	5,100	5,930	4,992	3,477
Current Liabilities	6,898	8,242	6,998	2,020	634	847
<b>Total Liabilities</b>	<b>12,526</b>	<b>13,746</b>	<b>12,099</b>	<b>7,950</b>	<b>5,627</b>	<b>4,323</b>
Paid up Capital	5,157	3,438	3,438	3,438	3,200	1,989
<b>Total Equity*</b>	<b>2,811</b>	<b>2,535</b>	<b>2,252</b>	<b>2,998</b>	<b>2,849</b>	<b>1,495</b>
<b>Income Statement</b>						
Sales	9,492	9,259	4,343	-	-	-
Financial Cost	(1,373)	(1,299)	(891)	15	5	159
(Loss)/Profit after Tax	(1,211)	(347)	(746)	(86)	139	(214)
<b>Cashflow Statement</b>						
Cashflow from Operations	(1,766)	(651)	(2,122)	(778)	(657)	(378)
Cashflow from Investing Activities	(134)	(229)	(209)	(1,720)	(942)	(1,446)
Cashflow from Financing Activities	1,496	(478)	1,109	1,068	2,428	1,629
Net change in cash and cash equivalents	(403)	(1,358)	(1,222)	(1,431)	829	(195)
Cash and Cash Equivalents at beginning of the year	(3,072)	(1,714)	(492)	939	110	305
Cash and cash equivalents at end of the year	(3,476)	(3,072)	(1,714)	(492)	939	110
<b>Ratios</b>						
<b>Profitability Ratios</b>						
Gross Profit Ratio	0.00	0.01	(0.02)	-	-	-
Net Profit to Sales	(0.13)	(0.04)	(0.17)	-	-	-
EBITDA Margin to Sales	0.03	0.13	0.01	-	-	-
Operating leverage Ratio	(0.01)	0.10	(0.05)	-	-	-
Return on Equity*	-43.1%	-13.7%	-33.1%	-2.9%	4.9%	-14.3%
Return on Capital Employed	-2.1%	15.5%	-3.7%	-2.1%	-1.1%	-1.8%
<b>Liquidity Ratios</b>						
Current Ratio	0.60	0.64	0.55	0.57	2.06	0.27
Quick/Acid test Ratio	0.23	0.21	0.20	0.26	1.91	0.16
Cash to Current Liabilities	0.02	0.01	0.03	0.02	1.48	0.13
<b>Activity/Turnover Ratio</b>						
Inventory Turnover Ratio/No. of days in inventory	111.63	112.48	116.42	-	-	-
Debtor turnover ratio/No of days in receivables	2.92	7.57	16.06	-	-	-
Creditor turnover ratio/No of days in payables	141.31	140.16	127.63	-	-	-
Total Assets Turnover ratio/fixed assets turnover ratio	1.05	1.10	2.25	-	-	-
Operating cycle	(26.76)	(20.11)	4.84	-	-	-
<b>Investment/Market Ratios</b>						
Basic EPS	(4.97)	(1.62)	(3.15)	(0.82)	0.39	(1.08)
Breakup value per share	4.69	5.54	6.55	8.72	8.89	7.52
<b>Capital Structure Ratios</b>						
Financial leverage ratio	3.38	3.50	4.00	2.16	1.79	2.59
Weighted average cost of debt	14%	15%	13%	-	-	-
Long term debt to Equity* ratio	1.99	2.17	2.65	1.98	1.75	2.51
Interest Cover ratio	0.08	(0.69)	(0.25)	-	-	-

\*includes Share Deposit Money and Surplus on revaluation of fixed assets

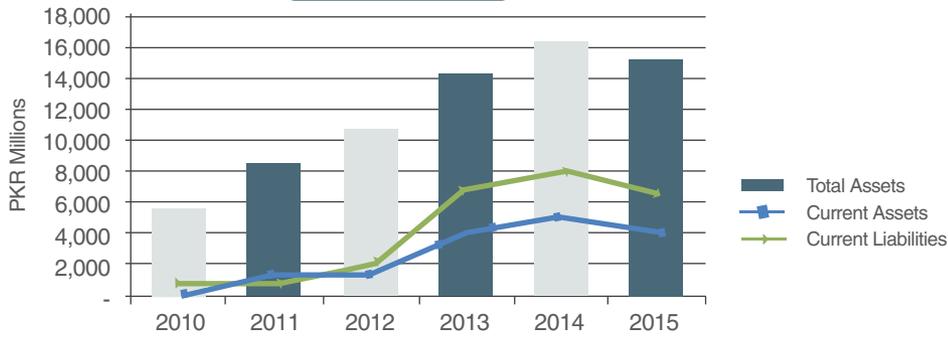
# DuPont Analysis

(Rupees in million)

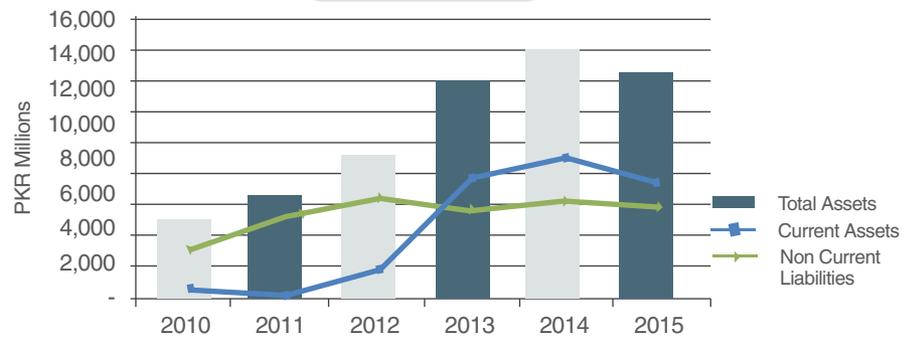


# Graphical Representation

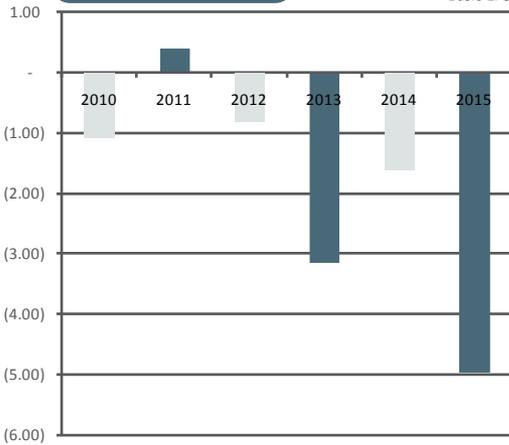
### Total assets



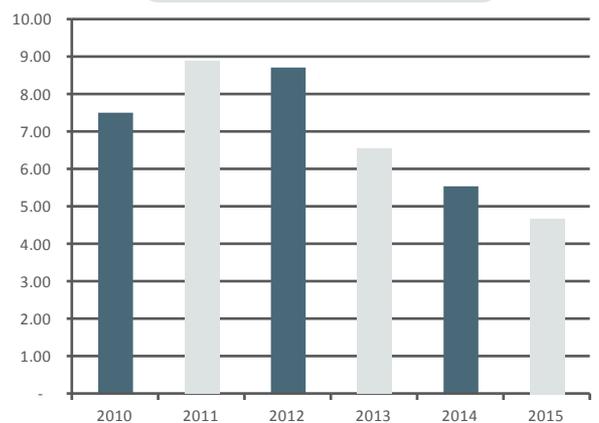
### Total Liabilities



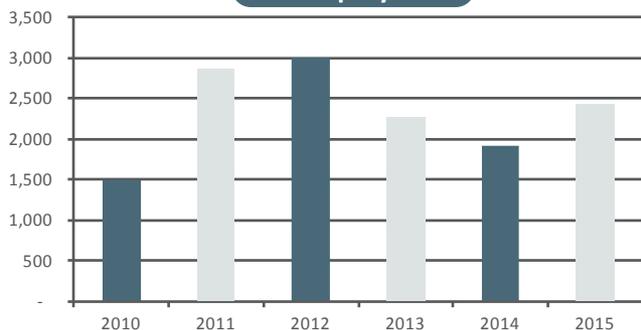
### Earning Per Share



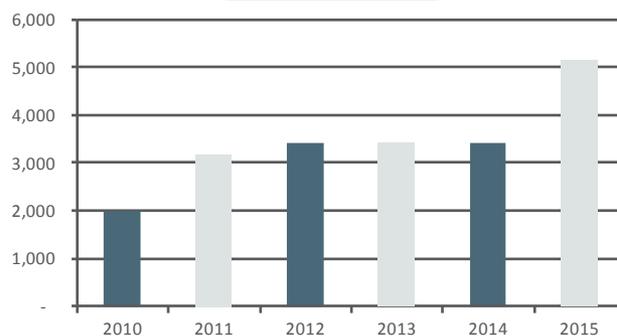
### Breakup value per share



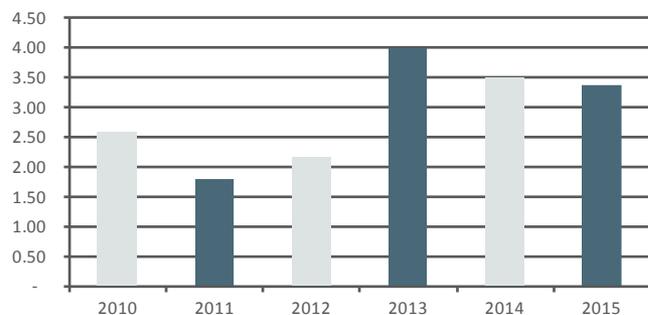
### Equity



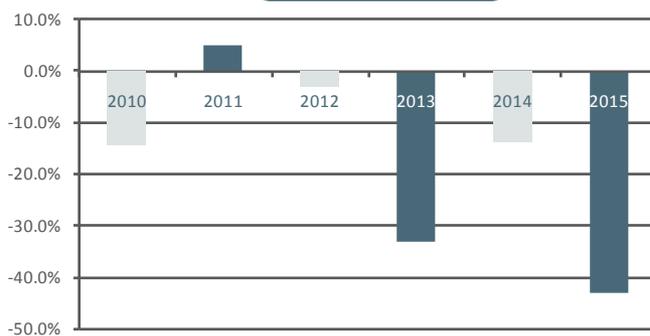
### Paid up Capital



### Financial Average Ratio



### Return on Equity



# Horizontal Analysis of Financial Statements

## Balance Sheet

(Rupees in million)

HORIZONTAL ANALYSIS	2015	%	2014	%	2013	%	2,012	%	2011	%	2010	%
<b>Non-Current Assets</b>												
Property plant and equipment	9,996	-2%	10,219	4%	9,785	3%	9,492	37%	6,927	25%	5,544	50%
Intangible assets	13	-13%	15	-27%	20	80%	11	2319%	0	-13%	1	126%
Long Term Loans	3	0%	3	-32%	4	10%	4	39%	3	100%	0	0%
Long term deposits and prepayments	48	0%	48	-2%	49	3%	48	-1%	48	1%	48	4%
Deferred tax asset	1,110	53%	724	15%	627	164%	237	24%	191	100%	0	0%
	<b>11,170</b>	<b>1%</b>	<b>11,009</b>	<b>5%</b>	<b>10,486</b>	<b>7%</b>	<b>9,792</b>	<b>37%</b>	<b>7,170</b>	<b>28%</b>	<b>5,592</b>	<b>49%</b>
<b>Current Assets</b>												
Stores and spares	163	3%	159	10%	145	6%	137	49%	92	0%	92	82%
Stock in Trade - Raw Material	2,434	-27%	3,347	44%	2,323	375%	490	100%	-	0%	0	0%
Trade debts -considered good	76	-60%	192	1%	191	100%						
Advances, deposits and prepayments	309	272%	83	18%	70	246%	20	188%	7	-64%	20	65%
Other Receivables	228	-55%	502	121%	227	64%	139	-42%	238	100%	0	0%
Financial asset held to maturity investment	-	-100%	-	-100%	20	100%						
Tax Refund Due from Government - Sales Tax	493	4%	472	12%	423	48%	285	1222%	22	8167%	0	5%
Accrued mark-up	-	-100%	1	89%	1	25%	0	-73%	2	125%	1	-18%
Taxation - Payment Less Provision	332	-27%	456	76%	259	457%	46	555%	7	80%	4	91%
Cash and bank balances	132	120%	60	-71%	206	452%	37	-96%	939	756%	110	-64%
	<b>4,167</b>	<b>-21%</b>	<b>5,272</b>	<b>36%</b>	<b>3,864</b>	<b>235%</b>	<b>1,155</b>	<b>-12%</b>	<b>1,306</b>	<b>478%</b>	<b>226</b>	<b>-39%</b>
<b>TOTAL ASSETS</b>	<b>15,337</b>	<b>-6%</b>	<b>16,281</b>	<b>13%</b>	<b>14,351</b>	<b>31%</b>	<b>10,947</b>	<b>29%</b>	<b>8,476</b>	<b>46%</b>	<b>5,819</b>	<b>41%</b>
<b>Shareholders' Equity</b>												
Share Capital: Ordinary Shares	2,711	0%	2,710	0%	2,704	1%	2,680	10%	2,446	23%	1,989	0%
Preference Shares	2,446	236%	729	-1%	734	-3%	758	0%	755	100%	-	0%
Share Deposit Money												
Accumulated losses	(2,737)	79%	(1,533)	29%	(1,187)	169%	(441)	24%	(355)	-28%	(494)	77%
Total Equity	2,420	27%	1,906	-15%	2,252	-25%	2,998	5%	2,846	90%	1,495	-13%
Share deposit money	-	100%	237	100%	-	-	-100.00%		4	100.00%	-	0%
Surplus on revaluation of fixed assets	391		392									
<b>Non-Current Liabilities</b>												
Long-term finance	5,597	2%	5,484	8%	5,077	-14%	5,912	19%	4,985	44%	3,470	55%
Liabilities against assets subject to finance lease	8	60%	5	-37%	8	-30%	11	142%	5	-29%	7	109%
Staff retirements benefits	23	51%	15	0%	15	148%	6	121%	3	100%	-	0%
	5,628	2%	5,504	8%	5,100	-14%	5,930	19%	4,992	44%	3,477	55%
<b>Current Liabilities</b>												
Current maturity of long-term loan	10	0%	10	-99%	888	100%	30	100%	-	-100%	289	100%
Current maturity of liabilities against assets subject to finance lease	3	-40%	5	12%	4	21%	4	93%	2	16%	2	133%
Short Term Borrowings	3,876	15%	3,369	11%	3,030	472%	529	429%	100	-9%	110	100%
Creditors, accrued expenses and other liabilities	2,744	-40%	4,574	84%	2,492	321%	592	1357%	41	-36%	64	-58%
Accrued mark-up	265	-7%	284	-51%	584	-32%	865	76%	492	29%	382	2565%
Due to Associated Company	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Due to Director	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
	6,898	-16%	8,242	18%	6,998	246%	2,020	219%	634	-25%	847	406%
<b>Total Liabilities</b>	<b>12,526</b>	<b>-9%</b>	<b>13,746</b>	<b>14%</b>	<b>12,099</b>	<b>52%</b>	<b>7,950</b>	<b>41%</b>	<b>5,627</b>	<b>30%</b>	<b>4,323</b>	<b>79%</b>
<b>Total Equity and Liabilities</b>	<b>15,337</b>	<b>-6%</b>	<b>16,281</b>	<b>13%</b>	<b>14,351</b>	<b>31%</b>	<b>10,947</b>	<b>29%</b>	<b>8,476</b>	<b>46%</b>	<b>5,819</b>	<b>41%</b>

