



**STATEMENT OF FINANCIAL POSITION UN-AUDITED**  
**AS AT 30 SEPTEMBER 2020**

## **COMPANY INFORMATION**

### **Board of Directors**

Mr. Shahab Mahboob Vora  
Mr. Jamal Iftakhar  
Mr. Zahid Iftakhar  
Mrs. Mona Zahid  
Mr. Saad Zahid  
Mr. Mustafa Jamal Iftakhar  
Mr. Bilal Jamal Iftakhar  
Mr. Muhammad Shakeel  
Nominated by NBP  
Mr. Asim Jilani  
Nominated by FBL

Director/ Chairman  
Director/CEO  
Director  
Director  
Director  
Director  
Director  
Director  
Director

### **Shares Registrar**

THK Associates (Pvt.) Limited  
1<sup>st</sup> Floor, 40-C, P.E.C.H.S  
Karachi. P.O Box No. 8533  
UAN +92 (021) 111-000-322  
Fax No. +92 (021) 34168271  
E-mail: secretariat@thk.com.pk

### **Audit Committee**

Mr. Bilal Jamal Iftakhar  
Mr. Shahab Mahboob Vora  
Mr. Mustafa Jamal Iftakhar

Chairman  
Member  
Member

### **Human resource & Remuneration Committee**

Mr. Shahab Mahboob Vora  
Mr. Jamal Iftakhar  
Mr. Bilal Jamal Iftakhar

Chairman  
Member  
Member

### **Chief Financial Officer**

Mr. Shahid Ali

### **Company Secretary**

Tariq Majeed

### **Bankers**

Faysal Bank Limited  
National Bank of Pakistan  
Askari Commercial Bank Limited  
Bank of Khybar  
Pak Kuwait Investments Co. (Pvt.) Limited  
Saudi Pak Industrial & Agricultural Investment Co. Limited  
United Bank Limited  
Silk Bank Limited  
Soneri Bank Limited  
Summit Bank Limited  
Bank Alfalah Islamic  
Habib Metropolitan Bank Limited  
Meezan Bank

### **Head Office/Registered Office**

4<sup>th</sup> Floor, Ibrahim Trade Centre  
1-Aibak Block, Barkat Market  
New Garden Town  
Lahore-54700, Pakistan  
Ph: # 042-35941375-77  
Lahore-54700, Pakistan

### **Auditors**

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### **Legal Advisor**

Mr. Ahsan Masood, Advocate  
Masood & Masood Corporate &  
Legal Consultants, 102 Upper Mall  
Scheme Lahore  
Ph: No. +92(0)42 37363718

### **Plant Address**

52 Km Lahore Multan Road  
Phool Nagar, Distt Kasur Punjab

### **Web Presence**

[www.doststeels.com](http://www.doststeels.com)  
e mail: [info@doststeels.com](mailto:info@doststeels.com)

## DIRECTORS' REPORT

### Dear Members Assalam-o-Alaikum

The Directors of Dost Steels Limited are pleased to present their review on the financial performance of the Company for the three months ended September 30, 2020.

During the period under fast forward a few months and unstipulated outbreak of COVID-19 stand still, all business and trade activities have come to a close since last week of March 2020, the virus continues to spread at an alarming rate across the globe and has brought almost all economic and social activity to a virtual standstill.

It is stated that the Company is making all its efforts for potential investment, joint venture strategic alliance / partnership to overcome the working capital crisis, being faced by the Company. Beside the negative impact of covid-19 on economic and social activities in the country, the Company is hopeful that their efforts would be successful in the near future and the Company will be able to resume its operations to earn profits all its obligations/liabilities in normal course of the business.


Financial performance of the Company for the three months ending September 30, 2020 was as under:

Description	September 30, 2020 (PKR)	September 30, 2019 (PKR)
Sales	3,021,528	8,007,668
Cost of sales	(31,555,596)	(41,342,319)
Gross Loss	(28,535,068)	(33,334,651)
Administrative and selling expenses	(14,725,888)	(30,548,663)
Finance costs	(14,529,804)	(25,238,372)
Loss before taxation	(57,789,760)	(89,121,686)
Taxation	(45,323)	(100,096)
Loss after taxation	(57,835,083)	(89,221,782)
Earnings per share	(0.18)	(0.28)

Earnings per share for the three months was Rupees (0.18) as compared to Rupees (0.28) in corresponding period last year. Loss after tax for the period was Rupees 57.835 million as compared to Rupees 89.222 million in corresponding period last year. The losses are essentially owing to stoppage of production owing to shortage of working capital. The Company is evaluating various options to resume production and to generate cash flows by way of seeking potential investments, joint venture, strategic alliance / partnership etc. We are hopeful that management's efforts would be materialized in near future.

