From the Chairman's Desk

Your Company surpassed 200,000 Metric Tons in sales volume and ended the financial year with a Profit After Tax (PAT) of Rs 503 Million yielding an Earnings per Share of Rs 4.19. Although the PAT this year was almost 10% lower than last year, it was achieved in a difficult environment given the challenges encountered both within Pakistan and externally.

A primary challenge faced internally was the protracted labor negotiations with the union. The tough negotiations led to a strike call resulting in stoppage of manufacturing operations in May 2014. The Company was however able to maintain supply to its customers by drawing down inventory. A new Collective Labor Agreement was eventually signed with the union which is valid till October 2015. The external challenges faced included the sharp appreciation of the Rupee which was neither controllable nor anticipated and resulted in margin compression on export sales and also translation of loss on the export sale proceeds. The other major difficulty faced was protectionism in certain key export markets. The volume loss of export sales in these markets was made up by gains made in other export markets. In keeping with its past track record, the Company was again the recipient of the FPCCI Best Export Performance Award. This was the 14th consecutive time the Company received this award.

During the course of the year 2013-14, the Board focused substantially on developing a new strategic plan to guide the Company's efforts through to the year 2020. The Board approved a new vision which envisages IIL to become a one million ton steel producer by the year 2020. Supporting strategies was debated and adopted to help attain the vision. Several new investments were approved for the immediate future which include setting up of stainless steel pipe and large diameter pipe manufacturing facilities. Further, new land acquisition was made on the outskirts of Lahore to streamline and strengthen the Company's operations in the north of the country. Moreover, as part of the strategy to diversify its export business, the Company incorporated IIL Australia Pty. Ltd, a fully owned subsidiary with offices in Melbourne, Victoria. This subsidiary is poised to commence trading operations thus opening up opportunities in a vast new market for the Company.

IIL's domestic subsidiary, International Steel Industries (ISL), in which it has 56.33% shareholding interest has now been reporting its business results separately for the past 3 years. ISL has progressed very well and for the year ended 2013-14 reported a PAT of Rs 690 million and declared its first dividend @ 10%. IIL's share of the dividend amounts to Rs. 245 million which will be credited to IIL by November 2014. We expect ISL to contribute appreciably to IIL¹s bottom line in the years ahead.

The IIL Board met 10 times during 2013-14. IIL Board members offer a good mix of experience and skill sets besides having a good balance between sponsor directors and independent directors thereby enabling healthy debates on business strategy and good governance practices. During the course of the year, Mr Javaid Anwer retired from the Board on August 16, 2013 after serving for 9 years and Mr Samad Dawood resigned on August 7, 2013 after serving for 2 years. Mr Raeesuddin Paracha, a nominee of NIT/ SL was appointed as non-executive director on April 22, 2014 following the resignation of Mr. Alamuddin Bullo on March 11, 2014. The Board appreciated the contribution made by all of the outgoing directors. The two Board Committees, namely the Board Audit Committee and the Board Human Resource and Remuneration Committee met regularly and greatly facilitated the overall working of the Board. The Board as required by the Code of Corporate Governance undertook a self-evaluation of its workings. This was the second year this exercise was undertaken using a questionnaire. The feedback from individual directors on the functioning of the Board is gathered confidentially and the consolidated feedback is shared with the full Board to strengthen its collective working.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our employees in the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.

The Board looks forward with confidence to the year ahead.

Zaffar A. Khan
Chairman

August 13, 2014

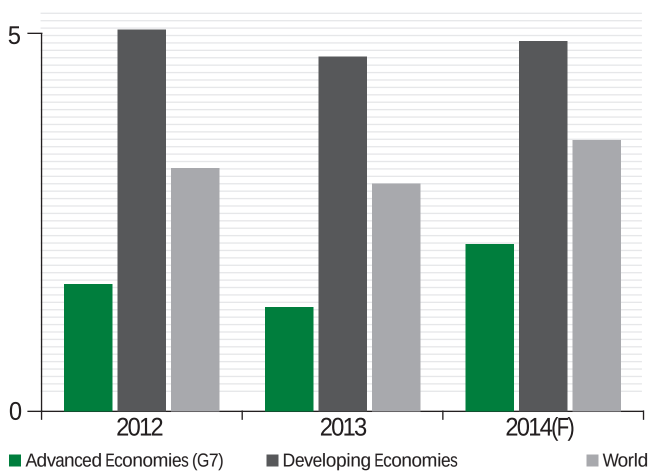
Board of Directors' Report

We are pleased to present the Directors' Report as part of our 66th Annual Report, along with the audited financial statements for the year ended June 30, 2014.