# Horizontal Analysis of Financial Statements

## Profit & Loss Account

(Rupees in million)

HORIZONTAL ANALYSIS	2015	%	2014	%	2013	%	2,012	%	2011	%	2010	%
Sales	9,492	3%	9,259	113%	4,342	0%	-	0%	-	0%	-	0%
Cost of sales	(9,451)	3%	(9,200)	109%	(4,409)	0%	-	0%	-	0%	-	0%
Gross loss	41	-31%	59	-187%	(68)	0%	-	0%	-	0%	-	0%
Selling and distribution cost	(38)	6%	(36)	103%	(18)	0%	-	0%	-	0%	-	0%
Administrative expenses	(124)	-11%	(140)	-11%	(157)	-1%	(158)	48%	(107)	44%	(75)	-40%
Other income	6	-99%	1,007	5282%	19	-54%	40	-33%	60	208%	19	32%
Profit / (loss) from operation	(115)		890		(224)		(118)		(47)		(55)	
Finance cost	(1,373)	6%	(1,299)	46%	(891)	5907%	(15)	229%	(5)	-97%	(159)	130%
Loss before taxation	(1,488)	264%	(409)	-63%	(1,115)	742%	(132)	157%	(52)	-76%	(214)	20%
Taxation - deferred	277	347%	62	-83%	369	696%	46	-76%	191	100%	-	0%
<b>(Loss) / Profit for the year after tax</b>	<b>(1,211)</b>	<b>249%</b>	<b>(347)</b>	<b>-53%</b>	<b>(746)</b>	<b>766%</b>	<b>(86)</b>	<b>-162%</b>	<b>139</b>	<b>-165%</b>	<b>(214)</b>	<b>20%</b>
(Loss) / earning per share - Rupee	(4.97)	207%	(1.62)	-49%	(3.15)	284%	(0.82)	-310%	0.39	-136%	(1.08)	15%

# Vertical Analysis of Financial Statements

## Balance Sheet

(Rupees in million)

VERTICAL ANALYSIS	2015	%	2014	%	2013	%	2,012	%	2011	%	2010	%
<b>Non-Current Assets</b>												
Property plant and equipment	9,996	65%	10,219	63%	9,785	68%	9,492	87%	6,927	82%	5,544	95%
Intangible assets	13	0%	15	0%	20	0%	11	0%	0	0%	1	0%
Long Term Loans	3	0%	3	0%	4	0%	4	0%	3	0%	-	-
Long term deposits and prepayments	48	0%	48	0%	49	0%	48	0%	48	1%	48	1%
Deferred tax asset	1,110	7%	724	4%	627	4%	237	2%	191	2%	-	0%
	11,170	73%	11,009	68%	10,486	73%	9,792	89%	7,170	85%	5,592	96%
<b>Current Assets</b>												
Stores and spares	163	1%	159	1%	145	1%	137	1%	92	1%	92	2%
Stock in Trade - Raw Material	2,434	16%	3347	21%	2323	16%	490	4%	-	0%	-	-
Trade debts -considered good	76	0%	192	1%	191	1%	-	-	-	-	-	-
Advances, deposits and prepayments	309	2%	83	1%	70	0%	20	0%	7	0%	20	0%
Other Receivables	228	1%	502	3%	227	2%	139	1%	238	3%	-	-
Financial asset held to maturity investment	-	0%	0	0%	20	0%	-	-	-	-	-	-
Tax Refund Due from Government - Sales Tax	493	3%	472	3%	423	3%	285	3%	22	0%	0	0%
Accrued mark-up	-	0%	1	0%	1	0%	0	0%	2	0%	1	0%
Taxation - Payment Less Provision	332	2%	456	3%	259	2%	46	0%	7	0%	4	0%
Term Deposits	-	0%	0	0%	0	0%	0	0%	-	0%	-	0%
Cash and bank balances	132	1%	60	0%	206	1%	37	0%	939	11%	110	2%
	4,167	27%	5,272	32%	3,864	27%	1,155	11%	1,306	15%	226	4%
<b>TOTAL ASSETS</b>	<b>15,337</b>	<b>100%</b>	<b>16,281</b>	<b>100%</b>	<b>14,351</b>	<b>100%</b>	<b>10,947</b>	<b>100%</b>	<b>8,476</b>	<b>100%</b>	<b>5,819</b>	<b>100%</b>
<b>Shareholders' Equity</b>												
Share Capital: Ordinary Shares	2,711	18%	2,710	17%	2,704	19%	2,680	24%	2,446	29%	1,989	34%
Preference Shares	2,446	16%	729	4%	734	5%	758	7%	755	9%	-	0%
Share Deposit Money	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(2,737)	-18%	(1,533)	-9%	(1,187)	-8%	(441)	-4%	(355)	-4%	(494)	-8%
Total Equity	2,420	16%	1,906	12%	2,252	16%	2,998	27%	2,846	34%	1,495	26%
<b>Share deposit money</b>	<b>-</b>	<b>-</b>	<b>237</b>	<b>1%</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>4</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Surplus on revaluation of fixed assets</b>	<b>391</b>	<b>3%</b>	<b>392</b>	<b>2%</b>								
<b>Non-Current Liabilities</b>												
Long-term finance	5,597	36%	5,484	34%	5,077	35%	5,912	74%	4,985	59%	3,470	60%
Liabilities against assets subject to finance lease	8	0%	5	0%	8	0%	11	0%	5	0%	7	0%
Staff retirements benefits	23	0%	15	0%	15	0%	6	0%	3	0%	-	0%
Short-term loan	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
	5,628	37%	5,504	34%	5,100	35%	5,930	75%	4,992	59%	3,477	60%
<b>Current Liabilities</b>												
Current maturity of long-term loan	10	0%	10	0%	888	6%	30	0%	-	0%	289	5%
Current maturity of liabilities against assets subject to finance lease	3	0%	5	0%	4	0%	4	0%	2	0%	2	0%
Short Term Borrowings	3,876	25%	3,369	21%	3,030	21%	529	7%	100	1%	110	2%
Creditors, accrued expenses and other liabilities	2,744	18%	4,574	28%	2,492	17%	592	7%	41	0%	64	1%
Accrued mark-up	265	2%	284	2%	584	4%	865	11%	492	6%	382	7%
Due to Associated Company	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Due to Director	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
	6,898	45%	8,242	51%	6,998	49%	2,020	25%	634	7%	847	15%
<b>Total Liabilities</b>	<b>12,526</b>	<b>82%</b>	<b>13,746</b>	<b>84%</b>	<b>12,099</b>	<b>84%</b>	<b>7,950</b>	<b>73%</b>	<b>5,627</b>	<b>66%</b>	<b>4,323</b>	<b>74%</b>
<b>Total Equity and Liabilities</b>	<b>15,337</b>	<b>100%</b>	<b>16,281</b>	<b>100%</b>	<b>14,351</b>	<b>100%</b>	<b>10,947</b>	<b>100%</b>	<b>8,476</b>	<b>100%</b>	<b>5,819</b>	<b>100%</b>

# Vertical Analysis of Financial Statements

## Profit & Loss Account

(Rupees in million)

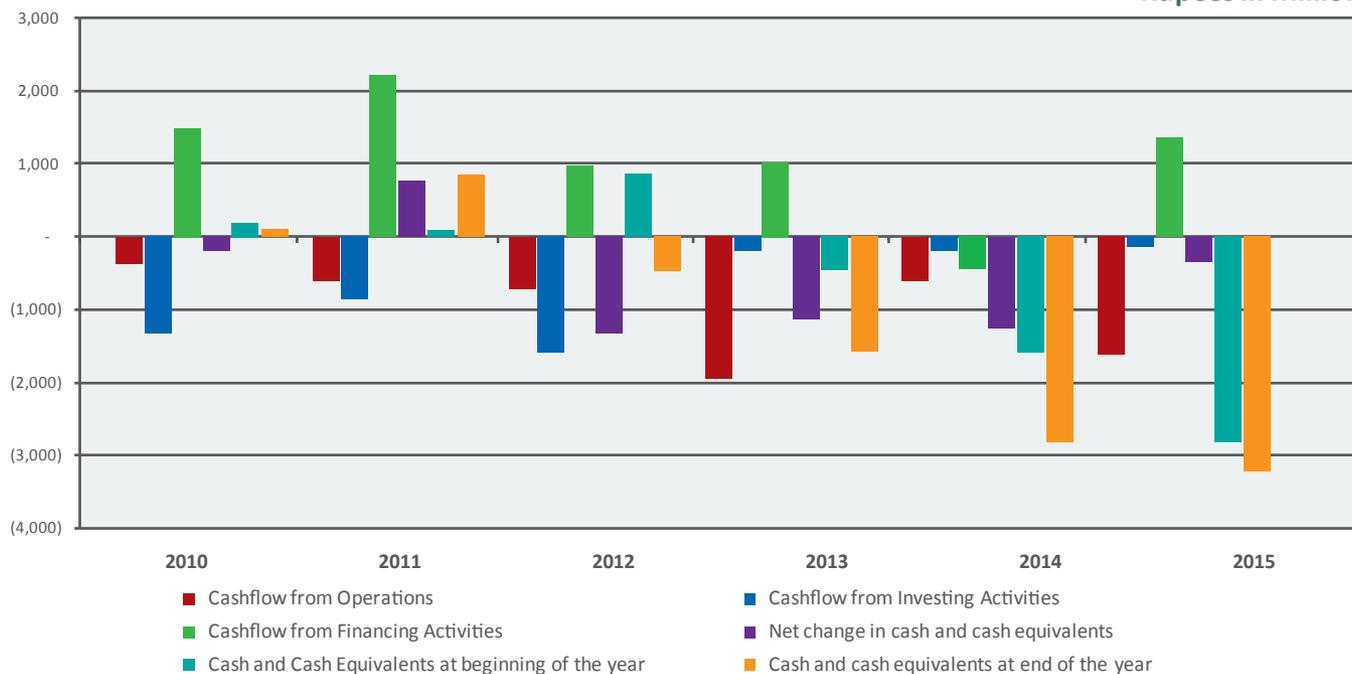
VERTICAL ANALYSIS	2015	%	2014	%	2013	%	2,012	%	2011	%	2010	%
Sales	9,492	103%	9,259	100%	4,342	100%	-	0%	-	0%	-	0%
Cost Of Sales	(9,451)	-102%	(9,200)	-99%	(4,409)	-102%	-	0%	-	0%	-	0%
Gross Loss	41	0%	59	1%	(68)	-2%	-	0%	-	0%	-	0%
Selling and distribution cost	(38)	0%	(36)	0%	(18)	0%	-	0%	-	0%	-	0%
Administrative expenses	(124)	-1%	(140)	-2%	(157)	-4%	(158)	0%	(107)	0%	(75)	0%
Other operating income	6	0%	1,007	11%	19	0%	40	0%	60	0%	19	0%
Loss from operation	(115)	-1%	890	10%	(224)	-5%	(118)		(47)		(55)	
Finance cost	(1,373)	-15%	(1,299)	-14%	(891)	-21%	(15)	0%	(5)	0%	(159)	0%
Loss before taxation	(1,488)	-16%	(409)	-4%	(1,115)	-26%	(132)	157%	(52)	-76%	(214)	20%
Taxation - deferred	277	3%	62	1%	369	8%	46	-76%	191	100%	-	0%
<b>(Loss) / Profit for the year after tax</b>	<b>(1,211)</b>	<b>-13%</b>	<b>(347)</b>	<b>-4%</b>	<b>(746)</b>	<b>-17%</b>	<b>(86)</b>	<b>-162%</b>	<b>139</b>	<b>-165%</b>	<b>(214)</b>	<b>20%</b>
Basic earnings per share - Rupee	(4.97)	207%	(1.62)	-49%	(3.15)	284%	(0.82)	-310%	0.39	-136%	(1.08)	15%

# Summary of Cash Flow Statements

(Rupees in million)

Cash Flow Statement	2009	2010	2011	2012	2013	2014	2015
Cash flow from operations	(141)	(378)	(657)	(778)	(2,122)	(651)	(1766)
Cash flow from investing activities	(2,003)	(1,446)	(942)	(1,720)	(209)	(229)	(134)
Cash flow from financing activities	2,381	1,629	2,428	1,068	1,109	(478)	1496
Net change in cash and cash equivalents	237	(195)	829	(1,431)	(1,222)	(1,358)	(403)
Cash and cash equivalents at beginning of the year	68	305	110	939	(492)	(1,714)	(3072)
Cash and cash equivalents at end of the year	305	110	939	(492)	(1,714)	(3,072)	(3476)

Rupees in Million



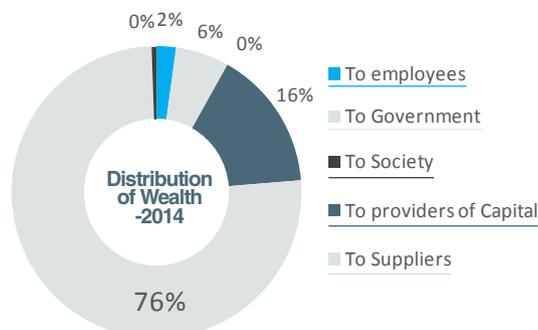
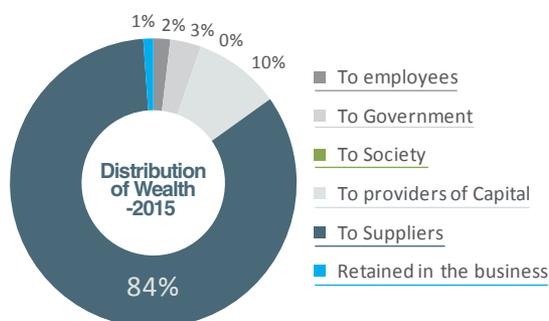
# Statement of Value Addition and Distribution