We extend our gratitude to all our stakeholders for their continued support and look forward to a productive forthcoming quarter.

On behalf of the Board of Directors

  
**Jamal Iftakhar**  
 Chief Executive Officer  
 27 November 2020

  
**Saad Zahid**  
 Director

**DOST STEELS LIMITED**  
**STATEMENT OF FINANCIAL POSITION- UN-Audited**  
**AS AT SEPTEMBER 30, 2020**

	Note	(Un-Audited) September 30, 2020 Rupees	(Audited) June 30, 2020 Rupees
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	2,569,875,798	2,574,801,963
Intangible Assets	5	583,459	666,810
Long term security deposits	6	40,521,445	40,521,445
		<b>2,610,980,702</b>	<b>2,615,990,218</b>
<b>Current Assets</b>			
Stores and spares		26,853,768	26,853,768
Stock in trade	7	8,845,815	31,708,408
Trade debtors	8	9,088,885	6,417,487
Advances	9	2,016,490	2,035,120
Other receivables	10	-	-
Taxes refundable/adjustable	11	7,851,085	8,101,398
Cash and bank balances	12	3,934,520	903,290
		<b>58,590,563</b>	<b>76,019,471</b>
<b>TOTAL ASSETS</b>		<b>2,669,571,265</b>	<b>2,692,009,689</b>
<b>EQUITY</b>			
<b>Share Capital and Reserves</b>			
Authorized Share Capital	13	3,600,000,000	3,600,000,000
Issued, subscribed and paid up capital	13	3,157,338,600	3,157,338,600
Discount on issue of right shares	14	(1,365,481,480)	(1,365,481,480)
Accumulated losses		(1,298,271,502)	(1,240,436,419)
<b>Total Equity</b>		<b>493,585,618</b>	<b>551,420,701</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Advance for issuance of shares-unsecured	15	358,100,019	358,100,019
Long term financing - secured	16	641,299,356	664,587,096
Markup accrued on secured loans	17	614,940,264	614,940,264
Deferred Liabilities	18	20,263,845	19,141,845
		<b>1,634,603,484</b>	<b>1,656,769,224</b>
<b>Current Liabilities</b>			
Trade & other payables	19	94,008,695	84,706,581
Accrued Markup	20	124,356,720	109,840,953
Short term borrowings - unsecured	21	169,760,653	159,349,198
Current and overdue portion of long term borrowings	17	153,041,722	129,753,982
Provision for Taxation		214,373	169,050
		<b>541,382,163</b>	<b>483,819,764</b>
<b>Contingencies and Commitments</b>	22		
<b>Total Liabilities</b>		<b>2,175,985,647</b>	<b>2,140,588,988</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,669,571,265</b>	<b>2,692,009,689</b>

The annexed notes 01 to 26 form an integral part of these financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**

**DOST STEELS LIMITED**  
**STATEMENT OF PROFIT OR LOSS- UN-AUDITED**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

	Note	(Un-Audited) September 30, 2020 Rupees	(Un-Audited) September 30, 2019 Rupees
Sales		3,021,528	8,007,668
Cost of sales		(31,555,596)	(41,342,319)
<b>Gross loss</b>		<b>(28,534,068)</b>	<b>(33,334,651)</b>
Administrative and selling expenses		(14,725,888)	(30,548,663)
Finance cost		(14,529,804)	(25,238,372)
<b>Loss before taxation</b>		<b>(57,789,760)</b>	<b>(89,121,686)</b>
Taxation		(45,323)	(100,096)
<b>Loss after taxation</b>		<b>(57,835,083)</b>	<b>(89,221,782)</b>
<b>Loss per share - basic &amp; diluted</b>		<b>(0.18)</b>	<b>(0.28)</b>

The annexed notes 01 to 26 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Director

**DOST STEELS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME- UN-AUDITED**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

	<b>(Un-Audited)</b> <b>September 30,</b> <b>2020</b> <b>Rupees</b>	<b>(Un-Audited)</b> <b>September 30,</b> <b>2019</b> <b>Rupees</b>
Loss after taxation	<b>(57,835,083)</b>	(89,221,782)
<b>Other comprehensive income for the year</b>	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(57,835,083)</u></b>	<b><u>(89,221,782)</u></b>

The annexed notes 01 to 26 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

**DOST STEELS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY - UN-AUDITED**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