GLOBAL MACROECONOMIC OUTLOOK

The outgoing year proved to be a challenge for global economic recovery and growth. While sentiment has broadly improved and the financial system appears to have found a solid footing, macroeconomic indicators remain more or less static.

World GDP Growth - 2012 - 2014(F)



Source: IMF World Economic Outlook, April 2014

After close to a decade long cycle of almost double digit growth, the Chinese economy is now in the process of transitioning towards a more sustainable and balanced growth path. Activity in other developing and emerging markets on the other hand, has remained below projections in the face of a less favorable external environment.

The Eurozone continues to struggle with low economic growth and output, although this is more visible in the periphery, where debt levels are relatively high. The United States has performed much better in comparison and activity is gradually picking up. However, here too, key macroeconomic indicators such as unemployment remain stubbornly high and will continue to weigh on GDP growth.

Despite the fact that it has now been more than 5 years since the onset of the financial crisis, global growth remains fragile. Moreover geopolitical risks have resurfaced, threatening stability.

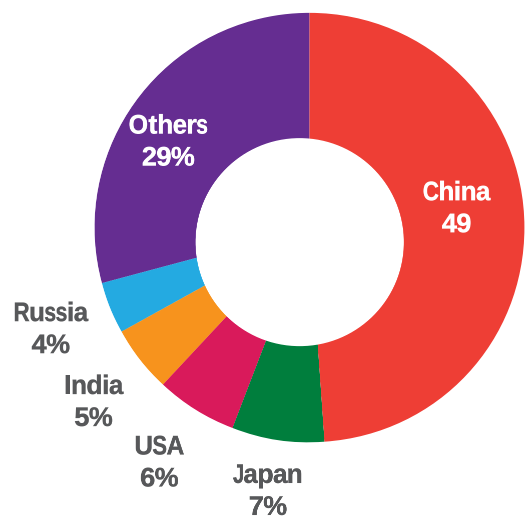
GLOBAL STEEL SCENARIO

World crude steel production touched 1.582 billion metric tons (MT) in 2013. Out of this the Chinese steel industry accounted for roughly 779 million MT. Other major players include Russia 70 million MT, India 81 million MT, USA 87 million MT and Japan 110 million MT.

The structure of the global steel industry remains largely fragmented, with the top 5 steelmakers contributing only 17% to global crude steel output. In contrast, upstream industries such as iron ore are highly consolidated, with the top 3 players controlling roughly 70% of trade in seaborne iron ore. Steel prices are as a result more susceptible to competitive pressures.

The challenges facing the steelmaking industry today are overcapacity and obsolete technology, both largely due to explosive growth of the Chinese steelmaking industry over the last decade or so. During this period the industry increased its output roughly tenfold to meet the country's growing infrastructure development requirements. However, now that Chinese growth has slowed its pace to more sustainable levels, the industry is left with substantial idle capacity.

Share of Global Crude Steel Production - 2013

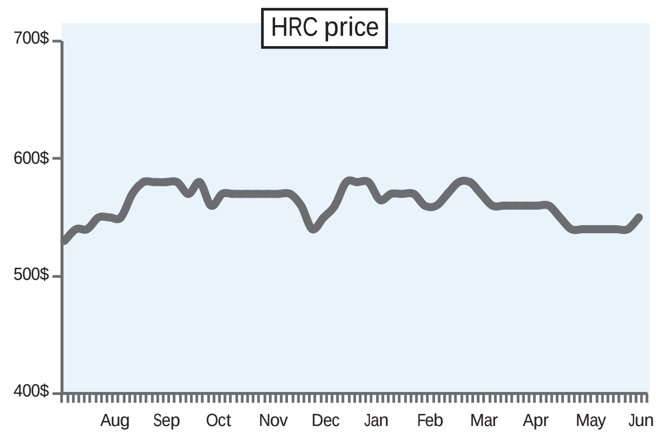


Source: World Steel Association

The Chinese government has however begun to take note of overcapacity that is plaguing the industry and has announced elimination of roughly 29 million tons of steelmaking capacity during the year, which, although negligible given the total industry capacity, is nonetheless a step in the right direction. Furthermore, iron ore financing has become increasingly difficult for small to medium-sized steelmakers with the price of iron ore having nosedived since March 2014.