(Rupees in thousands)

WEALTH CREATED	2015	2014	2013
Total Revenue	9491,748	9,259,027	4,341,602
Other Income	5,957	1,006,538	18,712
Cash & Bank - Opening	59,845	205,860	37,283
Share Capital	1,475,136	236,924	-
Income taxes refund	27,680	-	-
Short term finance	507,045	339,021	2,470,787
Long term finance	-	-	53,652
	11,567,411	11,047,370	6,922,036
<b>DISTRIBUTED AS FOLLOWS</b>			
<b>To employees</b>			
Salaries, wages and other benefits including retirement benefits	224,467	237,979	217,923
<b>To Government</b>			
Income tax, sales tax, excise duty and custom duty WPPF and WWF	410,876	656,589	412,952
<b>To Society</b>			
Charity and welfare activities	-	-	353
<b>To providers of Capital</b>			
Dividend to shareholders	-	-	-
Repayment of long term loan	10,000	471,831	-
Finance cost of borrowed funds	1,145,078	1,251,683	1,417,292
<b>To Suppliers</b>			
To Suppliers for capital goods	138,809	240,603	212,196
To Raw material and other suppliers	9,505,908	8,128,840	4,455,461
<b>Retained in the business</b>			
Closing Cash Balances	132,273	59,845	205,860
	<b>11,567,411</b>	<b>11,047,370</b>	<b>6,922,037</b>

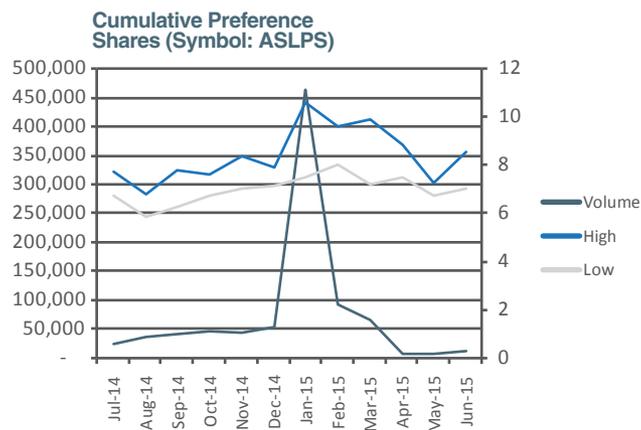
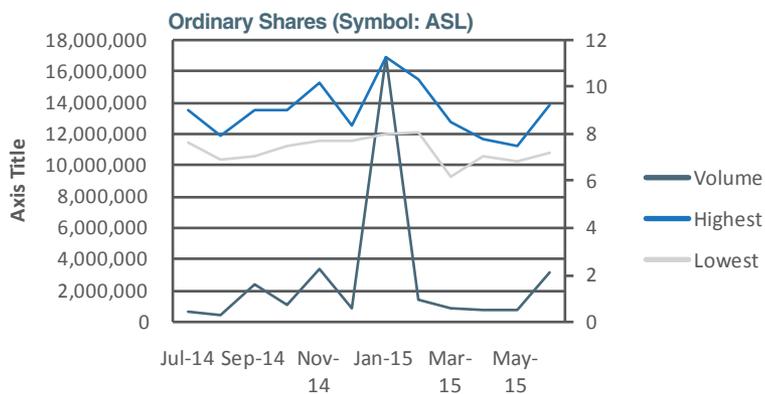
  

	Distribution of Wealth - 2015		Distribution of Wealth - 2014		Distribution of Wealth - 2013	
To employees	224,467	2%	237,979	2%	217,923	3%
To Government	410,876	3%	656,589	6%	412,952	6%
To Society	-	0%	-	0%	353	0%
To providers of Capital	1,155,078	10%	1,723,514	16%	1,417,292	20%
To Suppliers	9,644,717	83%	8,369,443	76%	4,667,657	67%
Retained in the business	132,273	1%	59,845	1%	205,860	3%
	<b>11,567,411</b>		<b>11,047,370</b>		<b>6,922,037</b>	

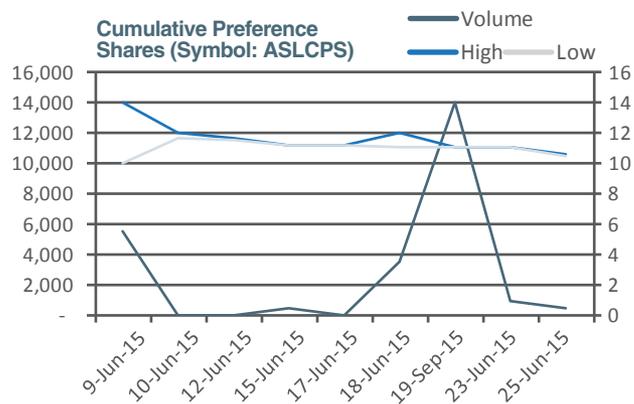


# Share Price / Volume Analysis

Month	Ordinary Shares (Symbol: ASL)			Preference Shares (Symbol: ASLPS)		
	High	Low	Volume	High	Low	Volume
Jul-14	Rupees 8.98	Rupees 7.65	560,000	Rupees 7.72	Rupees 6.73	22,500
Aug-14	7.88	6.9	364,500	6.75	5.85	35,500
Sep-14	9	7	2,334,500	7.74	6.25	40,500
Oct-14	8.99	7.5	1,071,000	7.57	6.75	45,500
Nov-14	10.16	7.7	3,318,500	8.35	7	42,000
Dec-14	8.35	7.7	812,500	7.85	7.15	53,000
Jan-15	11.27	8	16,868,500	10.58	7.5	462,500
Feb-15	10.3	8.07	1,343,000	9.6	8.03	93,000
Mar-15	8.51	6.15	828,000	9.85	7.23	64,500
Apr-15	7.74	7	721,500	8.82	7.5	7,000
May-15	7.45	6.8	679,500	7.25	6.75	6,500
Jun-15	9.21	7.2	3,099,500	8.5	7	10,500



Preference Shares (Symbol: ASLCPS)			
Date	High	Low	Volume
9-Jun-15	14	10	5,500
10-Jun-15	12	11.58	-
12-Jun-15	11.58	11.49	-
15-Jun-15	11.11	11.11	500
17-Jun-15	11.11	11.09	-
18-Jun-15	11.98	10.99	3,500
19-Sep-15	10.97	10.97	14,000
23-Jun-15	10.99	10.99	1,000
25-Jun-15	10.5	10.5	500



# Shareholders' Information

## Registered Office

Arif Habib Centre  
23, M.T. Khan Road  
Karachi-74000  
Tel: (021)32470217, 34740160  
Fax No: (021)34740151  
Email: info@aishasteel.com  
Website: www.aishasteel.com

## Share Registrar Office

Central Depository Company of Pakistan  
Share Registrar Department  
CDC House, 99-B, Block-B, S.M.C.H.S. Main  
Shahrah-e-Faisal, Karachi  
Tel: (021)111-111-500 Toll Free:0800-23275  
Fax: (021) 34326053  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com

## Listing on Stock Exchanges

ASML Ordinary and Preference shares are listed on the Karachi Stock Exchange (KSE).

## Stock Code

The stock code for dealing in Ordinary, Preference-I and Preference-II shares of the Company at the KSE are ASL, ASLPS and ASLCPS.

## Investor Service Centre

ASML share department is operated by Central Depository Company of Pakistan (CDC), Registrar Services. It also functions as an Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. Team is headed by Mr. Abdus Samad at the Registrar Office and Company Secretary at ASML Registered Office.

For assistance, shareholders may contact either the Registered Office or the Share Registrar Office.

## Contact Persons:

Mr. Jawwad Zamir  
Tel: (021) 32470217  
Email: jawwad.zamir@aishasteel.com

Mr. Mohsin Rajab Ali  
Tel: (021) 111-111-500  
Email:mohsin\_rajabali@cdcpak.com

## Statutory Compliance

During the year the company has complied with all applicable provisions, filled all returns/forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations, wherever applicable.

## Book Closure Dates

The Share Transfer Books of the Company will be closed from the 19<sup>th</sup> October 2015 to 26<sup>th</sup> October 2015 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi at the close of the business on Sunday, 18<sup>th</sup> October 2015, will be considered in time for the determination of entitlement of shareholders to attend and vote at the meeting.

## Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of share/dividend.

## General Meetings & Voting Rights

Pursuant to Section 158 of Companies Ordinance, 1984 ASML holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all shareholders at least 21 days before the meeting and will also published in at least one English and one Urdu newspaper having circulation in Sindh province after listing of Company at KSE.

## Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote a General Meeting of the Company can appoint another member as his/ her proxy to attend and vote at the meeting. Every notice calling a General Meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy.

## Web Presence

During the year the website has been redesigned to give an investor friendly look. Further the website has been updated in accordance with SRO 25(I)/2012 of SECP dated 16th January 2012. Updated information about the company and its affiliates can be accessed at ASML website, www.aishasteel.com

## Shareholding Pattern

The shareholding pattern of the equity share capital of the company as on 30<sup>th</sup> June 2015 along with categories of shareholders are given on page 40 to 50.

# Financial Statements

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67	Statement of Compliance with the Code of Corporate Governance
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**A. F. FERGUSON & CO.**

## 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 Aisha Steel Mills Limited for the year ended 30 June 2015 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations where the Company is listed.

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

As a part of our audit of 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 required the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board 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.

A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: 22 September 2015

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426721-5; Fax: +92 (21) 32425007/32427038/32424740; [www.pwc.com/pk](http://www.pwc.com/pk)*

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Islamabad: PIA Building, 5th Floor, G-8/2 Area, Feroz Road, P.O. Box 9001, Islamabad-44001, Pakistan; Tel: +92 (51) 4275457-60; Fax: +92 (51) 4277969  
Kahle: Apartment No. 5, 3rd Floor, Dool Tower, East Nazim Square, Sher-e-Nasir, Kahle, Afghanistan; Tel: +93 (79) 263386; +93 (79) 263343

# Statement of Compliance with the Code of Corporate Governance

As at June 30, 2015.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

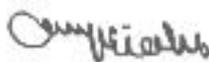
The Company has applied the principles contained in the CCG in the following manner:

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

Category	Names
Independent Directors	Mr. Khalid Tirmizey
	Mr. Kamran A. Kazim
Executive Director	Dr. Munir Ahmed - CEO
Non- Executive Directors	Mr. Arif Habib – Chairman
	Mr. Shinpei Asada
	Mr. Hasib Rehman
	Mr. Nasim Beg
	Mr. Kashif A. Habib
	Mr. Muhammad Ejaz

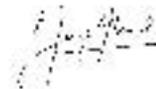
- The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- A casual vacancy occurred on the Board on 27 February 2015 was filled by the director on the same day.
- The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures and has also uploaded on the website of the company.
- The Board has developed and approved vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the year one of the directors Mr. Kamran Ali Kazim has obtained certification of Directors Training Program from The Institute of Chartered Accountants of Pakistan.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the relevant corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three non-executive directors, one independent director and Chairman of the committee is a non-executive director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and annual financial statements of the Company. The terms of reference of the Committee were formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration (HR & R) Committee. It comprises four members, all of whom are non-executive directors.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given asatisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The related party transactions have been placed before the audit committee and approved by the Board of Directors.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



Arif Habib  
Chairman of the Board

Karachi; 10 September 2015



Dr. Munir Ahmed  
Chief Executive

# Report of the Board Audit Committee

## Report of the Board Audit Committee on Adherence to the Best Practices of Code of Corporate Governance

The audit committee has concluded its annual review of the conduct and operations of the Company during financial year ended on 30th June 2015, and reports that:

- The Company has adhered in full, without any material departure, with provisions of the listing regulation of Karachi Stock Exchange, Company's statement of ethics and values and the international best practices of Governance throughout the year.
- Compliance has been confirmed from the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been endured.
- The Company has issued a "Statement of Compliance with the Best Practices of Code of Corporate Governance" which has also been reviewed by the auditors of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of financial statements of the Company on a going concern assumption basis, for the financial year ended 30th June 2015, which present fairly the state of affairs, results of operations, loss, cash flows and changes in equity of the Company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company, and the Directors' Report and presented the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and system of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Ordinance, 1984.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and applicable "International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS)" notified by SECP.
- All direct and indirect trading and holdings of the Company's shares by Directors & Executives or their spouse were notified in writing to the Company Secretary along with the price, number of shares, form of share certificate and nature of transaction which were notified by the Company Secretary to the Board with in the stipulated time. All such holdings have been disclosed in the pattern of Shareholdings.

### INTERNAL AUDIT

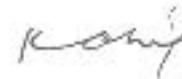
The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board.

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Audit Committee has ensured the achievements of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial operational and compliance controls and risk management at all levels within the Company.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

**EXTERNAL AUDITORS**

- The statutory Auditors of the Company, M/s. A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignments of the "Company's Financial Statements", and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended 30th June 2015 and shall retire on the conclusion of the 11th Annual General Meeting.
- The Audit Committee has reviewed and discussed Audit observation and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of Auditors' Report on financial statements under the listing regulations and shall thereof accordingly be discussed in the next Audit Committee Meeting.
- The Audit Firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors attended the general meetings of the Company during the year and have confirmed attendance of the Annual General Meeting scheduled on 26th October 2015.
- Being eligible for re-appointment as Auditors of the Company, the Audit Committee recommends reappointment of M/s. A. F. Ferguson & Co., Chartered Accountants for the financial year ending on 30th June 2016.

Karachi: September 10, 2015



Chairman – Audit Committee



# Audited Financial Statements

Aisha Steel Mills Limited  
For The Year Ended June 30, 2015



## A. F. FERGUSON & CO.

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Aisha Steel Mills Limited as at June 30, 2015 and the related profit and loss account, 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 involves 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, 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 loss, 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 Usr Ordinance, 1980 (XXVII of 1980).