	Issued, subscribed and paid up capital	Discount on issue of right shares	Revenue Reserve	Total
			Accumulated losses	
----- Rupees -----				
<b>Balance as at July 01, 2019</b>	3,157,338,600	(1,365,481,480)	(999,330,055)	792,527,065
Total Comprehensive Loss for the period	-	-	(89,221,782)	(89,221,782)
<b>Balance as at September 30, 2019</b>	<b>3,157,338,600</b>	<b>(1,365,481,480)</b>	<b>(1,088,551,837)</b>	<b>703,305,283</b>
<b>Balance as at July 01, 2020</b>	3,157,338,600	(1,365,481,480)	(1,240,436,419)	551,420,701
Total Comprehensive Loss for the period	-	-	(57,835,083)	(57,835,083)
<b>Balance as at September 30, 2020</b>	<b>3,157,338,600</b>	<b>(1,365,481,480)</b>	<b>(1,298,271,502)</b>	<b>493,585,618</b>

The annexed notes 01 to 26 form an integral part of these financial statements.

  
 \_\_\_\_\_  
 Chief Executive Officer


  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Director

**DOST STEELS LIMITED**  
**STATEMENT OF CASH FLOWS- UN-AUDITED**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

	(Un-Audited) September 30, 2020	(Un-Audited) September 30, 2019
Note	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(57,789,760)	(89,121,686)
<b>Adjustments for non cash items:</b>		
Depreciation	4,926,165	5,527,620
Amortization	83,351	92,612
Finance cost	14,529,804	25,238,372
Provision for gratuity	1,122,000	-
	<b>20,661,320</b>	<b>30,858,604</b>
<b>Operating cash flow before working capital changes</b>	<b>(37,128,440)</b>	<b>(58,263,082)</b>
<b>Working capital changes:</b>		
(Increase)/decrease in current assets:		
Stores and spares	-	(45,978)
Stock in trade	22,862,593	24,142,699
Trade debtors	(2,671,398)	12,717,346
Advances	18,630	46,237
Short term prepayments	-	815,670
Tax refund due from government	250,313	(1,905)
Increase/(decrease) in current liabilities:		
Trade and other payables	9,302,114	27,135,198
<b>Cash Inflow from working capital</b>	<b>29,762,252</b>	<b>64,809,267</b>
<b>Cash generated from/ (used in) operations</b>	<b>(7,366,188)</b>	<b>6,546,185</b>
Finance cost paid	(14,037)	(307,018)
Taxes Paid	-	(7,208,225)
<b>Net cash used in operating activities</b>	<b>(7,380,225)</b>	<b>(969,058)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Net cash generated from Investing activities</b>	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt/ (Repayment) of short term borrowings- unsecured	10,411,455	-
<b>Net cash generated from/(used in) financing activities</b>	<b>10,411,455</b>	<b>-</b>
Net decrease in cash and cash equivalents during the year	3,031,230	(969,058)
Cash and cash equivalents at beginning of the year	903,290	1,887,215
<b>Cash and cash equivalents at the end of the year</b>	<b>12 3,934,520</b>	<b>918,157</b>

The annexed notes 01 to 26 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer

  
 Director



**DOST STEELS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS- UN-AUDITED**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

Dost Steels Limited (the Company) was incorporated & domiciled in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984 (The Ordinance), now the Companies Act, 2017. The Company was converted into public limited company with effect from May 20, 2006 and then listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) with effect from November 26, 2007.

The principal business of the Company include manufacturing of steel, direct reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron, special alloy steel in different forms, shapes and sizes and any other product that can be manufactured with existing facilities.

Geographical location and address of business units/plants

<u>Description</u>	<u>Location</u>	<u>Address</u>
Registered Office/ Head Office	Lahore	4th Floor Ibrahim Trade Centre, 1-Aibak Block, Barkat Market, New Garden Town, Lahore.
Mill/Plant Site	Phoolnagar	52 Km, Multan Road, Phoolnagar.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed."

## **2.2 Functional and Presentation Currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

## **2.3 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in these financial statements. Further accrual basis of accounting has been followed except for cash flow information.

## **2.4 Use of Estimates And Judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of asset, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows: -

- **Property, plant and Equipment**

The Company estimates the rate of depreciation of property and equipment. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

- **Income Taxes**

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

- **Trade and other receivables**

The Company regularly reviews its trade and other receivables in order to estimate the provision required against bad debts (Refer note 4.04).