Steel prices are, by and large, dictated by iron ore, coking coal and various ferrous metal prices. Prices of hot rolled steel coil varied from US$ 540 to US$ 580 per MT over the course of financial year 2013-14.

Hot Rolled Steel Coil Price-2013-14
USD Per Ton



Source: Metal Bulletin

Steel Consumption
Steel is all around us in various forms and configurations; no other material has the same unique combination of strength, formability and overall versatility. Consumption of steel is concentrated largely in construction and infrastructure development related activities, which account for roughly half of the global steel consumption. The pattern of consumption however, is proportionate to the level of economic development of a country or region. Therefore in developing countries, steel consumption is highly skewed towards construction and infrastructure related activities, whereas advanced economies consume steel primarily for production of higher value added goods.

Per Capita Steel Consumption-2013

Source: World Steel Association

The World Steel Association's assessment of per capita finished steel consumption for 2013 indicates a world average of approximately 225 kg/capita. Reported estimates of per capita steel consumption in Pakistan are in the range of 40-45 kg/capita, which is well below the world average and indicates immense potential for growth in the domestic steel manufacturing and processing industry.

The steel tube and pipe industry is an integral part of the global steel industry. The end use for steel pipes lies primarily in the oil and gas, water and sewage transmission and construction industries whereas cold rolled steel tubing is used in automotive and home appliance manufacturing and furniture and fabrication applications.

Category	Product Line	Production (million tons)	Share
Flat Sheet Products	Plate	849	49%
Tube & pipe		**108**	**7%**
Long Products	Rebar	209	14%
	Wire rod	194	13%
	Bar	132	9%
	Structural	107	7%
	Rail	11	1%
Total Production		**1,518**	**100%**

Source: World Steel Association

DOMESTIC ECONOMY

Fiscal year 2013-14 witnessed GDP register a growth rate of 4.14% compared to 3.70% for the preceding year.

Other indicators are also encouraging, primarily the reduction in fiscal deficit, the rebounding of Large Scale Manufacturing (LSM) and stronger foreign exchange reserves, which all point towards a more stable short-term outlook. The new government's timely initiatives to fortify the short-term position of the country's economy are also commendable, notably the swift auctioning of long pending 3G and 4G licenses and the launching of Euro bonds, which have helped international investors regain confidence in the economy.

However, the sharp and unprecedented appreciation of the Rupee was unanticipated and adversely impacted export-oriented industries. Although the appreciation has contained inflation to single digit levels, it remains to be seen whether the current level is sustainable in the medium to long-term.

The Government's initiatives to unwind Statutory Regulatory Ordinances (SROs) are expected to help boost tax revenue; however proper care should be exercised when domestic stakeholders are exposed to new risks as a result. The Finance Act 2014-15 has reduced protection for the domestic steel pipe and re-rolling industry and has in effect exposed the domestic industry to cheap competing imports from China via the Pak-China FTA. It should be noted that the steel manufacturing and processing industry in Pakistan is in a relative state of infancy when compared to neighboring countries like China and India. As such, removal of protection will adversely impact domestic manufacturers.

The Pak-China FTA remains an impediment to steel industry growth in the country, as major steel products can be imported at concessional duty under the FTA, whereas imports from all other countries are at the higher rate of tariff, giving free reign to Chinese exporters to exploit the Pakistani market. Given the overcapacity in the Chinese steel industry, the domestic industry will unquestionably have to face cheap imports and unfair trade practices under the current arrangement. It is also unlikely that Pakistan Steel Mills (PSM) can thrive in such an environment.