Chartered Accountants  
Karachi

Date: 22 September 2015

Name of the engagement partner: Farukh Rehman

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, G-1, Chaudhigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32420082-6/32420712-5; Fax: +92 (21) 32415007/32427938/32424740, [sarwan.purani@pfc](mailto:sarwan.purani@pfc)

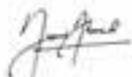
Chartered Accountants, Chartered Accountants, a member firm of the PwC network  
Karachi: PMA Building, 5th Floor, 20, Rawalpindi Road, P.O. Box 1000, Islamabad-Karachi, Pakistan. Tel: +92 (41) 32420082-6; Fax: +92 (41) 32420082-5

# Balance Sheet

As at June 30, 2015

	Note	2015	2014
Rupees '000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	9,995,626	10,218,918
Intangibles - Computer Software	4	13,267	14,804
Long-term loans and advances	5	2,958	2,876
Long-term deposits and prepayments	6	47,799	47,878
Deferred tax	7	1,109,909	724,153
		<b>11,169,559</b>	<b>11,008,629</b>
<b>Current assets</b>			
Stores and spares	8	163,383	159,046
Stock-in-trade	9	2,433,460	3,347,294
Trade debts - considered good	10	76,261	192,499
Advances, deposits and prepayments	11	309,342	82,524
Accrued mark-up		-	160
Other receivables	12	227,670	502,352
Tax refunds due from Government - Sales tax		493,301	471,655
Taxation - payments less provision		331,613	456,205
Cash and bank balances	13	132,273	59,845
		<b>4,167,303</b>	<b>5,271,580</b>
<b>Total assets</b>		<b>15,336,862</b>	<b>16,280,209</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14		
Ordinary shares		2,711,327	2,709,556
Cumulative preference shares		2,445,974	728,645
		<b>5,157,301</b>	<b>3,438,201</b>
Accumulated loss		(2,737,365)	(1,532,979)
		<b>2,419,936</b>	<b>1,905,222</b>
<b>Share deposit money</b>		-	236,924
<b>Surplus on revaluation of fixed assets</b>	15	390,812	391,676
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term finance	16	5,597,138	5,483,867
Liabilities against assets subject to finance leases	17	7,516	4,950
Staff retirement benefit	18	22,962	14,722
		<b>5,627,616</b>	<b>5,503,539</b>
<b>Current liabilities</b>			
Trade and other payables	19	2,744,429	4,574,354
Accrued mark-up	20	264,857	284,475
Short-term borrowings	21	3,876,224	3,369,179
Current maturity of long-term finance	16	10,000	10,000
Current maturity of liabilities against assets subject to finance leases	17	2,988	4,840
		<b>6,898,498</b>	<b>8,242,848</b>
<b>Total liabilities</b>		<b>12,526,114</b>	<b>13,746,387</b>
<b>Contingencies and commitments</b>	22		
<b>Total equity and liabilities</b>		<b>15,336,862</b>	<b>16,280,209</b>

The annexed notes 1 to 40 form an integral part of these financial statements.



CHIEF EXECUTIVE



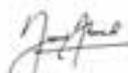
DIRECTOR

# Profit and Loss Account

For the year ended June 30, 2015

	Note	2015	2014
		Rupees '000	
Revenue	23	9,491,748	9,259,027
Cost of sales	24	(9,451,422)	(9,200,260)
<b>Gross profit</b>		<b>40,326</b>	58,767
Selling and distribution cost	25	(37,964)	(35,501)
Administrative expenses	26	(124,032)	(139,577)
Other income	27	5,957	1,006,538
<b>(Loss) / profit from operations</b>		<b>(115,713)</b>	890,227
Finance cost	28	(1,372,527)	(1,299,141)
<b>Loss before taxation</b>		<b>(1,488,240)</b>	(408,914)
Taxation	29	277,418	62,247
<b>Loss for the year</b>		<b>(1,210,822)</b>	(346,667)
Other comprehensive income:			
<b>Items that will not be reclassified to Profit and Loss</b>			
Remeasurements of staff retirement benefit - note 18		1,186	291
Impact of deferred tax		(356)	(102)
		830	189
<b>Total comprehensive loss</b>		<b>(1,209,992)</b>	(346,478)
		Rupees	
Basic earnings per share - (loss)	30	(4.97)	(1.62)

The annexed notes 1 to 40 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

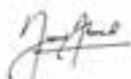
# Cash Flow Statement

For the year ended June 30, 2015

	Note	2015	2014
Rupees '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	31	(650,045)	888,076
Income taxes refund / (paid)		27,680	(289,072)
Mark-up on loans paid		(1,145,078)	(1,251,683)
Return on bank deposits received		5,418	5,200
Staff retirement benefit paid		(3,847)	(5,923)
(Decrease) / increase in long-term employee loans		(82)	1,553
Decrease in long-term deposits and prepayments		79	1,100
Net cash used in operating activities		<u>(1,765,875)</u>	<u>(650,749)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(137,775)	(240,603)
Acquisition of intangible assets		(1,034)	-
Sale proceeds on disposal of property, plant and equipment		5,228	7,995
Proceeds on disposal of intangible assets		-	3,486
Net cash used in investing activities		<u>(133,581)</u>	<u>(229,122)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share deposit money received		-	236,924
Receipts against issue of right shares (preference shares) - net of issuance costs		1,475,136	-
Repayment of long-term finance		(10,000)	(394,200)
Syndicate running finance obtained		66,602	-
Repayment of sponsor's loan		(35,354)	-
Short-term borrowing obtained		-	183,500
Repayment of short-term borrowing		-	(500,000)
Decrease in liabilities against assets subject to finance leases		(297)	(4,297)
Net cash generated from / (used in) financing activities		<u>1,496,087</u>	<u>(478,073)</u>
Net decrease in cash and cash equivalents		<u>(403,369)</u>	<u>(1,357,944)</u>
Cash and cash equivalents at beginning of the year		<u>(3,072,182)</u>	<u>(1,714,238)</u>
Cash and cash equivalents at end of the year	32	<u><u>(3,475,551)</u></u>	<u><u>(3,072,182)</u></u>

Cash flow statement based on direct method has also been included in the financial statements in note 33.

The annexed notes 1 to 40 form an integral part of these financial statements.



CHIEF EXECUTIVE



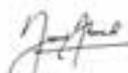
DIRECTOR

# Statement of Changes In Equity

For the year ended June 30, 2015

	Share Capital	Accumulated Loss	Total
		Rupees '000	
Balance as at July 1, 2013	3,438,201	(1,186,501)	2,251,700
Total comprehensive loss for the year ended June 30, 2014			
- Loss for the year ended June 30, 2014	-	(346,667)	(346,667)
- Other comprehensive income for the year ended June 30, 2014	-	189	189
	-	(346,478)	(346,478)
<b>Balance as at July 1, 2014</b>	<b>3,438,201</b>	<b>(1,532,979)</b>	<b>1,905,222</b>
Proceeds from issue of right shares and issuance costs (net of tax) accounted for as a deduction from equity - note 14.1	1,719,100	(4,928)	1,714,172
Total comprehensive loss for the year ended June 30, 2015			
- Loss for the year ended June 30, 2015	-	(1,210,822)	(1,210,822)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	10,534	10,534
- Other comprehensive income for the year ended June 30, 2015	-	830	830
	-	(1,199,458)	(1,199,458)
<b>Balance as at June 30, 2015</b>	<b>5,157,301</b>	<b>(2,737,365)</b>	<b>2,419,936</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

## 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on May 30, 2005 as a public limited company under the Companies Ordinance, 1984. The Company's shares are listed on Karachi Stock Exchange (KSE) since August 2012. The registered office of the Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

The Company has set up a cold rolling mill complex in the downstream Industrial Estate, Pakistan Steel, Bin Qasim, Karachi, to carry out its principal business of manufacturing and selling cold rolled steel in coils and sheets. The Company started trial production from July 2012 and declared October 1, 2012 as its Commercial Operations Date.

- 1.1 Orient Metal (Private) Limited (the Acquirer) made a public announcement of intention, in respect of potential acquisition of the substantial shares of the Company, on January 2, 2015. The Acquirer does not hold any shares at present in the Company and intends to acquire substantial voting shares.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

#### 2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 and 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.

#### 2.1.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The matter involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the financial statements is deferred taxation which is dependent on future profitability of the Company.

Estimates and judgements are continually evaluated and adjusted based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

There have been no critical judgments made by the Company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

#### 2.1.3 Changes in accounting standards and interpretations

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

IFRIC 21, 'Levies' a new interpretation is applicable for the Company for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies so the impact on the Company is not material.

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on July 1, 2014 are considered not to be relevant or material for the Company's financial statements and hence have not been detailed in these financial statements.

# Notes to the Financial Statements

For the year ended June 30, 2015

## c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continues to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard presently does not impact financial statements of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

## 2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention unless specifically disclosed in the accounting policies below.

## 2.3 Property, plant and equipment

These are stated at cost less accumulated depreciation, except for leasehold land and buildings which are stated at revalued amount less accumulated depreciation; and capital work-in-progress which are stated at cost.

Depreciation is charged to profit and loss account by applying straight-line method whereby the cost less residual value is written off over its estimated useful life. The revalued amount of leasehold land and buildings is depreciated equally over the remaining life from the date of revaluation. Depreciation on additions is charged from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

The Company accounts for impairment, where indication exist, by reducing its carrying value to the assessed recoverable amount.

Gain or loss on disposal or retirement of property, plant and equipment is included in profit and loss account.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

## 2.4 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on revaluation of fixed assets" account which is shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan (SECP) SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the period is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the period net of deferred taxation is transferred from surplus on revaluation of fixed assets to unappropriated profit through statement of Changes in Equity to record realisation of surplus to the extent of the incremental depreciation charge for the period.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

## 2.5 Intangibles

Intangibles are stated at cost less amortisation. Carrying amounts of intangibles are subject to impairment review at each balance sheet date and where conditions exist, impairment is recognised. Computer software licenses are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life using the straight line method.

## 2.6 Stores and spares

Stores and spares are valued at weighted average cost. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

## 2.7 Stock-in-trade

Stock-in-trade is stated at the lower of cost or net realisable value. Cost is determined using the weighted average method except for those in transit where it represents invoice value and other charges thereon. The cost of work in process and finished goods comprises raw materials, direct labor, other direct costs and related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

## 2.8 Taxation

### Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

### Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

## 2.9 Borrowings and their cost

Borrowings are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use and are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Such borrowing costs are capitalised as part of the cost of that asset.

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

Borrowings payable within next twelve months are classified as current liabilities.

## 2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date the Company becomes a party to a derivative contract and are subsequently re-measured at their fair value. The Company enters into derivative transactions mainly to hedge foreign currency liabilities or firm commitments and these are designated as fair value hedge.

# Notes to the Financial Statements

For the year ended June 30, 2015

Changes in the fair value of derivatives used as hedging instruments in hedging relationships that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged liability that are attributable as the hedged risk.

## 2.11 Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalised at the commencement of the lease term at the lower of the fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate of balance outstanding. The finance cost is charged to profit and loss account and is included under finance costs.

## 2.12 Trade and other payables

Trade and other payables are obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

## 2.13 Foreign currencies

Transactions in foreign currencies are recorded in rupees at the rates of exchange approximating those prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees using the exchange rates approximating those prevailing at the balance sheet date. Exchange differences are taken to profit and loss account currently.

The financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

## 2.14 Financial assets and liabilities

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, amortised cost or cost, as the case may be.

## 2.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current, savings and deposit accounts with three months maturity, and short-term running finance.

## 2.16 Staff retirement benefits - defined benefit plan

Defined benefit plans define an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors, such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the 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. These are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

The Company operates an unfunded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on retirement subject to a minimum qualifying period of service under the scheme. The amount of gratuity is dependent on years of service completed and career average gross pay for management employees and years of service completed and last drawn gross pay for non-management employees.

The amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Past service costs are recognised immediately in profit and loss account.

## 2.17 Ijarah

In ijarah transactions, significant portion of the risks and rewards of ownership are retained by the lessor. Islamic Financial Accounting Standard 2 - 'Ijarah' requires the recognition of 'Ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term.

## 2.18 Revenue recognition

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

- sale is recognised when the product is dispatched to customer;
- toll manufacturing income is recognised when the product subject to toll manufacturing is dispatched to customer; and
- return on savings accounts is recognised on accrual basis.

## 2.19 Investments

### Held to maturity investments

These represent investments with fixed or determinable payments and fixed maturity where the Company has positive intent and ability to hold such investments to maturity.

Investments are initially recognised at cost. Held to maturity investments have been valued at amortised cost using the effective interest rate method. The difference between the initial cost and the amortised cost in case of held to maturity investments is recognised in the profit and loss account.

	Note	2015	2014
Rupees '000			
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	3.1	<b>8,582,863</b>	8,786,806
Capital work in progress - at cost	3.2	<b>1,104,194</b>	1,180,716
Major spare parts and stand-by equipment		<b>308,569</b>	251,396
		<b><u>9,995,626</u></b>	<u>10,218,918</u>

# Notes to the Financial Statements

For the year ended June 30, 2015

## 3.1 Operating assets

	Leasehold land	Building and civil works on leasehold land	Plant and Machinery	Electrical equipments	Office equipments	Furniture and fixtures	Motor Vehicles		TOTAL
							Owned	Held Under finance leases	
----- Rupees '000 -----									
<b>Net carrying value basis</b>									
<b>Year ended June 30, 2015</b>									
Opening net book value (NBV)	508,200	1,088,219	6,449,539	705,685	21,848	4,958	-	8,357	8,786,806
Additions (at cost) - note 3.1.1	-	85,826	56,554	1,000	1,668	1,594	-	10,482	157,124
Disposals (at NBV) - note 3.1.3	-	-	-	-	(313)	-	-	(5,476)	(5,789)
Depreciation charge	(9,555)	(35,851)	(245,242)	(49,526)	(9,620)	(2,459)	-	(3,025)	(355,278)
Closing net book value (NBV)	<u>498,645</u>	<u>1,138,194</u>	<u>6,260,851</u>	<u>657,159</u>	<u>13,583</u>	<u>4,093</u>	-	<u>10,338</u>	<u>8,582,863</u>
<b>Gross carrying value basis</b>									
<b>At June 30, 2015</b>									
Cost or Revalued amount	508,200	1,174,045	6,921,606	792,977	51,497	14,943	79	16,915	9,480,262
Accumulated depreciation	(9,555)	(35,851)	(660,755)	(135,818)	(37,914)	(10,850)	(79)	(6,577)	(897,399)
Net book value (NBV)	<u>498,645</u>	<u>1,138,194</u>	<u>6,260,851</u>	<u>657,159</u>	<u>13,583</u>	<u>4,093</u>	-	<u>10,338</u>	<u>8,582,863</u>
<b>Net carrying value basis</b>									
<b>Year ended June 30, 2014</b>									
Opening net book value (NBV)	226,312	950,061	6,614,452	784,226	27,399	6,595	2	15,374	8,624,421
Reclassification (at NBV)	-	-	29,130	(29,130)	-	-	-	-	-
Additions (at cost)	-	5,255	43,218	3,146	5,104	629	-	4,076	61,428
Disposals (at NBV)	-	-	-	-	(63)	-	-	(5,922)	(5,985)
Revaluation surplus	286,053	162,497	-	-	-	-	-	-	448,550
Depreciation charge	(4,165)	(29,594)	(237,261)	(52,557)	(10,592)	(2,266)	(2)	(5,171)	(341,608)
Closing net book value (NBV)	<u>508,200</u>	<u>1,088,219</u>	<u>6,449,539</u>	<u>705,685</u>	<u>21,848</u>	<u>4,958</u>	-	<u>8,357</u>	<u>8,786,806</u>
<b>Gross carrying value basis</b>									
<b>At June 30, 2014</b>									
Cost	508,200	1,088,219	6,865,052	791,977	50,620	13,349	79	20,717	9,338,213
Accumulated depreciation	-	-	(415,513)	(86,292)	(28,772)	(8,391)	(79)	(12,360)	(551,407)
Net book value (NBV)	<u>508,200</u>	<u>1,088,219</u>	<u>6,449,539</u>	<u>705,685</u>	<u>21,848</u>	<u>4,958</u>	-	<u>8,357</u>	<u>8,786,806</u>
<b>Useful lives in years</b>	<b>60</b>	<b>20 - 33</b>	<b>3 - 33</b>	<b>10 - 33</b>	<b>3 - 5</b>	<b>5</b>	<b>5</b>	<b>5</b>	

**3.1.1** This includes transferred from capital work in progress amounting to Rs. 123.3 million (2014: Rs. 8.4 million) - note 3.2.