- **Employee benefits**

The Company, on the basis of actuarial valuation report, recognises actuarial gains and losses immediately in other comprehensive income; immediately recognises all past service cost in statement of profit or loss and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. (Refer note 4.17)

## 2.5 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

### a) Standards and interpretations that became effective but are not relevant to the company:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amendments resulting from Annual Improvements 2015–2017 Cycle)
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)
- IFRS 16 - Leases
- IFRS 16 - Leases - (Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification)
- IAS 12- Income Taxes - (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)
- IAS 19 - Employee Benefits-(Plan amendment, curtailment or settlement)
- IAS 23 - Borrowing Costs-(Amendments resulting from annual improvements 2015-2017 cycle)
- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)
- IFRIC 23 - Uncertainty Over Income Tax Treatments

### b) Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amended-definition of business)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework)-(applicable for annual periods beginning on or after 1 January 2022)
- IFRS 7 - Financial Instruments: Disclosures - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020)-(applicable for annual periods beginning on or after 1 January 2022)
- IAS 1- Presentation of Financial Statements - (Amended-definition of material)-(effective for annual periods beginning on or after 1 January 2020).
- IAS 1- Presentation of Financial Statements - (Amended Amendments regarding the classification of liabilities)-(effective for annual periods beginning on or after 1 January 2022).
- IAS 8- Accounting Policies , Changes in Accounting Estimates and Errors - (Amended-definition of material)-(effective for annual periods beginning on or after 1 January 2020).

- IAS 16- Plant property and equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use)-(effective for annual periods beginning on or after 1 January 2022).
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IAS 41- Agriculture - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements))-(effective for annual periods beginning on or after 1 January 2020).

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.01 Property, plant, equipment and intangibles**

##### ***Property, plant, equipment***

These are initially measured at cost. Subsequent to initial recognition these are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land and capital work-in-progress, which are stated at cost less any identified impairment loss. Depreciation on fixed assets is charged to profit or loss by applying reducing balance method except that of plant and machinery which is on straight line basis/Number of units method. Rates of depreciation are specified in the relevant note.

Depreciation is charged on additions during the year from the month in which property, plant and equipment become available for use while no depreciation is charged from the month of deletion / disposal.

Normal repairs and maintenance are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalized.

Gain/ loss on disposal of fixed assets are recognized in the statement of profit or loss.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The company's estimate of residual values of property, plant and equipment at the year end has not required any adjustment as its impact is considered insignificant.

##### ***Intangibles***

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any, and at notional value. Amortization is charged to statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Full month amortization is charged on additions during the year while no amortization is charged in the month in which the item is disposed off.

#### **3.02 Stores and spares**

These are valued at lower of average cost and Net Realizable Value (NRV).

### **3.03 Stock in trade**

These are valued at the lower of NRV and cost determined as follows:

- |                    |  |
|--------------------|--|
| - Raw material     | First in First Out (FIFO)                                    |
| - Work in process  | Raw material cost  |
| - Finished goods   | Cost of direct materials & other attributable overheads      |
| - Stock in transit | Invoice value & other charges paid thereon upto the year end |

### **3.04 Trade debtors and other receivables**

Trade debts are recognised and carried at original invoice amount less provision for doubtful debts. An estimated provision is made on the basis of Expected Credit Loss (ECL) method. Bad debts are written-off as and when identified. Other receivable are recognised and carried at cost which is the fair value of the consideration to be received in future for goods or services.

### **3.05 Cash and Cash Equivalents**

Cash in hand and cash at bank, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

### **3.06 Long term loans**

These are initially measured at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortized cost using effective interest rate method if applicable, less provision for impairment, if any.

### **3.07 Trade and Other Payables**

Liabilities for trade and other amounts payable are carried at book value, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **3.08 Taxation**

#### **Current**

Provision for taxation is determined in accordance with the provisions of Income Tax Ordinance, 2001.

#### **Deferred**

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of all deferred tax assets are reviewed at each Statement of Financial Position date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

### **3.09 Provisions**

A provision is recognized when the Company has an obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **3.10 Revenue Recognition**

Sales are recognised upon passage of title to the customers which generally coincides with physical delivery under single performance obligation. Profits on bank deposits are recognised on time proportion basis. Interest income is recorded on accrual basis using effective interest rate. Other revenues are accounted for on accrual basis.

### **3.11 Financial Instruments**

#### **i) Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

#### **Amortized Cost**

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- a) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **Impairment**

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

#### **ii) Financial liabilities**

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

#### **iii) Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### **iv) Derecognition**

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

### **3.12 Off-Setting of Financial Assets And Financial Liabilities**

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

### **3.13 Impairment**

The carrying amounts of the company's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated and if the carrying amount of the asset is in excess of its recoverable amount, impairment loss is recognised as an expense to the extent carrying amount exceed the recoverable amount.