Market Share

Your company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes and black and scaffolding pipe and has the largest product range in its relevant segments. It enjoys continuing loyalty from its customers, dealers and business partners.

The Company's Plastics segment caters to water and gas transmission and duct applications, and is continuously evolving to meet the demands of its customers.

COMPANY OPERATIONS

Gross Sales

Your Company's gross sales volume for the year was approximately 202,000 MTs, with gross turnover crossing Rs. 18.6 billion, which is 6.6% lower than last year.

Steel Sales

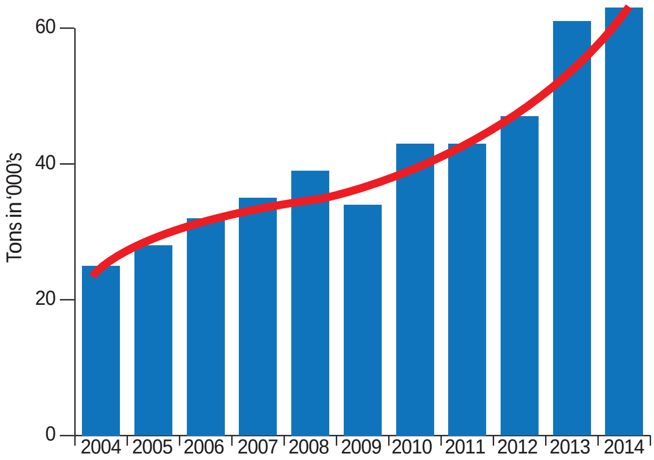
Your Company achieved steel sales volume of roughly 198,000 MTs, approximately 4% below the corresponding period last year. Sales were slow during the first half of the year, primarily due to slow pickup in demand from institutional customers. Demand from gas companies for API Line pipe remained subdued during the year and was the primary reason for the drop in sales volume. International sales ended the year at roughly the same level as last year.

Domestic Steel Sales

Overall domestic sales volume declined by 7.4% from last year. Sales of GI pipe in the domestic market declined by 18.5% from the corresponding period last year. We however took advantage of the idle capacity to aggressively market our range of scaffolding and black pipes used in construction related applications.

Sales of CR tubes in the domestic market have continued to rise. Volume was up roughly 7.3% over the previous year on the back of strong growth in demand from the automotive and furniture sectors.

Domestic CR Sales Volume, MTs in 000's-2004-2014



International Steel Sales

Total export sales volume ended the year at approximately the same level as last year. Construction and infrastructure development activities, having picked up in key markets, helped export sales of GI pipes, which rose 11.8% compared to last year. Export of CR tubing has however not performed well due to various protectionist measures imposed in key export markets.

The Company continues to explore and develop new markets for export. It currently exports to more than 47 destinations worldwide covering 6 continents.

Polyethylene Sales

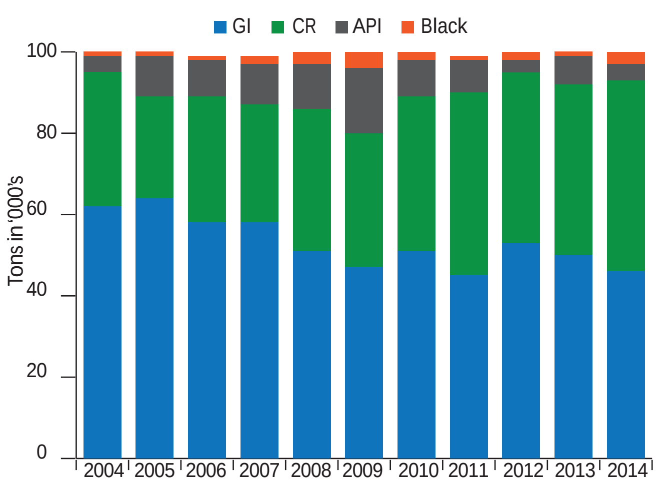
The Company's Polyethylene segment has struggled to increase volumes due to proliferation of inferior quality products in the domestic market. It continues to supply key institutional clients with its premium quality water and duct pipes; however the commercial market is replete with cheap, substandard product that is inhibiting volume growth. The management is making concerted efforts to create awareness about quality standards and the long-term implications of using sub-standard plastic pipe systems.