**3.1.2** The Company's leasehold land measuring 50 acres located at Plot No: DSU-45, Steel Mill, Downstream Industrial Estate, Bin Qasim, Karachi and the buildings thereon were revalued in 2014 resulting in a surplus of Rs. 448.55 million. The revaluation was carried out by an independent valuer - M/s Maricon Consultants (Private) Limited on June 30, 2014 on the basis of present market value for similar sized plots in the near vicinity of the leasehold land and replacement values of similar type of buildings based on present cost of construction.

Had there been no revaluation, the net book values of leasehold land and buildings on leasehold land as at June 30, 2015 would have been Rs. 217.98 million (2014: Rs. 222.15 million) and Rs. 889.8 million (2014: Rs. 925.72 million) respectively.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

**3.1.3** The details of operating assets sold, having net book value in excess of Rs. 50,000 each are as follows:

Description	Cost	Accumulated depreciation	Net Book value	Sale proceed	Mode of disposal	Particulars of purchaser
----- Rupees '000 -----						
Motor Vehicle	11,157	6,694	4,463	3,910	Negotiation	Mr. Kashif Shah, ex-CEO 45/1, 21st Street, Khayaban-e-Mujahid, Phase V, DHA, Karachi
Motor Vehicle	1,913	1,054	859	861	Negotiation	Mr. Kashif Shah, ex-CEO 45/1, 21st Street, Khayaban-e-Mujahid, Phase V, DHA, Karachi
Motor Vehicle	1,214	1,060	154	152	Negotiation	Muhammad Iqbal - R-46, Sector 6C, Abdullah Bungalows, Surjani Town, Karachi
	<u>14,284</u>	<u>8,808</u>	<u>5,476</u>	<u>4,923</u>		
<b>Assets having book value of less than Rs. 50,000 each</b>						
Office equipments	791	478	313	305		
	<u>15,075</u>	<u>9,286</u>	<u>5,789</u>	<u>5,228</u>		

## 3.2 Capital work in progress

	2015				2014			
	Balance as at July 1, 2014	Additions during the year	Transfers - note 3.2.1	Balance as at June 30, 2015	Balance as at July 1, 2013	Additions during the year	Transfers-note 3.2.1	Balance as at June 30, 2014
----- Rupees '000 -----								
Civil Works & Prefabricated Building	36,777	3,067	(39,844)	-	21,923	19,027	(4,173)	36,777
Plant and Machinery - note 3.2.2	747,027	43,712	(54,663)	736,076	582,150	169,063	(4,186)	747,027
Other ancillary cost - note 3.2.3	392,969	-	(26,518)	366,451	300,437	92,532	-	392,969
Electrical Works	2,172	37	(2,209)	-	-	2,172	-	2,172
Advances to suppliers	1,771	-	(104)	1,667	3,343	2,073	(3,645)	1,771
Total	<u>1,180,716</u>	<u>46,816</u>	<u>(123,338)</u>	<u>1,104,194</u>	<u>907,853</u>	<u>284,867</u>	<u>(12,004)</u>	<u>1,180,716</u>

**3.2.1** This includes transfers to operating assets amounting to Rs. 123.3 million (2014: Rs. 8.4 million) and transfers to major spare parts and stand-by equipments Rs. Nil (2014: Rs 3.6 million).

**3.2.2** This mainly includes capital expenditure on Electrolytic Cleaning Line (ECL), the commercial production of which, is expected to commence in the next year.

**3.2.3** Borrowing cost capitalised during the year amounts to Rs. Nil (2014: Rs. 92.53 million) and includes Rs. Nil (2014: Rs. 10.9 million) mark-up on loan from related party.

# Notes to the Financial Statements

For the year ended June 30, 2015

	2015	2014
<b>4. INTANGIBLES - Computer Software</b>	Rupees '000	
<b>Gross carrying value basis</b>		
Cost	20,385	19,351
Accumulated amortisation	(7,118)	(4,547)
Net book value	<u>13,267</u>	<u>14,804</u>
<b>Net carrying value basis</b>		
Opening net book value	14,804	20,439
Additions during the year	1,034	-
Disposals during the year	-	(3,389)
Amortisation for the year	(2,571)	(2,246)
Closing net book value	<u>13,267</u>	<u>14,804</u>

4.1 Amortisation is charged at the rate of 10% to 33.33% (2014: 10% to 33.33%) per annum.

## 5. LONG-TERM LOANS AND ADVANCES - considered good

	2015			2014
	Motor vehicles	Shares	Personal	Total
	Rupees '000			
Due from executives	1,718	177	367	2,262
Due from employees	-	526	170	696
	<u>1,718</u>	<u>703</u>	<u>537</u>	<u>2,958</u>
				<u>2,876</u>

5.1 Reconciliation of carrying amount of loans and advances to executives and employees:

	2015			2014
	Executives	Employees	Total	Total
	Rupees '000			
Balance at July 1	2,294	582	2,876	4,429
Disbursements	367	170	537	363
Repayments	(399)	(56)	(455)	(1,916)
Balance as at June 30	<u>2,262</u>	<u>696</u>	<u>2,958</u>	<u>2,876</u>

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

- 5.2** Loans to employees have been provided to facilitate purchase of vehicles and to meet their contingency needs in accordance with the Company's policy and are repayable after a period of four to five years. Further, advances to employees have been provided to facilitate purchase of shares of the Company allotted to employees at the time of offer for sale for listing of the Company. Loans and advances to employees are interest free.
- 5.3** The maximum aggregate amount of loans and advances due from executives and employees at the end of any month during the year was Rs. 3.47 million (2014: Rs. 4.12 million).

	2015	2014
	Rupees '000	
<b>6. LONG-TERM DEPOSITS AND PREPAYMENTS</b>		
<b>Security deposits</b>		
- Energy, power and fuel sector	35,073	35,073
- Financial Institutions, banking and leasing companies"	6,902	4,809
- Hotels and clubs	2,000	2,000
- Steel sector	1,299	1,299
- Others	1,272	1,784
	<u>46,546</u>	<u>44,965</u>
<b>Prepayments</b>		
- Energy, power and fuel sector	1,253	2,913
	<u>47,799</u>	<u>47,878</u>

## 7. DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

### Deferred tax liabilities:

- property, plant and equipment	(1,469,724)	(1,650,112)
- surplus on revaluation of fixed assets	(47,206)	(56,874)
- long-term finance - note 7.1	(210,142)	(287,917)

### Deferred tax assets:

- liability against assets subject to finance lease	50	502
- intangibles	44	19
- provision for staff retirement benefit	6,889	5,153
- pre-commencement expenditure	87,318	152,806
- carried forward losses - note 7.2	2,742,680	2,560,576
	<u>1,109,909</u>	<u>724,153</u>

# Notes to the Financial Statements

For the year ended June 30, 2015

**7.1** This represents the deferred tax impact of gain recorded as a result of extinguishment of the old financial liability and recognition of the new financial liability at fair value. This is consequent to the restructuring of the Company's finance facilities as fully explained in note 16.1.

**7.2** The Company has an aggregate amount of Rs. 9.1 billion (2014: Rs. 7.32 billion) in respect of tax losses as at June 30, 2015. The management carries periodic assessment to assess the benefit of these losses as the company would be able to set off the profit earned in future years against these carry forward losses. Based on the assessment management has recognised deferred tax debit balance on losses amounting to Rs. 2.74 billion (2014: Rs. 2.56 billion) including an amount of Rs. 1.75 billion (2014: Rs. 1.85 billion) on unabsorbed tax depreciation and initial allowance of Rs. 5.82 billion (2014: Rs. 5.3 billion). The amount of this benefit has been determined based on the projected financial statements of the Company for future years. The determination of future taxable profit is most sensitive to certain key assumptions such as capacity utilisation, gross margin percentage, inflation and KIBOR rates. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset.

	2015	2014
	Rupees '000	
<b>8. STORES AND SPARES</b>		
Stores	150,061	126,016
Spares	11,861	31,605
Loose tools	1,461	1,425
	<u>163,383</u>	<u>159,046</u>
<b>9. STOCK-IN-TRADE</b>		
Raw material (including in transit Rs. Nil; 2014: Rs. 1.89 billion)	1,821,817	2,419,748
Work in process	188,001	94,523
Finished goods (including coil end sheets Rs. 25.34 million; 2014: Rs. 27.3 million)	419,291	827,269
Packing and other materials	4,351	5,754
	<u>2,433,460</u>	<u>3,347,294</u>
<b>10. TRADE DEBTS - Considered good</b>		
There are no trade debts that are past due or impaired.		
<b>11. ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
Advances - considered good		
- executives	546	505
- other employees	541	1,085
- suppliers and others	44,665	70,750
Receivable from government - note 11.1	254,782	-
Deposits	-	25
Prepayments - note 11.2	8,808	10,159
	<u>309,342</u>	<u>82,524</u>

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

- 11.1** This comprises of the following which has been paid to the Collector of Customs and the Nazir of the Sindh High Court in the form of pay orders during the year:

	Paid during the year	Returned during the year	Balance outstanding
	----- Rupees '000 -----		
Custom duty	208,037	(36,446)	171,591
Regulatory duty	48,905	(2,734)	46,171
Sales tax thereon	43,680	(6,660)	37,020
	<u>300,622</u>	<u>(45,840)</u>	<u>254,782</u>

This amount in respect of custom duty and sales tax has been paid by the Company under protest on the basis of assessment by the Collector of Customs. During the year, the Company imported HRC from China under customs SRO 659(I)2007 dated June 30, 2007 and filed goods declaration under HS code 7225.3000, being alloy steel, which is subject to 0% customs duty. However, the Collector of Customs has assessed these imports under HS code 7208.3890, being non-alloy steel, which is subject to 5% customs duty under the said SRO.

The Company, in line with the practice adopted by other importers, has filed petition in the Sindh High Court against Custom Authorities for every import it makes and has obtained an interim order for release of goods by paying 50% of the custom duty to the Collector of Customs and remaining 50% amount to the Nazir of the Sindh High Court through a pay order or by depositing post dated cheques for the same. As at June 30, 2015, post dated cheques deposited with the Nazir of the Sindh High Court amount to Rs. 16.16 million in respect of custom duty and Rs. 2.75 million in respect of sales tax thereon.

Regulatory duty at the rate of 12.5% and sales tax at the rate of 17% thereon has also been paid to Collector of Customs under protest on the basis of the same assessment, as per S.R.O. 246 (I)/2015 dated March 27, 2015, which is an amendment to the S.R.O.568(I)/2014 dated 26 June 2014. The Company also pays this amount through a pay order.

The Company is confident that they have filed "Goods Declarations" as per the specifications and are exempt from custom duty. As per the lawyer's opinion obtained by the Company, the issue in question is subjudice in the Sindh High Court in a large number of Constitutional Petitions and a judgement in such cases will also be applicable on the Company. Further, as per the lawyer's opinion, there is a strong case and accordingly the Company considers this amount as recoverable.

Further, the release of pay orders deposited during the year in this respect amounting to Rs. 45.84 million on finalisation of provisional assessment in certain cases also support the Company's contention.

- 11.2** This includes Rs. 1.71 million (2014: Rs. 874 thousand) prepaid to a related party on account of rent of head office.

	2015	2014
	Rupees '000	
<b>12. OTHER RECEIVABLES</b>		
Receivable from Etimaad Engineering (Private) Limited - note 12.1	<b>138,485</b>	138,485
Margin on import letters of credit	<b>84,511</b>	361,120
Others	<b>4,674</b>	2,747
	<u><b>227,670</b></u>	<u>502,352</u>

# Notes to the Financial Statements

For the year ended June 30, 2015

**12.1** This represents balance of advances given to civil contractor Etimaad Engineering (Pvt.) Limited (Etimaad) for mobilisation and procurements. The Company awarded this contract to Etimaad on December 1, 2007 for certain civil, mechanical and electrical works. However, Etimaad did not complete the work and discontinued the contract. Out of the total outstanding book balance of Rs. 237.86 million, the Company has recovered Rs. 99.37 million from Etimaad on January 5, 2012 through encashment of its advance payment bank guarantee which was taken at the time of award of contract.

At present, the Company is in dispute with the contractor in respect of the outstanding balance of advances. Initially Etimaad had filed a winding up petition against the Company in the Sindh High Court alleging that the Company has failed to clear its unpaid invoices of Rs. 230 million with 30 days of the Demand Notice which stands due and payable according to the petitioner. Whereas to the contrary a sum of Rs. 237 million, before recovery of aforesaid amount, was receivable from the petitioner as per books of accounts of the Company.

However, for an early resolution of this dispute, the Company had filed a Suit before the Honourable High Court for appointment of an Arbitrator in terms of the contract and under section 20 of Arbitration Act, 1940, for resolution of the dispute / difference between the parties upon their respective claims to be submitted before the Arbitrator. Accordingly, the Honourable High Court upheld the Company's contention and disposed of the said Suit and the matter was referred to be resolved through Arbitrator appointed by consent of both parties.