### **3.14 Related Party Transactions**

The Company enters into transactions with related parties for sale or purchase of goods and services on an arm's length basis. However, loan from the related parties are unsecured and interest free.

### **3.15 Foreign Currency Translation**

Foreign currency transactions are translated into Pak rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the Statement of Financial Position date.

### **3.16 Borrowing Cost**

Borrowing costs related to the capital work-in-progress are capitalized in the cost of the related assets. All other borrowing costs are charged to statement of profit or loss when incurred.

(Un-Audited) (Audited)  
September 30, June 30,  
2020 2020  
Rupees Rupees

#### 4 PROPERTY, PLANT AND EQUIPMENT

Operating assets

Note  
4.1  
2,569,875,798 2,591,489,300  
2,569,875,798 2,591,489,300

##### 4.1 Operating Assets

Particulars	OWNED										Total	
	Free hold land	Building on free hold land	Plant and Machinery	Furniture & fittings	Vehicles	Office Equipment	Electric Equipment	Computers Equipment	Rupees			
<b>Period ended September 30, 2020</b>												
Cost	157,876,220	232,546,602	2,230,750,729	3,809,299	3,108,500	1,928,302	10,264,774	5,071,544				2,645,355,970
Accumulated depreciation	-	(54,994,718)	(4,481,784)	(2,968,991)	(2,415,190)	(776,733)	(5,833,516)	(4,009,240)				(75,480,172)
	157,876,220	177,551,884	2,226,268,945	840,308	693,310	1,151,569	4,431,258	1,062,304				2,569,875,798
<b>As at June 30, 2020</b>												
Cost	157,876,220	232,546,602	2,230,750,729	3,809,299	3,108,500	1,928,302	10,264,774	5,071,544				2,645,355,970
Accumulated depreciation	-	(50,442,106)	(4,481,784)	(2,936,252)	(2,378,701)	(731,187)	(5,660,869)	(3,923,108)				(70,554,007)
	157,876,220	182,104,496	2,226,268,945	873,047	729,799	1,197,115	4,603,905	1,148,436				2,574,801,963
<b>Period ended September 30, 2020</b>												
Opening net book value	157,876,220	182,104,496	2,226,268,945	873,047	729,799	1,197,115	4,603,905	1,148,436				2,574,801,963
Additions	-	-	-	-	-	-	-	-				-
Deletion	-	-	-	-	-	-	-	-				-
Depreciation charged	-	(4,552,612)	-	(32,739)	(36,489)	(45,546)	(172,647)	(86,132)				(4,926,165)
	157,876,220	177,551,884	2,226,268,945	840,308	693,310	1,151,569	4,431,258	1,062,304				2,569,875,798
<b>Year ended June 30, 2020</b>												
Opening net book value	157,876,220	202,338,329	2,226,268,945	1,046,280	958,403	1,411,455	5,476,666	1,640,622				2,597,016,920
Additions	-	-	-	-	-	-	-	-				-
Deletion	-	-	-	(17,728)	(41,538)	-	(53,701)	-				(112,967)
Depreciation charged	-	(20,233,833)	-	(155,505)	(187,066)	(214,340)	(819,060)	(492,186)				(22,101,990)
	157,876,220	182,104,496	2,226,268,945	873,047	729,799	1,197,115	4,603,905	1,148,436				2,574,801,963
Rate of Depreciation	-	10%	Units of production	15%	20%	15%	15%	30%				
4.1.1 Depreciation charged for the year has been allocated as under:												
September 30, 2020												
June 30, 2020												
Rupees												
Cost of sales												
Administrative and selling expenses												
September 30, 2020												
June 30, 2020												
Rupees												
4,794,906												26,088,540
131,259												7,18,705
4,926,165												26,807,245

4.1.1 Depreciation charged for the year has been allocated as under:

September 30, 2020  
June 30, 2020  
Rupees

Cost of sales  
Administrative and selling expenses

4.1.2 Free-hold land includes land, comprise of 326 kanal and 12 marla, situated at 52 Km, Multan Road, Phoolnagar. Building is constructed on this land. Free-hold land also includes open free-hold land having area of 206 acres 68 sq-yards situated at Karachi.

4.1.3 No depreciation charged to plant and machinery as number of units produced were nil during the period as per company's policy.