We have successfully launched a new range of PPRC pipes for hot and cold water distribution in housing and commercial applications and have received a highly positive response from the market. The management is doing its utmost to develop this product as a forerunner in the Plastics business.

PRODUCTION

Production-related challenges were faced primarily on account of gas shortages, especially at weekends, which resulted in production planning constraints and disruptions.

Steel Product Mix - 2004-2014



FINANCIAL REVIEW

Company Results

The Company posted Net Sales of Rs. 16,341 million, which were 7.8% lower than last year, earning Gross Profit of Rs. 2,102 million, Profit Before Tax of Rs. 652 million, Profit After Tax of Rs. 503 million and EPS of Rs. 4.19. The Board approved a 12.5% interim cash dividend and 20% final cash dividend for the year ended 30 June 2014, bringing the total cash dividend to 32.5% for the financial year.

Without the impact of the sharp appreciation of the Rupee during the year, the PAT figure would have been significantly higher.

Profit Before Tax for the year decreased by 7% over last year primarily due to lower throughput and unprecedented 10% appreciation in the Pakistani Rupee which adversely affected the export margins of the Company.

Cost of Goods Sold for the year at Rs. 14,239 million was 9% lower than last year which was in line with the turnover. Despite tough trading conditions, the Company was successful in improving its gross profit margin by 2% over last year.

Selling and Distribution Expenses of Rs. 605 million were only 2% higher than last year as a result of better freight management and cost saving initiatives.

Administrative Expenses of Rs. 159 million were 5% higher than last year which was well within the inflation trends prevailing during the year.

Other Operating Charges of Rs. 128 million were 80% higher than last year primarily on account of loss on currency exchange derivatives due to unexpected and sharp appreciation of Pakistani Rupee. Other Income showed an increase of Rs. 17 million mainly due to exchange gain arising on foreign currency denominated liabilities and sale of surplus power generation to K-Electric Limited.

Financial Charges during the year increased by Rs. 25 million (4%) primarily due to higher stock holding and borrowing in local currency during the first nine months of the year. Financial charges were also affected by increase in base rate of 100bps.

As a result of healthy export sales, the Company enjoys a 'natural hedge' against foreign currency losses arising from the revaluation of its foreign currency denominated borrowings. This hedge is in the form of inventory held for exports and outstanding export-related receivables. The Company is confident that this hedge, supported by its exchange rate risk mitigation methodology, will enable it to continue to protect its margins from adverse movements in the Pak Rupee against the US Dollar.

Segment Results

Revenue from the Steel segment stood at Rs. 15,719 million, yielding Gross Profit of Rs. 2,121 million. Gross profit margin from the Steel segment showed improvement over last year's level.

The Polyethylene segment remained subdued during the year due to unfavorable economic conditions and cheaper inferior quality substitutes. Release of funds towards public sector spending was held up due to the Government's budgetary constraints. The Company's Plastic business segment has been struggling to attain profitability. Revenue from the Plastic segment was Rs 622 million with a Gross Loss of Rs. 19 million. The Company is however hopeful that the newly launched products will enable it to turn this business segment around and deliver positive contributions to its bottom line.

Cash Flow Management & Borrowing Strategy

The Company's cash flows management system projects cash inflows and outflows on a regular basis as well as monitors the cash position on a daily basis. Keeping in view the saving in financial costs owing to a gap between KIBOR and LIBOR based borrowing and its aforementioned natural hedge on account of exports, the Company manages a portion of its working capital requirements through LIBOR based USD borrowings and the balance is arranged through an optimal mix of Export Refinance entitlements and running finance facilities.

During the year 2013-14, the weighted average cost of borrowings, including exchange losses, was 9.3% per annum against last year's rate of 9.0% despite an increase in base rate by 100bps.