In 2012, arbitration proceedings were initiated in which the Company had filed a claim for recovery of the aforesaid over payments made to Etimaad alongwith consequential damages aggregating to sum of Rs. 1,109 million together with mark-up at the KIBOR notified by the State Bank of Pakistan from the date the amount became payable till the same is realised. A further sum of Rs. 20 million had also been claimed in lieu of costs. The above claim is net of Rs. 99.37 million which have already been recovered from Etimaad. Etimaad has made a capricious counterclaim of Rs. 825.49 million with mark-up at 16% per annum, which is a mere retort to the Company's bona fide claim. As at June 30, 2014, the arbitration proceedings had been concluded and the matter was reserved for announcement of the Award.

During the reporting period, the sole Arbitrator has passed the Award dated September 25, 2014, in favour of Etimaad, whereby all claims of the Company have been rejected on the basis of insufficient evidence and inadequate proof. After hearing the case on numerous dates and then reserving the matter for almost 10 months, the Arbitrator has finally given an Award and has stated that Etimaad is entitled to an amount of Rs. 371.73 million plus mark-up at 6% per annum. The claim allowed is mainly for the outstanding receivables and the cancellation charges for the change orders. The rest of the claims of Etimaad have been rejected.

The Arbitrator found in favour of the Company, and against Etimaad, an amount of Rs. 75 million on account of the frivolous winding up petition filed by Etimaad against the Company before the Honourable High Court and as such deducted this amount of Rs. 75 million from the amount of Rs. 371.73 million and therefore gave a final Award in favour of Etimaad for an amount of Rs. 296.73 million plus mark-up at 6% per annum.

The Company's Legal Counsel is of the opinion that the Award is not well-reasoned, nor based on a full appreciation of the material facts and evidence. The Legal Counsel believes that undue weight has been erroneously placed on witness evidence where it had no nexus to the issues at hand. Further, a substantial portion of the findings are contrary to the established principles of law which in the opinion of the Legal Counsel renders the Award illegal.

Based on the above, the Company has filed objections to the Award before the Honourable High Court praying for setting aside the Award which is at the stage of hearing. The Legal Counsel is of the view that the Company has a good case on merits and is likely to succeed in obtaining a favourable decision and consequently no loss is likely to arise therefrom. Moreover, the Award has not been made rule of Court and as such is presently not executable by Etimaad and consequently, no provision has been made in these financial statements.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	2015	2014
Rupees '000		
<b>13. CASH AND BANK BALANCES</b>		
With banks on		
- Current accounts	9,771	38,330
- PLS savings accounts - note 13.1	122,238	21,299
Cash in hand	264	216
	<u>132,273</u>	<u>59,845</u>
<b>13.1</b> At June 30, 2015 the rates of mark up on PLS savings accounts ranged from 6% to 8% per annum (2014: 6% to 8%).		

## 14. SHARE CAPITAL

### Authorised Share Capital

2015	2014		2015	2014
(Number of shares)			Rupees '000	
650,000,000	650,000,000	Ordinary Shares of Rs. 10 each	6,500,000	6,500,000
250,000,000	250,000,000	Cumulative Preference Shares of Rs. 10 each	2,500,000	2,500,000
<u>900,000,000</u>	<u>900,000,000</u>		<u>9,000,000</u>	<u>9,000,000</u>

### Issued, subscribed and paid-up capital

Ordinary Shares			2015	2014
(Number of shares)			Rupees '000	
270,955,590	270,417,299	Ordinary Shares of Rs. 10 each Opening	2,709,556	2,704,173
177,073	538,291	Cumulative Preference Shares (KSE Symbol - ASLPS) of Rs. 10 each converted to Ordinary Shares of Rs. 10 each during the year	1,771	5,383
<u>271,132,663</u>	<u>270,955,590</u>		<u>2,711,327</u>	<u>2,709,556</u>

### Cumulative Preference Shares

2015	2014		2015	2014
(Number of shares)			Rupees '000	
72,864,468	73,402,759	Cumulative Preference Shares (KSE Symbol - ASLPS) of Rs. 10 each Opening	728,645	734,028
(177,073)	(538,291)	Cumulative Preference Shares (KSE Symbol - ASLPS) of Rs. 10 each converted to Ordinary Shares of Rs. 10 each during the year	(1,771)	(5,383)
<u>72,687,395</u>	<u>72,864,468</u>	Cumulative Preference Shares (KSE Symbol - ASLPS) of Rs. 10 each Closing - note 14.3, 14.4 and 14.5	726,874	728,645
171,910,029	-	Cumulative Preference Shares (KSE Symbol - ASLCPS) of Rs. 10 each issued during the year - note 14.1 and 14.6	1,719,100	-
<u>244,597,424</u>	<u>72,864,468</u>		<u>2,445,974</u>	<u>728,645</u>

# Notes to the Financial Statements

For the year ended June 30, 2015

- 14.1** 171,910,029 Cumulative Preference Shares (ASLCPS) were issued during the year on which issuance costs incurred were Rs. 7.04 million which has been accounted for as a deduction from equity net of tax of Rs. 2.11 million.
- 14.2** 80,008,250 (2014: 80,008,250) Ordinary Shares, 34,570,058 'ASLPS' (2014: 34,570,058) and 56,493,515 'ASLCPS' (2014: Nil) Cumulative Preference Shares of Rs. 10 each as at June 30, 2015 are held by Arif Habib Corporation Limited - associate company.
- 14.3** The rate of dividend on 72,687,395 (2014: 72,864,468) Cumulative Preference Shares (ASLPS) of Rs. 10 each is 3% above six months KIBOR (reset every six months) which shall be converted into Ordinary Shares for which the Company shall issue the appropriate number of Ordinary Shares.
- 14.4** Cumulative Preference Shares (ASLPS) are non-redeemable but convertible into Ordinary Shares at face value, after Commercial Operations Date, as approved by the Board. The conversion price shall be Rs.10 per Ordinary Share and for the purpose of conversion accumulated dividend not paid to the Preference Shareholders, if any, accrued upto the date of announcement of conversion by the Company shall be taken into account for determining the number of the Ordinary Shares to be issued upon conversion and therefore the number of Ordinary Shares to be issued to the Preference Shareholders shall be based in the ratio 1:1, plus unpaid preferential dividends, if any.
- 14.5** In case the preferential dividend or any part thereof is not paid in any year, due to loss or inadequate profits, then such unpaid dividend will accumulate and will be paid in the subsequent year(s) before any dividend is paid to the ordinary shareholders. As the Company currently has accumulated losses, cumulative dividend on Cumulative Preference Shares (ASLPS) amounting to Rs. 440.08 million (2014: Rs. 357.93 million) is not accounted for in these financial statements.

## 14.6 Issue of 50% Right Shares in terms of Cumulative Preference Shares (ASLCPS)

The shareholders of the Company in their extraordinary general meeting held on May 26, 2014 approved the issue of 50% Right Shares in terms of Cumulative Preference Shares at par value of Rs. 10 each. 171,910,029 Cumulative Preference Shares (ASLCPS) have been issued in the ratio of 5 Cumulative Preference Shares for every 10 Ordinary / Cumulative Preference Shares (ASLPS) held by the existing shareholders.

The terms and conditions of such Right Shares are as follows:

- The rate of preferential dividend shall be six months KIBOR plus 3% (reset every six months) which shall be available for conversion into Ordinary Shares, for which the Company shall issue the appropriate number of Ordinary Shares.
  - Preference Shares shall be convertible into Ordinary Shares at the option of the holders of Preference Shares at any time after completion of one year from the date of subscription, as per the following criteria / basis:
    - a) at face value provided that the book value of the Ordinary Shares after adjustment of all accumulated losses as per latest half yearly / annual published accounts of the Company is Rs. 10 or more;
    - b) at book value provided that the book value of the Ordinary Shares after adjustment of all accumulated losses as per latest half yearly / annual published accounts of the Company is lower than Rs. 10.
  - If cash dividend is not paid in any year, due to loss or inadequate profits, then such unpaid cash dividend will accumulate and will be paid in the subsequent year(s) subject to approval of the Board of the Company.
  - If the Company has announced after tax profit in any year and for the purpose of conversion, accumulated dividend not paid to the holders of Preference Shares (ASLCPS), if any, accrued up to the date of receiving the Notice of Conversion by the Company, shall also be taken into account for determining the number of the Ordinary Shares, to the extent of the aforesaid announced after tax profit, to be issued upon conversion.
- 14.7** As the Company currently has accumulated losses, cumulative dividend on Cumulative Preference Shares (ASLCPS) amounting to Rs. 45.61 million is not accounted for in these financial statements.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
<b>15. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Opening Balance	391,676	-
Surplus arising on revaluation during the year - net of deferred tax	-	391,676
Transferred to Incremental depreciation - net of deferred tax	(864)	-
Closing Balance	<u>390,812</u>	<u>391,676</u>
<b>16. LONG-TERM FINANCE – secured</b>		
Book Value as at July 1, 2014 / January 19, 2013	5,483,867	6,317,311
Present value gain on restructuring (extinguishment)	-	(992,288)
Impact of unwinding - Finance Cost	<u>123,271</u>	<u>168,844</u>
	5,607,138	5,493,867
Less: Current maturity shown under current liabilities	<u>(10,000)</u>	<u>(10,000)</u>
	<u>5,597,138</u>	<u>5,483,867</u>

**16.1** Original term finance facilities amounting to Rs. 6.53 billion were obtained under three Syndicate Term Finance Facility (STFF) agreements, a Syndicated Running Finance Facility (SRFF) agreement and a Murahaba finance arrangement. Details in relation to these facilities were as follows:

Facility	Repayment Terms	Mark-up Rate	Outstanding as at January 19, 2014 Rupees '000
<b>STFF - I and Murahaba</b>	11 consecutive semi-annual installments from April 2013 to April 2018	2% above six months KIBOR to 3.28% above six months KIBOR	3,770,000
<b>STFF - II</b>	10 equal semi-annual installments from August 2013 to February 2018	3.25% above six months KIBOR	967,839
<b>STFF - III</b>	10 equal semi-annual installments from December 2013 to June 2018	3.25% above six months KIBOR	779,985
<b>SRFF</b>	Running Finance	1% above six months KIBOR	590,061
<b>Frozen Mark-up</b>	-	-	<u>222,282</u>
			<u>6,330,167</u>

The Company entered into restructuring agreement with its lenders on January 19, 2014. As per terms of the agreement, the above mentioned facilities and the corresponding accrued mark-up thereon (frozen mark-up) amounting to Rs. 222.28 million have been restructured as one syndicate loan. Repayment of principal was made in one annual installment amounting to Rs. 10 million in the current year and subsequently, eighteen unequal semi-annual installments have to be paid, which are as follows:

- Rs. 5 million each in the next year.
- Rs. 250 million each for the next four years.
- Rs. 375 million each for the next three and a half years.
- Rs. 1.69 billion as the last installment on January 19, 2024.

# Notes to the Financial Statements

For the year ended June 30, 2015

Based on the agreement, the restructured facility carries mark-up at the rate of 2.74% below six months KIBOR on the outstanding amount excluding frozen mark-up. The mark-up rate shall increase to six months KIBOR in the following cases:

- the Company's profit after tax turns positive.
- the Company's profit after tax, after adding back any unusual and / or abnormal expense, turns positive.
- the Company fails to make payment of any installment of the restructured amount, whether principal or mark-up, on the due date for payment of such amount.

The restructured finance facility is secured against first charge on all present and future Company's fixed assets, accounts receivables, interest in any insurance claim and equitable mortgage over land and building. Moreover, a corporate guarantee in the aggregate amount of Rs. 1.5 billion has been issued by Arif Habib Corporation Limited (formerly Arif Habib Securities Limited) in favor of the syndicate members.

This liability includes share of Arif Habib Corporation Limited, a related party, amounting to Rs. 253.74 million (2014: Rs. 254.18 million).

- 16.2** The facilities for opening letters of credit and guarantees as at June 30, 2015 amounted to Rs. 4.05 billion (2014: Rs. 4.6 billion) of which the amount remained unutilised at year end was Rs. 1.34 billion (2014: Rs. 625 million).

	2015	2014
	Rupees '000	
<b>17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES</b>		
Payable during:		
2014-15	-	6,225
2015-16	<b>3,789</b>	2,030
2016-17	<b>3,428</b>	1,357
2017-18	<b>1,554</b>	1,155
2018-19	<b>1,995</b>	620
2019-20	<b>1,206</b>	-
Minimum Lease payments - note 17.1	<b>11,972</b>	11,387
Less: Finance charges not due	<b>1,468</b>	1,597
	<b>10,504</b>	9,790
Less: Current portion shown under current liabilities	<b>2,988</b>	4,840
	<b>7,516</b>	4,950
Present value of finance lease liabilities		
Not later than one year	<b>2,988</b>	4,840
Later than one year and not later than 5 years	<b>7,516</b>	4,950
	<b>10,504</b>	9,790

- 17.1** These represent liabilities for vehicles acquired on lease. Finance charge ranging from 11.06% to 18.30% (2014: 11.06% to 18.30%) per annum have been used as discounting factor.

**18. STAFF RETIREMENT BENEFIT - Gratuity**

- 18.1** As stated in note 2.16 the Company operates an unfunded gratuity scheme for all its permanent employees. The scheme defines an amount of gratuity benefit that an employee will receive on 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 valuations of the scheme was carried out as at June 30, 2015.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
<b>18.2 Balance sheet reconciliation</b>		
Present value of defined benefit obligation	<u>22,962</u>	<u>14,722</u>
<b>18.3 Movement in the present value of defined benefit obligation</b>		
Obligation as at July 1	14,722	17,597
Current service cost	8,802	13,285
Past service cost / (credit) - note 18.10	2,775	(9,089)
Interest expense	1,696	1,537
Remeasurements	(1,186)	(2,685)
Benefits paid	(3,847)	(5,923)
Obligation as at June 30	<u>22,962</u>	<u>14,722</u>
<b>18.4 Expense recognised in profit and loss account</b>		
Current service cost	8,802	13,285
Past service cost / (credit) - note 18.10	2,775	(9,089)
Interest cost	1,696	1,537
	<u>13,273</u>	<u>5,733</u>
<b>18.5 Remeasurement recognised in other comprehensive income</b>		
Experience losses	(1,186)	(291)
<b>18.6 Net recognised liability</b>		
Balance as at July 1	14,722	15,203
Expense for the year	13,273	5,733
Benefits paid	(3,847)	(5,923)
Remeasurement recognised in other comprehensive income	(1,186)	(291)
Balance as at June 30	<u>22,962</u>	<u>14,722</u>
	<b>2015</b>	<b>2014</b>
<b>18.7 Actuarial assumptions</b>		
Discount rate used for year end obligation	9.75%	13.25%
Expected rate of increase in salaries	8.75%	12.25%
Retirement age (years)	60	60

**18.8** Mortality was assumed to be SLIC (2001-2005) set back one year (2014: EFU 61-66).

## 18.9 Sensitivity analysis for actuarial assumptions

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees in thousand)		
Discount rate at June 30	1%	(1,830)	2,182
Future salary increases	1%	1,703	(1,465)

**18.10** The Company changed its gratuity scheme for non-management staff from career average gross pay into number of years of service completed to last drawn gross pay into number of years of service completed.