	(Un-Audited) September 30, 2020	(Audited) June 30, 2020
Note	Rupees	Rupees
<b>5 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>COST</b>		
As at July 01,	1,111,350	1,111,350
Addition during the year	-	-
Balance as at June 30,	1,111,350	1,111,350
<b>ACCUMULATED AMORTIZATION</b>		
As at July 01,	(444,540)	(111,135)
Amortization charge for the year	(83,351)	(333,405)
Balance as at June 30,	(527,891)	(444,540)
Written down value as at June 30,	583,459	666,810
The Company amortizes intangible asset on straight line basis over the period of useful life @ 30%.		
The remaining useful life of intangible asset as on 30 June 2020 would be 2 years.		
<b>6 LONG TERM SECURITY DEPOSITS</b>		
Against utilities	40,251,445	40,251,445
Against rent	210,000	210,000
Others	60,000	60,000
	40,521,445	40,521,445
<b>7 STOCK IN TRADE</b>		
Raw material	4,781,225	4,781,225
Work in process	2,655,840	17,955,072
Finished goods	1,408,750	8,972,111
	8,845,815	31,708,408
7.1	The finished goods stock has been valued at net realizable value (NRV).	
<b>8 TRADE DEBTS</b>		
<b>Unsecured &amp; considered good by the management</b>		
Trade debts	42,028,923	39,357,525
Remeasurement of Expected Credit Loss	(32,940,038)	(32,940,038)
	9,088,885	6,417,487
8.1	Remeasurement of Expected Credit Loss	
Opening Balance	32,940,038	13,284,848
Charged for the year	-	19,655,190
Closing Balance	32,940,038	32,940,038
<b>9 ADVANCES</b>		
<b>Unsecured &amp; considered good by the management</b>		
Advances		
To employees - against salary	10,000	-
To employees - against expenses	39,986	67,781
For supplies/services	1,957,275	1,958,110
Letter of credits	-	-
Margin against letter of credits	9,229	9,229
	2,016,490	2,035,120

		(Un-Audited) September 30, 2020	(Audited) June 30, 2020
	Note	Rupees	Rupees
9.1	For supplies/services	3,525,667	3,526,502
	Provision against doubtful advances		
	Opening Balance	1,568,392	1,200,000
	Charged for the year	-	368,392
	Closing Balance	(1,568,392)	(1,568,392)
		<u>1,957,275</u>	<u>1,958,110</u>
9.2	Advance letter of credits	-	3,631,900
	Provision against letter of credits	-	(3,631,900)
		<u>-</u>	<u>-</u>
<b>10</b>	<b>OTHER RECEIVABLES</b>		
	Other receivables	-	-
	Provision against doubtful receivable		
	Opening Balance	-	506,560
	Charged for the year	-	-
	Provision reversed during the year	-	(506,560)
	Closing Balance	-	-
		<u>-</u>	<u>-</u>
<b>11</b>	<b>TAXES REFUNDABLE/ADJUSTABLE</b>		
	Advance Income Tax	7,844,290	7,752,512
	Input Sales Tax	6,795	348,886
		<u>7,851,085</u>	<u>8,101,398</u>
<b>12</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	11,295	8,982
	Cash at banks:		
	- current accounts	3,390,886	361,969
	- deposit accounts	532,339	532,339
		<u>3,923,225</u>	<u>894,308</u>
		<u>3,934,520</u>	<u>903,290</u>
<b>13</b>	<b>SHARE CAPITAL</b>		
	2020	2019	
	<u>Number of shares</u>		
	<b>AUTHORIZED SHARE CAPITAL</b>		
	<u>360,000,000</u>	<u>360,000,000</u>	Authorized share capital of Rs. 10 each
	<u>3,600,000,000</u>	<u>3,600,000,000</u>	
	<b>ISSUED, SUBSCRIBED AND PAIDUP CAPITAL</b>		
		Ordinary share of Rs.10 each	
	<u>315,733,860</u>	<u>315,733,860</u>	fully paid in cash
		13.1	<u>3,157,338,600</u>
			<u>3,157,338,600</u>
13.1	It includes 84,166,705 (June 2020: 84,166,705) ordinary shares of Rs.10/- each amounting to Rs. 841,667,050/- (June 2020: Rs. 841,424,650/-) held by related parties.		
13.2	The company has only one class of ordinary shares. The holder of ordinary shares have equal right to receive dividend, bonus and right issue as declared, vote and block voting at meetings, board selection and right of first refusal of the Company.		
13.3	The company has not reserved shares for issue under options or sale contracts.		
13.4	Reconciliation of shares is not required in view of no change.		

	(Un-Audited) September 30, 2020	(Audited) June 30, 2020
Note	Rupees	Rupees
<b>14 DISCOUNT ON ISSUE OF RIGHT SHARES</b>	<b>1,365,481,480</b>	<b>1,365,481,480</b>

The Company has issued right shares with the approval of board of directors, SECP and PSX with face value of Rs. 2,482,693,600/- comprising of 248,269,360/- ordinary shares of Rs. 10/- each at a discount of Rs. 5.5/- per share in year 2017.