Capital Structure

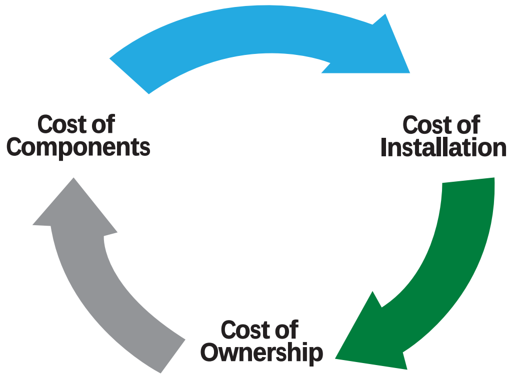
Debt equity ratio on 30 June 2014 was 60:40 compared to 68:32 as on 30 June 2013. However, interest cover and debt servicing ratios deteriorated marginally due to lower operating profit.

CORPORATE SUSTAINABILITY

Energy Conservation and Recycling

Steel is 100% recyclable, meaning it can be reprocessed into the same material multiple times. Recycling accounts for significant energy and raw materials savings. More than 1,400 kg of iron ore, 740 kg of coal and 120 kg of limestone are saved for every ton of steel scrap made into new steel. When selecting piping systems, we encourage our customers to evaluate the 'Whole Life Cost' of alternative systems in order to arrive at the true cost to the user. The Whole Life Cost of a system includes cost of components, installation and ownership. Our HDPE water pipes, with low installation costs and leak-free life provide greater durability and true peace of mind to the system operator and end user.

Whole Life Costing



Pursuing its commitment to the efficient use of resources, the Company utilizes all waste heat to generate chilled water, which in turn, fulfills the factory's water-cooling and air-conditioning requirements. Furthermore, its recently commissioned Reverse Osmosis Plant helps meet additional water requirements at the factory premises.

IIL generates electricity through co-generation. Its own needs are met through this generation and excess electricity is transported to the K-Electric grid. Hence, there is full utilization of installed generation capacity and generation of additional revenues, whilst contributing to alleviate the chronic power shortage faced by the country.

Environmental Protection Measures

Being an environmentally-conscious company, IIL is dedicated to reducing the impact of its operations to sustainable levels and in line with acceptable standards. It neutralizes its emissions prior to discharge by using 100 feet high fume scrubbers. All effluent waste is treated at its Effluent Treatment Plant (ETP) prior to discharge, whereas sludge generated from the ETP is transferred responsibly to designated landfill sites for environment-friendly disposal. Your Company is certified for Environmental Management System Standard ISO-14001 since 2001. It is also registered with the Ministry of Environment under the Self-Monitoring and Report Tool (SMART) program.

During the year, a recertification audit was conducted by M/S Lloyds (a UK-based certification body) to provide assurance that the QA&HSE Management System complies with ISO 9001, ISO-14001 & OHSAS 18001 global standards. No major non-conformities were observed.

In addition, IIL carried out testing of its effluents and factory and vehicular emissions through third parties and recognized laboratories for compliance with the National Environmental Quality Standards (NEQS); the results were verified at the time of the aforementioned audits.

Contribution to the National Exchequer

Your Company is registered with the Large Taxpayers Unit (LTU) and contributed over Rs. 2.7 billion towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year.

Corporate Social Responsibility (CSR) and Community Welfare Schemes

IIL contributes approximately 2.5% of its Profit after Tax towards CSR activities. It continues to support all operating expenses for The Citizens Foundation (TCF) primary school and a mosque in Landhi opposite its factory premises. We also sponsored the Amir Sultan Chinoy (ASC) Amphitheater at the Institute of Business Administration (IBA) this year.

Health Safety & Environment

In an environment of increasing regulatory interest and awareness of safety hazards, IIL seeks to prevent injury and illness through the implementation and ongoing development of proactive work health and safety management systems, based on OHSAS-18001 & ISO-14001 International Standards.

IIL strives to fully integrate work health and safety into all aspects of its activities by:

- providing professional and technical safety advice
- continuous improvement and testing of emergency response procedures
- effective communication on development and implementation of OHS systems through an effective network of OHS committees, established specifically to assist in inculcating good OHS practices at all levels
- managing OHS risk by systematically identifying hazards and assessing and eliminating or controlling the associated risks
- providing training and awareness on an extensive array of OHSE issues

Basic safety training is imparted to all service contract and company workers upon induction.