# Notes to the Financial Statements

For the year ended June 30, 2015

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

**18.12** The above 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. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

**18.13** The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**18.14 Historical information for the four years is as follows:**

	2015	2014	2013	2012
	----- Rupees '000 -----			
Present value of the defined benefit obligation	<u>22,962</u>	<u>14,722</u>	<u>17,597</u>	<u>6,538</u>
Experience adjustments - (gain) / loss	<u>(1,186)</u>	<u>(2,685)</u>	<u>2,514</u>	<u>(1,806)</u>

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

	2015	2014
	Rupees '000	
<b>19. TRADE AND OTHER PAYABLES</b>		
Creditors:		
- local	34,103	49,459
- foreign	11,071	993,885
Bills payable	2,506,025	3,397,276
Accrued liabilities	130,723	80,840
Retention money	7,231	10,115
Advance from dealers	28,839	20,887
Security deposit from dealers	8,000	10,000
Withholding tax	<u>18,437</u>	<u>11,892</u>
	<u>2,744,429</u>	<u>4,574,354</u>

## 20. ACCRUED MARK-UP

Accrued mark-up comprises mark-up on short term borrowings and mark-up on restructured syndicated finance facility payable.

	2015	2014
	Rupees '000	
<b>21. SHORT-TERM BORROWINGS</b>		
<b>Secured:</b>		
Short-term running finance - note 21.1	3,607,824	3,132,027
<b>Unsecured:</b>		
Short-term finance facility - note 21.2	250,102	183,500
Sponsors' loan - note 21.3	18,298	53,652
	<u>3,876,224</u>	<u>3,369,179</u>

**21.1** The lender wise balance of running finance facilities obtained by the Company are as follows:

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
Sindh Bank Limited	988,312	989,740
Summit Bank Limited	881,718	526,342
Allied Bank Limited	649,959	319,959
National Bank of Pakistan	556,145	656,331
Bank Islami Pakistan Limited	274,897	275,000
Habib Metropolitan Bank Limited	135,646	129,655
The Bank of Punjab	121,147	-
The Bank of Khyber	-	235,000
	<u>3,607,824</u>	<u>3,132,027</u>

Facilities for running finance available from these banks amount to Rs. 3.88 billion (2014: Rs. 4.08 billion). The rates of mark-up range between 1.75% above three months KIBOR to 3% above three months KIBOR (2014: 1.75% above three months KIBOR to 3.5% above three months KIBOR). The balance is secured against ranking hypothecation charge over plant, machinery and equipment and parri passu charge over the current assets and fixed assets of the Company.

**21.2** This represents finance obtained from Arif Habib Corporation Limited, a related party, on mark-up basis. The facility is of running finance nature with a maximum limit of Rs. 2 billion. It has been obtained to finance the Company's working capital needs and for any other business as may be mutually agreed between the parties. The facility carries mark-up at the rate of 3% above three months KIBOR.

**21.3** This represents finance obtained from one of the sponsor Mr. Haseeb Rehman as approved by Board out of money received against shares offered for sale to general public, carrying mark-up rate of 3.25% above 6 months KIBOR (2014: 3.25% above 6 months KIBOR). Prior year balance also includes loan of the same nature from Arif Habib Equity (Private) Limited amounting to Rs.35.3 million which was paid during the year.

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 CONTINGENCIES

**22.1.1** The matter relating to dispute with Etimaad Engineering (Private) Limited is explained in note 12.1.

**22.1.2** Contingency relating to an invoice raised by Universal Metal Corporation - a related party, amounting to Rs. 16.55 million (2014: Rs. 19.49 million) against consultancy services which had to be provided to the Company in relation to the Company's project, has not been recognised, pending verification, by its technical team, of the services delivered to the Company.

### 22.2 COMMITMENTS

**22.2.1** Commitments for capital expenditure outstanding as at June 30, 2015 amounted to Rs. 19.53 million (2014: Rs. 17.38 million).

**22.2.2** Commitments for rentals under ijarah arrangements amounted to Rs. 9.34 million (2014: Rs. 14.2 million) payable as follows:

	2015	2014
	Rupees '000	
Not later than 1 year	4,041	4,603
Later than 1 year but not later than 5 years	5,300	9,593
	<u>9,341</u>	<u>14,196</u>

## 23. REVENUE

Gross Revenue - note 23.1	11,337,854	11,055,326
Less: Sales tax	(1,646,651)	(1,606,329)
Rebates and discounts	(67,333)	(58,850)
Dealers commission	(132,122)	(131,120)
Net Revenue	<u>9,491,748</u>	<u>9,259,027</u>

# Notes to the Financial Statements

For the year ended June 30, 2015

- 23.1** This includes sale of coil end sheets - scrap amounting to Rs. 281.46 million (2014: Rs. 303.2 million) and revenue from toll manufacturing services amounting to Rs. 22.72 million (2014: Rs. 6.02 million).
- 23.2** Sales to three dealers exceed 10 percent of the net sales during the year, amounting to Rs. 3.9 billion (2014: Rs. 2.5 billion).
- 23.3** These financial statements do not include disclosure relating to IFRS 8 "Operating Segments" as the Company is considered to be a single operating segment.

	2015	2014
	Rupees '000	
<b>24. COST OF SALES</b>		
Raw material consumed	7,914,262	8,176,877
Salaries, wages & benefits - note 24.1	169,198	177,551
Rent, rates and taxes	2,172	21,891
Utilities	350,170	343,615
Packing charges	47,421	46,360
Stores, spares and consumables	204,960	132,991
Consultancy charges	2,475	1,691
Depreciation	350,132	333,529
Repairs & maintenance	32,412	38,585
Travelling & conveyance	32,829	38,493
Material handling charges	3,242	6,526
Communication	1,758	1,510
Insurance	16,510	33,928
Security charges	5,372	5,514
Ujrah payments	1,992	2,139
Others	2,017	4,389
	<b>9,136,922</b>	9,365,589
Work in process - opening	94,523	286,246
	<b>9,231,445</b>	9,651,835
Work in process - closing	<b>(188,001)</b>	(94,523)
Cost of goods manufactured	<b>9,043,444</b>	9,557,312
Finished goods - opening	827,269	470,217
Finished goods - closing	<b>(419,291)</b>	(827,269)
	<b>407,978</b>	(357,052)
	<b>9,451,422</b>	9,200,260

- 24.1** Salaries, wages and benefits include Rs. 9.95 million (2014: Rs. 4.3 million) in respect of defined benefit plan.

	2015	2014
	Rupees '000	
<b>25. SELLING AND DISTRIBUTION COST</b>		
Salaries and benefits - note 25.1	6,605	3,640
Commission	28,758	28,053
Rent, rates and taxes	381	877
Travelling & conveyance	567	650
Utilities	194	182
Insurance	275	130
Sales communication	241	282
Depreciation and amortisation	386	516
Printing, stationery and office supplies	107	86
Ujrah payments	-	388
Others	450	697
	<b>37,964</b>	35,501

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

25.1 Salaries and benefits include Rs. 0.17 million (2014: Rs. 0.07 million) in respect of defined benefit plan.

	2015	2014
	Rupees '000	
<b>26. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances and benefits - note 26.1	<b>48,664</b>	56,788
Rent, rates and taxes	<b>7,235</b>	16,672
Depreciation and amortisation	<b>7,331</b>	9,809
Repairs and maintenance	<b>17,775</b>	15,906
Travelling & conveyance	<b>14,285</b>	16,031
Utilities	<b>3,381</b>	3,466
Communication and information technology	<b>2,752</b>	5,243
Printing and stationery	<b>2,024</b>	1,631
Insurance	<b>5,230</b>	2,460
Legal and professional charges	<b>6,193</b>	1,939
Auditors' remuneration - note 26.2	<b>1,833</b>	2,038
Ujrah payments	<b>1,837</b>	1,507
Security charges	<b>2,105</b>	2,921
Others	<b>3,387</b>	3,166
	<b>124,032</b>	139,577

26.1 Salaries, allowances and benefits include Rs. 3.15 million (2014: Rs. 1.36 million) in respect of defined benefit plan.

	2015	2014
	Rupees '000	
<b>26.2 Auditors' remuneration</b>		
Audit fee	<b>1,000</b>	550
Fee for half year audit and other certifications	<b>628</b>	1,000
Out-of-pocket expenses	<b>205</b>	488
	<b>1,833</b>	2,038

## 27. OTHER INCOME

### Income from financial assets / liabilities

Present value gain on restructuring of finance facilities	-	992,288
Return on PLS savings accounts	<b>5,258</b>	4,832
	<b>5,258</b>	997,120

### Income from non-financial assets

Gain on disposal of property, plant and equipment	<b>72</b>	2,010
Gain on disposal of intangibles	-	97
Scrap sales	<b>627</b>	7,311
	<b>5,957</b>	1,006,538

# Notes to the Financial Statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
<b>28. FINANCE COST</b>		
Mark up expense:		
- long-term finance	473,892	602,184
- Impact of unwinding on long term finance	123,271	168,843
- short-term borrowings	582,481	345,296
- usance and other charges on import letter of credit	69,087	121,797
Guarantee commission	3,439	1,996
Finance lease charges	1,011	1,722
Exchange loss	107,506	48,786
Bank and other charges	11,840	8,517
	<u>1,372,527</u>	<u>1,299,141</u>
<b>29. TAXATION</b>		
	Rupees '000	
Current - for the year	96,912	91,458
Deferred	<u>(374,330)</u>	<u>(153,705)</u>
	<u>(277,418)</u>	<u>(62,247)</u>
<b>29.1</b>	The tax charge for the year is based on the minimum turnover tax.	
<b>29.2 Reconciliation between tax expense and accounting loss</b>		
Accounting loss before tax	<u>(1,488,240)</u>	<u>(408,914)</u>
Tax at applicable tax rate of 33% (2014: 34%)	<u>(491,119)</u>	<u>(139,031)</u>
Tax effect of permanent differences	3,153	1,416
Minimum tax	96,912	91,458
Effect of change in tax rate	110,800	(18,454)
Others	2,836	2,364
	<u>(277,418)</u>	<u>(62,247)</u>
<b>30. BASIC EARNINGS PER SHARE</b>		
Loss after taxation attributable to ordinary shareholders	<u>(1,210,822)</u>	<u>(346,667)</u>
Adjustment for cumulative preference share dividend	<u>(136,852)</u>	<u>(91,775)</u>
Loss after taxation for calculation of basic earnings per share	<u>(1,347,674)</u>	<u>(438,442)</u>
Weighted average number of ordinary shares outstanding at the end of the year (in thousand)		
Ordinary shares in issue	<u>271,078</u>	<u>270,593</u>
	Rupees	
Basic earnings per share - (loss)	<u>(4.97)</u>	<u>(1.62)</u>
<b>30.1</b>	A diluted earnings per share has not been presented as it had anti-dilutive effect on the earnings per share.	

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
<b>31. CASH (USED IN) / GENERATED FROM OPERATIONS</b>		
Loss before taxation	(1,488,240)	(408,914)
Add / (less): Adjustments for non-cash charges and other items		
Depreciation and amortisation	357,849	343,854
Finance lease charges	1,011	1,722
Mark up charges	1,248,731	1,238,120
Provision for staff retirement benefits	13,273	5,733
Present value gain on restructuring of finance facilities	-	(992,288)
Return on PLS savings accounts	(5,258)	(4,832)
Loss / (gain) on disposal of fixed assets	561	(2,010)
Gain on disposal (return) of intangibles	-	(97)
	<b>1,616,167</b>	590,202
Profit before working capital changes	<b>127,927</b>	181,288
	Rupees '000	
	2015	2014
	Rupees '000	
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets		
Stores and spares	(4,337)	(13,871)
Stock-in-trade	913,834	(1,023,988)
Trade debts	116,238	(1,479)
Advances, deposits and prepayments	(226,818)	(12,373)
Other receivables	274,682	(275,089)
Tax refunds due from Government - Sales tax	(21,646)	(49,112)
	<b>1,051,953</b>	(1,375,912)
(Decrease) / increase in current liabilities		
Trade and other payables	(1,829,925)	2,082,700
	<b>(777,972)</b>	706,788
Cash (used in) / generated from operations	<b>(650,045)</b>	888,076
<b>32. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	132,273	59,845
Short-term running finance	(3,607,824)	(3,132,027)
	<b>(3,475,551)</b>	(3,072,182)

# Notes to the Financial Statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
<b>33. CASH FLOW STATEMENT - Direct method</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	9,607,986	9,257,548
Cash paid to suppliers / service providers and employees	(10,258,034)	(8,366,819)
Income taxes refund / (paid)	27,680	(289,072)
Mark-up on loans paid	(1,145,078)	(1,251,683)
Return on bank deposits received	5,418	5,200
Staff retirement benefits paid	(3,847)	(5,923)
Net cash used in operating activities	<u>(1,765,875)</u>	<u>(650,749)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(137,775)	(240,603)
Acquisition of intangible assets	(1,034)	-
Sale proceeds on disposal of property, plant and equipment	5,228	7,995
Proceeds on disposal of intangible assets	-	3,486
Net cash used in investing activities	<u>(133,581)</u>	<u>(229,122)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share deposit money received	-	236,924
Receipts against issue of right shares (preference shares) - net of issuance costs	1,475,136	-
Repayment of long-term finance	(10,000)	(394,200)
Syndicate running finance obtained	66,602	-
Repayment of sponsor's loan	(35,354)	-
Short-term borrowing obtained	-	183,500
Repayment of short-term borrowing	-	(500,000)
Decrease in liabilities against assets subject to finance leases	(297)	(4,297)
Net cash generated from / (used in) financing activities	<u>1,496,087</u>	<u>(478,073)</u>
Net decrease in cash and cash equivalents	<u>(403,369)</u>	<u>(1,357,944)</u>
Cash and cash equivalents at beginning of the year	<u>(3,072,182)</u>	<u>(1,714,238)</u>
Cash and cash equivalents at end of the year - note 32	<u>(3,475,551)</u>	<u>(3,072,182)</u>

## 34. TRANSACTIONS WITH RELATED PARTIES

34.1 Disclosure of transactions with related parties during the year are as follows:

	2015	2014
	Rupees '000	
<b>Associated companies:</b>		
- Finance facility utilised	3,480,035	919,000
- Repayment of finance facility utilised	3,413,433	735,500
- Markup on finance facility paid	87,159	25,720
- Repayment of sponsors' loan	35,353	-
- Issue of right shares	564,935	-
- Share deposit money received	-	236,924
- Purchase of raw material	2,192,934	803,046
- Purchase of construction materials	-	1,143
- Reimbursement of expenses	-	1,623

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	2015	2014
<b>Other related parties:</b>		Rupees '000
- Issue of right shares	1,084,295	-
- Commission on sales	28,757	28,053
- Rent and maintenance expense	3,499	9,941
<b>Key management compensation:</b>		
- Salaries and other short-term employee benefits	3,407	14,447
- Post retirement benefits	-	536

**34.2** Raw material is purchased from Metal One Corporation, Japan - an associate, based on negotiated terms and conditions.