#### 15 ADVANCE FOR ISSUANCE OF SHARES-UNSECURED

From Crescent Star Insurance Limited and its assignees	354,279,066	354,279,066
From directors	3,820,953	3,820,953
	<b>358,100,019</b>	<b>358,100,019</b>

The Company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL), associated company, and directors of the company which will be adjusted against shares in capital of the company whenever there is next issue. These amounts are un-secured and interest free. In the previous year, CSIL assigned aggregate amount of Rs. 247,995,000/- and Rs. 57,768,000/- to Dynasty Trading (Private) Limited and Din Corporation (Private) Limited respectively under an assignment agreement executed on February 12, 2019 and notice of assignment dated February 08, 2019 respectively which was approved by the board on February 27, 2019 with the same understanding. At that time CEO of CSIL was also chairman and director of Dost Steels Limited. Refer note 25 also on contingencies.

#### 16 LONG TERM FINANCING - SECURED

##### From banking companies and financial institutions

Term Finance - Restructured Facilities	16.1		
Opening balance		794,341,078	794,341,078
Paid during the year		-	-
		<b>794,341,078</b>	<b>794,341,078</b>
Less: Current portion		(81,507,092)	(69,863,222)
Less: Overdue portion	16.1.1	(71,534,630)	(59,890,760)
		<b>(153,041,722)</b>	<b>(129,753,982)</b>
		<b>641,299,356</b>	<b>664,587,096</b>

- 16.1 The Company has arranged Restructured Term Finance facilities of Rs. 931,509,627/- from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited( Now MCB Bank Limited), Bank of Khyber, Pak Kuwait Investment Company (Private) Limited, Saudi Pak Industrial and Agricultural Investment Company Limited and Faysal Bank Limited (former Royal Bank of Scotland Limited) as Syndicated loan, whereby Faysal Bank Limited is acting as agent of the syndicate. Due to absence of cash flow and delayed commissioning of the project and subsequent closure of the production, DSL was and is unable to meet its repayment obligations towards the Financiers. All the syndicate banks have given their in-principle approval to the rescheduling and restructuring of the debts and obligations. All the syndicate banks except Pak Kuwait Investment Company (Private) Limited have signed the rescheduling and restructuring agreement. Pak Kuwait has not signed this agreement so far.

Terms of rescheduled and restructured agreement are as follows:

- a) For the repayment of the unpaid markup, mark up has been calculated on the total outstanding amount from the date of last payment till 30 June 2016 - the assumed date of commissioning @ 8% per annum. The total Mark up calculated will be converted into a "Zero Coupon TFC convertible into ordinary shares". All the TFCs issued will be completely converted into equity/ordinary shares by 2027 as per the following schedule:

	Year 9th 2024	Year 10th 2025	Year 11th 2026	Year 12th 2027
Percentage of TFC converted	25%	25%	25%	25%

The Conversion shall be held on the 20th Day of December each year at a discount of 5% to the last six months weighted average price of the company shares at Karachi Stock Exchange Limited (Now Pakistan Stock Exchange Limited).

- b) The Mark-up rate effective from the date of Commissioning is 3 Month KIBOR payable in quarterly arrears.
- c) The principal repayment is made in 41 quarterly instalments commencing from 31 March 2016 and ending on 31 December 2025 as per repayment schedule.

		(Un-Audited) September 30, 2020	(Audited) June 30, 2020
	Note	Rupees	Rupees
d)			
The loan is secured by a mortgage by deposit of title deeds of the Mortgaged Properties , a charge by way of hypothecation over Hypothecated Assets, pledge of the pledged shares, and personal guarantees of the sponsors.			
16.1.1			
Overdue portion of liability represents full amount due upto 30 June 2020 including the partial instalment of fourth quarter of last year, all four instalments of current year and full portion of Pak Kuwait Investment Company (Private) Limited. Pak Kuwait Investment Company (Private) Limited has neither signed the restructuring agreement nor accepted the payment.			
<b>17</b>	<b>MARKUP ACCRUED ON SECURED LOANS</b>		
	On secured loans	<b>614,940,264</b>	614,940,264
	Refer note 16		
<b>18</b>	<b>DEFERRED LIABILITIES</b>		
	Staff gratuity	18.1 <b>20,263,845</b>	14,643,590
		<b>20,263,845</b>	14,643,590
<b>18.1</b>	<b>Staff gratuity</b>		
	<b>Movement in net defined benefit obligation recognized in statement of financial position:</b>		
	Opening balance	<b>19,141,845</b>	14,643,590
	Provision for the year	<b>1,122,000</b>	4,498,255
		<b>20,263,845</b>	19,141,845
	Less: Payments made during the year	-	-
		<b>20,263,845</b>	19,141,845
	<b>Provision of gratuity for the year has been allocated as follows:</b>		
	Cost of sales	<b>152,000</b>	608,505
	Administrative and selling expenses	<b>970,000</b>	3,889,750
		<b>1,122,000</b>	4,498,255
<b>19</b>	<b>TRADE &amp; OTHER PAYABLES</b>		
	<b>- Unsecured</b>		
	Creditors	<b>41,644,554</b>	42,121,334
	Contract liabilities	<b>493,778</b>	493,778
	Accrued liabilities	<b>43,522,173</b>	33,465,106
	Payable to old employees	<b>3,011,341</b>	3,011,341
	Taxes payable	-	278,173
	Unpresented cheques	<b>5,336,849</b>	5,336,849
		<b>94,008,695</b>	84,706,581