Relevant management staff is incentivized to achieve compliance through the inclusion of OHSE-related criteria in their performance appraisals. Accident prevention amongst contractual employees is made a priority by incentivizing employees through a system of quarterly safety performance-related awards and penalties.

Regular safety walkthroughs are used to keep a check on housekeeping, detailed risk assessment of cranes is carried out to ensure safe crane operations and monthly Joint Crane Inspections by OHSE, Engineering & Production staff are carried out to trace and rectify faults. All IIL locations are examined. These walkthroughs are conducted by senior managers and all observations are shared with respective department heads for corrective and preventive actions. A final report is presented in the monthly Q&HSE Trend Analysis meeting to the top management.

A Monthly Safety Trophy is awarded based on set criteria. Evaluation is done the monthly safety walkthroughs. The CEO presents trophies to winning departments and visuals of the event are displayed prominently.

During the year over 3,700 employees were imparted a total of 324 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.

Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.49, which is below the global industry average of 1.61 (2013).

HUMAN RESOURCE MANAGEMENT

IIL continues to focus towards increasing its competitiveness by hiring, developing and retaining the best talent through its transparent recruitment, performance management, succession-planning, career-building and compensation, training & development processes. The Company currently has a workforce of more than 1,000 employees, 27% of which are in management grades.

The Company has successfully fostered a performance-based remuneration culture by introducing a Variable Pay Plan last year. It endeavors to ensure that employees are regularly trained and well looked after to ensure high levels of performance delivery.

Industrial Relations

The year 2013-14 was a challenge from the IR perspective. A newly-elected CBA was inducted into office and the year was marked with CBA demands for undue disbursement of WPPF and an unrealistic Charter of Demand, followed by unjustified protests and strike, which resulted in a half month closure of factory operations. Despite these difficulties, matters were handled effectively with a view to keep actual production aligned with the budget. Strategies to avoid such incidents in the future have been devised and are being reviewed.

Gratuity Scheme and Provident Funds

The Company invests in plans that provide retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities. The values of the Provident Fund and the Gratuity Scheme at the year-end were Rs. 229 million and Rs. 262 million respectively.

Employment of Special Persons

Complying with the legal requirement to hire physically handicapped persons, IIL's workforce has 25 such special people.

Business Ethics and Anti-corruption Measures

IIL remains an active member of and signatory to the United Nations Global Compact and is thereby committed to adhering to the principles of human rights, labor standards and environmental protection. The Company's corporate success has been derived from strong and universal ethical and moral standards, professionalism and the fulfillment of fundamental duties towards current and prospective stakeholders in order to gain durable trust and respect.

The Company has an independent Internal Audit department and well-established controls. Parts of the internal audit function are outsourced to Ernst & Young, a prominent firm of Chartered Accountants. Internal Audit assesses the internal control systems on a regular basis and presents their view to the Board Audit Committee.

Trainings

IIL believes in intensive trainings for its employees. During the year more than 6,000 hours of trainings were conducted, and over 4,000 employees went through 350 in-house training sessions on various topics of OHSE, Manufacturing Operations, Quality Assurance & Control and Systems & Standards. 32 employees attended external (local & foreign) programs arranged by various well-reputed institutes including PICG, ICAP, MAP, HIDA-Japan, KPMG-UAE, Galvanizing Association of Malaysia and Commonwealth Business Forum.

INFORMATION SYSTEMS AND RE-ENGINEERING

We are committed to the process of upgrading and enhancing our IT infrastructure and moving towards greater process automation and a paperless environment.

Additionally, we remain focused on working closely with end users in studying their day-to-day activities and finding opportunities to automate and streamline various tasks. In this regard, considerable effort was expended in analyzing business processes and reporting gaps in the ERP system through a series of discussions with business users. This is the basis for an initiative to upgrade and enhance our Oracle ERP Business Suite installation.

FUTURE OUTLOOK

The company is focused on achieving more efficient and profitable utilization of installed manufacturing capacity through selection of an optimal product mix. We regularly engage our institutional customers for feedback in order to seek product improvement.