**34.3** The status of outstanding balances with related parties as at June 30, 2015 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

## 35. REMUNERATION TO CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration to the Chief Executive Officer, Director and Executives of the Company are as follows:

	Chief Executive		Executive Director		Executives	
	2015	2014	2015	2014	2015	2014
	----- Rupees '000 -----					
Managerial remuneration	3,407	8,936	-	3,651	100,999	90,273
Retirement benefits	-	536	-	-	8,118	2,746
Reimbursable expenses	-	1,014	-	846	8,484	8,952
Lease rentals	-	-	-	-	5,002	4,034
	<u>3,407</u>	<u>10,486</u>	<u>-</u>	<u>4,497</u>	<u>122,603</u>	<u>106,005</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>93</u>	<u>81</u>

In addition to the above, the Chief Executive Officer, Executive Director and certain Executives are also provided with Company maintained vehicles, security guards, mobile phone, hospitalisation and life insurance in accordance with the Company's policy.

<b>36. NUMBER OF EMPLOYEES</b>	2015	2014
Number of employees at June 30		
- Regular	351	351
- Contractual	31	31
Average number of employees during the year		
- Regular	351	335
- Contractual	31	37

# Notes to the Financial Statements

For the year ended June 30, 2015

## 37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 37.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as managing financial risk to minimise earnings volatility and provide maximum return to shareholders.

### 37.2 Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
----- Rupees '000 -----							
<b>FINANCIAL ASSETS</b>							
<b>Loans and receivables</b>							
Deposits	-	-	-	-	46,546	46,546	46,546
Loans to employees	-	-	-	-	2,958	2,958	2,958
Trade debtors	-	-	-	76,261	-	76,261	76,261
Other receivables	-	-	-	227,670	-	227,670	227,670
Cash and bank balances	122,238	-	122,238	10,035	-	10,035	132,273
2015	122,238	-	122,238	313,966	49,504	363,470	485,708
<b>FINANCIAL LIABILITIES</b>							
<b>At amortised cost</b>							
Long-term finance	10,000	5,597,138	5,607,138	-	-	-	5,607,138
Short-term finance	3,876,224	-	3,876,224	-	-	-	3,876,224
Liabilities against assets subject to finance leases	2,988	7,516	10,504	-	-	-	10,504
Trade and other payables	-	-	-	2,744,429	-	2,744,429	2,744,429
Accrued mark-up	-	-	-	264,857	-	264,857	264,857
2015	3,889,212	5,604,654	9,493,866	3,009,286	-	3,009,286	12,503,152
<b>FINANCIAL ASSETS</b>							
<b>Loans and receivables</b>							
Deposits	-	-	-	25	44,965	44,990	44,990
Loans to employees	-	-	-	-	2,876	2,876	2,876
Trade debtors	-	-	-	192,499	-	192,499	192,499
Other receivables	-	-	-	502,352	-	502,352	502,352
Accrued mark-up	-	-	-	160	-	160	160
Cash and bank balances	21,299	-	21,299	38,546	-	38,546	59,845
2014	21,299	-	21,299	733,582	47,841	781,423	802,722
<b>FINANCIAL LIABILITIES</b>							
<b>At amortised cost</b>							
Long-term finance	10,000	5,483,867	5,493,867	-	-	-	5,493,867
Short-term finance	3,369,179	-	3,369,179	-	-	-	3,369,179
Liabilities against assets subject to finance leases	4,840	4,950	9,790	-	-	-	9,790
Trade and other payables	-	-	-	4,574,354	-	4,574,354	4,574,354
Accrued mark-up	-	-	-	284,475	-	284,475	284,475
2014	3,384,019	5,488,817	8,872,836	4,858,829	-	4,858,829	13,731,665

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

## a) Market Risk

### i. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As per market practices Company borrowings are on variable interest rate exposing company to interest rate risk.

At June 30, 2015, the Company has variable interest bearing financial liabilities of Rs. 9.49 billion (2014: Rs. 8.87 billion), and had the interest rate varied by 200 basis points with all the other variables held constant, loss before tax for the year would have been approximately Rs. 189.88 million (2014: Rs. 177.46 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

### ii. Foreign exchange risk

Foreign currency risk arises mainly where payables and receivables exist due to transactions in foreign currencies. At June 30, 2015 trade and other payables exposed to foreign currency risk amount to Rs. 2.51 billion (2014: Rs. 3.4 billion). Further, as at balance sheet date, the Company has exposure against open letters of credit of Rs. 4.05 billion (2014: Rs. 3.9 billion) denominated in foreign currencies.

As at June 30, 2015, if the Pakistani Rupee had weakened / strengthened by -3% against Japanese Yen with all other variables held constant, loss before tax for the year would have been lower / higher by Rs. 0.28 million (2014: Rs. 0.32 million) mainly as a result of foreign exchange losses / gains on translation of Japanese Yen denominated as financial assets or liabilities.

As at June 30, 2015, if the Pakistani Rupee had weakened / strengthened by 4% against US Dollar with all other variables held constant, loss before tax for the year would have been lower / higher by Rs. 100.33 million (2014: Rs. 175.11 million) mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated as financial assets or liabilities.

The following table summarises the financial currency exposure as on June 30, 2015 and 2014 that are subject to foreign currency risk and shows the estimated changes in the value of such exposure assuming the underlying exchange rates are applied immediately and uniformly across all currencies. The changes in value do not necessarily reflect the best or worst case scenarios and actual results may differ. The analysis assumes that all other variables, in particular, interest rate, remain constant.

	Carrying value of foreign currency	Estimated fair value assuming a hypothetical percentage increase / (decrease) in the value of foreign currencies versus Pak Rupee					
		(20%)	(10%)	(1%)	1%	10%	20%
<b>June 30, 2015 - (Rupees in billion)</b>	<b>4.05</b>	<b>3.24</b>	<b>3.65</b>	<b>4.01</b>	<b>4.09</b>	<b>4.46</b>	<b>4.86</b>
June 30, 2014 - (Rupees in billion)	3.9	3.12	3.51	3.86	3.94	4.29	4.68

## b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs. 485.71 million (2014: Rs. 802.72 million) the financial assets exposed to the credit risk amounts to Rs. 261.29 million (2014: Rs. 375.97 million). The carrying values of financial assets which are neither past due nor impaired are as under:

# Notes to the Financial Statements

For the year ended June 30, 2015

	2015	2014
	Rupees '000	
Deposits	46,546	44,990
Other receivables	89,185	363,867
Loans to employees	2,958	2,876
Accrued mark-up	-	160
Trade debts	76,261	192,499
Cash and Bank balances	132,273	59,845
	<u>347,223</u>	<u>664,237</u>

The credit quality of deposits and other receivables which are neither past due nor impaired can be assessed with reference to external credit ratings as follows:

	Ratings			2015	2014
	Short term	Long term	Rating Agency	Rupees '000	
Bank Alfalah Limited	A1+	AA	PACRA	-	98,136
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	196,137
KASB Bank Limited	A3	BBB	PACRA	-	14,846
K-Electric Limited	A1	AA-	PACRA	33,000	33,000
National Bank of Pakistan	A-1+	AAA	JCR-VIS	-	52,000
Pakistan State Oil Company Limited	A1+	AA	PACRA	1,590	1,590
NIB Bank Limited	A1+	AA-	PACRA	84,003	-
Others	-	-	-	17,138	13,148
				<u>135,731</u>	<u>408,857</u>

Other receivables also include an amount of Rs. 138.5 million (2014: Rs. 138.5 million) receivable from Etimaad Engineering (Private) Limited, which is past due and is considered good.

Loans to employees are not exposed to any material credit risk since these are secured against motor vehicles and shares for which these were granted.

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. The carrying amount of trade debts relates to a number of independent customers, from whom there is no recent history of default.

Bank balances and accrued mark-up thereon represent low credit risk as they are placed with banks having good credit ratings assigned by credit rating agencies.

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

	Ratings			2015	2014
	Short term	Long term	Rating Agency	Rupees '000	
Allied Bank Limited	A1+	AA+	PACRA	1,688	1,599
Askari Bank Limited	A1+	AA	JCR-VIS	744	3,046
Bank Alfalah Limited	A1+	AA	PACRA	1,732	33,051
Bank Al-Habib Limited	A1+	AA+	PACRA	1,479	69
Bank Islami Pakistan Limited	A1	A+	PACRA	1,804	7
Barclays Bank Limited	A-	A-2	Standard & Poor's	213	132
Faysal Bank Limited	A1+	AA	PACRA	1,634	4,676
JS Bank Limited	A1	A+	PACRA	84	541
KASB Bank Limited	A3	BBB	PACRA	-	585
MCB Bank Limited	A1+	AAA	PACRA	176	227
National Bank of Pakistan	A-1+	AAA	PACRA	2,709	732
NIB Bank Limited	A1+	AA-	PACRA	82,905	13,920
Silk Bank Limited	A-2	A-	JCR-VIS	131	125
Sindh Bank Limited	A-1+	AA	JCR-VIS	34,902	300
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	126	98
Summit Bank Limited	A-1	A	JCR-VIS	96	96
The Bank of Khyber	A1	A	PACRA	567	9
The Bank of Punjab	A1+	AA-	PACRA	1,019	416

## c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

## d) Fair values of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

## 38. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

# Notes to and forming part of the financial statements

For the year ended June 30, 2015

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

The debt to capital ratios at June 30, 2015 and at June 30, 2014 were as follows:

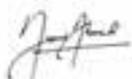
	2015	2014
	Rupees '000	
Total borrowings	<b>9,483,362</b>	8,863,046
Cash and bank - note 13	<b>(132,273)</b>	(59,845)
Margin on import letters of credit - note 12	<b>(84,511)</b>	(361,120)
Net debt	<b>9,266,578</b>	8,442,081
Equity	<b>2,419,936</b>	1,905,222
Total capital	<b>11,686,514</b>	10,347,303
Debt to capital ratio	<b>0.79</b>	0.82

#### 39. CAPACITY AND PRODUCTION - in metric tonnes

	2015	2014
Annual name plate capacity	<b>220,000</b>	220,000
Production	<b>134,272</b>	127,384

#### 40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue by the Board of Directors of the Company on 10 September 2015.



CHIEF EXECUTIVE



DIRECTOR

# Corporate Calendar of Major Events

## Results

The Company follows the period of July 1 to June 30 as the Financial Year.

For the Financial year ending on 30 June 2016, Financial Results will be announced as per the following tentative schedule:

<b>1st quarter ending September 30, 2015</b>	<b>Last week of October 2015</b>
<b>2nd quarter ending December 31, 2015</b>	<b>Last week of February 2016</b>
<b>3rd quarter ending March 31, 2016</b>	<b>Last week of April 2016</b>
<b>Annual Audited Accounts ending June 30, 2016</b>	<b>Last week of August 2016</b>

## Issuance of Annual Report

21 days before AGM i.e. on 5 October 2015.

## List of Abbreviations

AHCL:	Arif Habib Corporation Limited
AHG:	Arif Habib Group
AHL:	Arif Habib Limited
ASLCPS:	Company's Cumulative Preference Shares - II
ASLPS:	Company's Cumulative Preference Shares - I
ASLS:	Company's Ordinary Shares
ASML:	Aisha Steel Mills Limited ("the Company")
CCG:	Code of Corporate Governance
CEO:	Chief Executive Officer
CFO:	Chief Financial Officer
COD:	Commercial Operation Date
CRC:	Cold Rolled Coils
ECL:	Electrolytic Cleaning Line
HRC:	Hot Rolled Coils
ICAP:	Institute of Chartered Accountant of Pakistan
IFAC:	International Federation of Accountant (IFAC)
IFAS:	Islamic Financial Accounting Standards
IFRSs:	International Financial Reporting Standards
JCR-VIS:	Japan Credit Rating Agency – Vital Information Services (Private) Limited
PACRA:	Pakistan Credit Rating Agency
SECP:	Securities and Exchange Commission of Pakistan
SRFF:	Syndicate Running Finance Facility
STFF:	Syndicate Term Finance Facility



# Form of Proxy

11th Annual General Meeting

The Company Secretary  
Aisha Steel Mills Limited  
Arif Habib Centre  
23, M.T, Khan Road  
Karachi.

I/we \_\_\_\_\_ of \_\_\_\_\_ being a member(s) of Aisha Steel Mills Limited holding \_\_\_\_\_ Ordinary/Preference Share as per CDC A/c. No. \_\_\_\_\_ hereby appoint Mr/Mrs/Miss \_\_\_\_\_

\_\_\_\_\_ of (full address) \_\_\_\_\_

\_\_\_\_\_ or failing him/her

Mr/Mrs/Miss \_\_\_\_\_ of (full address) \_\_\_\_\_

(being member of the Company) as my/our Proxy to attend, act vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held on 26 October 2015 and/or any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

## Witnesses:

1. Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No.: \_\_\_\_\_  
Signature: \_\_\_\_\_

2. Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No.: \_\_\_\_\_  
Signature: \_\_\_\_\_



## NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxy shall authenticate his/her identity by showing his/her original passport and bring folio number at the time of attending the meeting.
3. In order to be effective, the proxy Form must be received at the office of our Registrar M/s. Central Depository Company of Pakistan, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by the two persons with their signatures, name, address and CNIC number given on the form.
4. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.
5. In case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy Form.



**AFIX  
CORRECT  
POSTAGE**

**AISHA STEEL MILLS LIMITED**  
**Registrar:**  
Central Depository Comapnay of Pakistan,  
Share Registrar Department,  
CDC House, 99-B, Block-B, S.M.C.H.S,  
Main Shahrah-e-Faisal, Karachi.

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**Fold: Here**





Arif Habib Center 23, M. T. Khan Road, Karachi-74000.  
Tel: (92-21) 32470217 / Fax: (92-21) 32468316