	(Un-Audited) September 30, 2020	(Audited) June 30, 2020
Note	Rupees	Rupees
<b>20 ACCRUED MARKUP</b>		
Long term financing - secured	<u>124,356,720</u>	<u>109,840,953</u>
<b>21 SHORT TERM BORROWINGS</b>		
<b>Unsecured &amp; Interest Free</b>		
Loan from directors	144,928,637	134,967,181
Loan from sponsors	<u>24,832,016</u>	<u>24,382,017</u>
	<u>169,760,653</u>	<u>159,349,198</u>

These loans are unsecured, interest free, obtained to facilitate the company for working capital requirement and had been utilized accordingly.

## 22 CONTINGENCIES AND COMMITMENTS

### 22.1 Contingencies

**22.1.1** The company is not exposed to any contingent liability in respect of syndicated loan at the Statement of Financial Position date, in view of restructuring agreement - Note 16.

In the year ended June 30, 2015, two suits were pending against company in the High Court for the recovery of Rs. 1,299,588,534/- and Rs. 122,197,136/- respectively filed by Faysal bank and others and Pakistan Kuwait Investment Company (Private) Limited.

**22.1.2** The company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL) as described in note 15. The advance was interest free and the fact was confirmed in the confirmation for the year ended 30 June 2016. The CSIL after the right issue unilaterally started claiming mark up @ 1 year KIBOR + 3% which the company does not accept being against the agreed terms and is apparently illegal demand. The amount of disputed markup as on 30 June 2020 calculates to Rs. 187,474,579/-.

### 22.2 Commitments

Non-capital commitments - Post dated cheques	<u>3,444,535</u>	<u>3,444,535</u>
--	------------------	------------------

There are no any other contingencies or commitments of the company except as described above.

**23 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

There are not any events after the statement of financial position date causing any adjustment to / disclosure in financial statements.

**24 CORRESPONDING FIGURES**

The corresponding figures have been rearranged wherever necessary to facilitate comparison. Appropriate disclosure is given in relevant note in case of material rearrangements.

**25 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on 27-11-20 by the board of directors of the company.

**26 GENERAL**

Figures in the financial statements have been rounded-off to the nearest Rupees except where stated otherwise.

  
\_\_\_\_\_  
Chief Executive

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

Dear Shareholders,

**Consent for Circulation of Annual Audited Financial Statements through email**

The Securities and Exchange Commission of Pakistan (SECP) through its Notification (S.R.O 787(I)2014) dated 08 September 2014 has allowed companies to circulate annual balance sheet and profit and loss account, auditor's report and directors' report etc., (the "Audited Annual Financial Statements") to the shareholders along with notice of Annual General Meeting (AGM) through e-mail.

If you wish to receive Audited Annual Financial Statements of Dost Steels Limited (the Company) along with notice of AGM via e-mail, you are requested to return this letter duly filled and signed to the Company's Share Registrar at the address mentioned below:

<b>Name of shareholder</b>	
Folio No./CDS Account #	
E-mail Address	
CNIC Numbers	
Cell Phone Number	
Landline Number if any	
Signatures of Shareholders	

**Shares Registrar**

THK Associates (Pvt.) Limited  
1<sup>st</sup> Floor, 40-C, P.E.C.H.S  
Karachi. P.O Box No. 8533  
UAN +92 (021) 111-000-322  
Fax No. +92 (021) 34168271  
E-mail: secretariat@thk.com.pk


Yours Sincerely,  
FOR DOST STEELS LIMITED  
Tariq Majeed  
Company Secretary



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