Continuing its drive to explore new markets for growth opportunities, the Company formally announced the incorporation of a wholly-owned subsidiary, IIL Australia Pty Limited (IILA), during the current financial year. The company is set to make substantial inroads and develop this vast market in the years ahead.

IIL AUSTRALIA Pty LIMITED

Promising Reliability, for Now and Tomorrow

We are set to start manufacturing and sales of Stainless Steel Pipes and Tubes in FY 2014-15. The absence of a reliable large scale manufacturer of stainless steel pipes in Pakistan poses an opportunity for us to engage in import substitution. Board approval for the investment was obtained in the outgoing year after thorough research and deliberations. We have also approved investment in a large diameter tube mill that will manufacture pipes up to 12" diameter and ½" in wall thickness to cover up to X70 API grade for oil, gas and water distribution. This will open up a new segment of the market and qualify us as a manufacturer with a complete range of ERW pipes.

The Company is in the process of constructing a factory near the outskirts of Lahore to better serve its near home and international clients' requirements and be closer to its key domestic markets. Operations of the new factory are expected to begin in FY 2014-15.

The Company has planned extensively to enhance its reach and expand its range of products in the coming years so as to cater to a wider customer base and achieve its vision, "to be an international, innovative, entrepreneurial, million ton steel processor by the year 2020".

BUSINESS RISKS

Steel and Zinc are the two primary raw materials consumed in the Company's manufacturing processes. The absence of a reliable and adequate domestic supply compels the Company to procure raw material from the international market. Importing large quantities of these raw materials exposes it to volatility in the international price of Steel and Zinc as well as exchange rate fluctuation. The key to profitability in such an environment is efficient inventory management and sales forecasting, as well as effective procurement and consistently strong sales.

Cost containment, well-managed operations and continuous modernization and upgrading are key components of your Company's business strategy employed to deliver healthy returns to stakeholders.

INVESTMENTS

The Company has a sizeable investment in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. 2013-14 was a record for ISL with sales volume in excess of 270,000 tons, Gross Sales of Rs 24.7 billion and PAT of Rs. 690 million. In addition, ISL has announced its maiden 10% cash dividend for the outgoing year.

The overwhelmingly positive response from the market has prompted ISL to fast-track its expansion plans. The Company will be enhancing its cold-rolling capacity and adding a second galvanizing line at an approximate cost of Rs. 3 billion.

The outgoing year has seen IIL and ISL as a group surpass expectations by posting sales volume in excess of 472,000 MTs, Gross Sales of over Rs. 41.6 billion and Profit After Tax of Rs. 1,191 million.

Your Company holds an 8.5% ownership interest in Pakistan Cables Limited (PCL), an associated company. PCL is in the business of manufacturing copper rods, wires and cables. In addition to being the country's foremost manufacturer of copper cables and wiring, PCL is affiliated with General Cable Limited, the biggest worldwide manufacturer of copper cables and a Fortune-500 company.

Your Company has recently invested in a wholly-owned subsidiary in Australia, subscribing to IILA's initial capital of Australian Dollars 0.1 million.

Group Results

The Group posted Net Sales of Rs. 35.855 million, which was 7% higher than last year, earning Gross Profit of Rs. 4,364 million, Profit Before Tax of Rs. 1,525 million, Profit After Tax of Rs. 1,191 million and EPS of Rs. 7.45.

IILA was incorporated in Australia on 2 May, 2014. As at 30 June 2014, no substantial business activity has been carried out by IILA and its unaudited financial statements have been used for the period from 2 May to 30 June 2014 in preparation of consolidated financial statements of the Group. The external auditors' report on Consolidated Financial Statements draws attention to this fact and their opinion is not qualified in this respect.

ACKNOWLEDGEMENT

We would like to extend our sincere gratitude to the entire IIL team and especially out management team, who have proved themselves capable of delivering strong results in the face of considerable internal and external challenges. The effort, which has helped the Company achieve a reasonably successful year, is deeply appreciated. We also thank all other stakeholders for their support and look forward to sharing more successes with them in the coming years.

For and on behalf of the Board of Directors

Riyaz T. Chinoy
Chief Executive Officer

Karachi
Dated: August 13, 2014