

# **DOST STEELS LIMITED**

**FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2023**



### **Our Vision**

- To recognize globally as a leading supplier of steel large bar of the highest quality standards, with market leading standards of customer service.
- Business development by adoption of emerging technologies, growth in professional competence, support to innovation. Enrichment of human resources and performance recognition.

### **Our Mission**

- To manufacture and supply high quality steel large bar to the construction sector whilst adopting safe and environmentally friendly practices.
- To remain the preferred and consistent supply source for various steel products in the country.
- Offer products that are not only viable in terms of desirability and price but most importantly give true and lasting value to our customers.
- To fulfill special obligation and compliance of good governance.
- Ensure that the business policies and targets are in conformity with national goals.
- Deliver strong returns on investments of our stakeholders by use of specialized and high quality corporate capabilities with the combined use of modern bar mill practices, enterprise class software on a web based solution and targeted human resource support.

### **Corporate Strategies**

- Ensure that the business policies and targets are in conformity with national goals.
- Establish a better and safer work environment for all employees
- Contribute in National efforts towards attaining sustainable self-efficiency in steel products,
- Customer's satisfaction by providing best value and quality products.
- Maintain modern management system conforming to international standards needed for an efficient organization.
- Ensure to foster open communications, listen, and understand other perspectives.
- Acquire newer generation technologies for effective and efficient operations.

## COMPANY INFORMATION

### **Board of Directors**

Mrs. Nargis Abuzar Shad  
Mr. Mian Abuzar Shad  
Mr. Jawad Hamid  
Mr. Shahab Mahboob Vora  
Mr. Murtaza Hussain  
Mr. Jamal Iftakhar  
Mr. Zahid Iftakhar  
Mr. Muhammad Shakeel  
Nominated by NBP  
Mr. Asim Jilani  
Nominated by FBL

Director/Chairperson  
Director/CEO  
Director  
Director  
Director  
Director  
Director  
Director  
Director  
Director

### **Shares Registrar**

THK Associates (Pvt.) Limited  
Plot No. 32-C, Jami Commercial  
Street 2, D.H.A., Phase VII  
Karachi  
UAN +92 (021) 111-000-322  
E-mail: [secretariat@thk.com.pk](mailto:secretariat@thk.com.pk)

### **Audit Committee**

Mr. Murtaza Hussain  
Mr. Mian Abuzar Shad  
Mr. Jawad Hamid

Chairman  
Member  
Member

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

Mr. Jawad Hamid  
Mr. Murtaza Hussain  
Mr. Mian Abuzar Shad

Chairman  
Member  
Member

### **Chief Financial Officer**

Mr. Shahid Ali

### **Company Secretary**

Mr. Shahid Ali

### **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  
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' REVIEW REPORT

Dear Members Assalam-o-Alaikum

The Directors of Dost Steels Limited ("DSL" or the "Company") present their review on the financial performance of the Company for the six months period ended December 31, 2023.

First of all, we would like to inform you that the current management of the Company take their charge of Board on 08 January 2024, after allotment of new Shares to a group of investors by way of other than right as per approval of SECP as described in Note 24 of the attached accounts. The new board decided that they will make their all efforts to resume the commercial operations of the Company. The interim financial statements under review are of the period prior to our charge on board.

Financial performance of the Company for the six months period ended December 31, 2023 was as under:

Description	December 31, 2023 (PKR)	December 31, 2022 (PKR)
Sales	-	-
Cost of sales	(24,169,638)	(29,793,241)
Gross Loss	(24,169,638)	(29,793,241)
Administrative and selling expenses	(21,281,732)	(7,455,012)
Finance costs	(88,294,823)	(65,577,938)
Other operating income	1,824,417	1,624
Loss before taxation	(115,504,776)	(102,824,567)
Taxation	-	-
Loss after taxation	(115,504,776)	(102,824,567)
Loss per share (Restated)	(0.33)	(0.29)

Loss after tax for the period was Rupees 115.505 million as compared to Rupees 102.825 million in corresponding period last year. The losses are inevitable owing to non-production during the period under review. So far, the Company has not been able to restart production activities due to shortage of working capital.

The current management is in the process to renegotiate with syndicate lenders to settle their liabilities. As soon as their liabilities will be settled our next target is to restart commercial operations of the company.

The interim financial statements of the Company have been reviewed by the auditors of the Company, M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants (the "Auditors") and their review report is attached with the interim financial statements. The Auditors of the Company have expressed certain reservations in their review report for the period ended 31 December 2023. Our para wise comments on these reservations are as follows:

Sr. No.	Reservation / Qualification	Responses
01	The Company, as stated in note 2, incurred a net loss of Rs. 115.505 million	The described situation has been occurred due to the discontinuance of commercial operations



<p>(December 2022: Rs. 102.825 million) and its accumulated losses are Rs. 1,878.352 million (June 2023: Rs. 1,762.847 million). The current liabilities of the Company exceed its current assets by Rs. 1,273.299 million and liquid assets by Rs. 1,300.145 million. The Company has also been facing long overdue receivables, unfavorable key financial ratios, difficulty in complying with the terms of loan agreements with banks and to pay creditors on due date. The Company is in default under its syndicated contractual obligations with bankers and unable to obtain additional finance, has stopped its commercial production since 2019 and lost its key management staff without replacement due to working capital deficiency. There are also bank litigations against the Company. These conditions indicate the existence of significant material uncertainties which may cast significant doubt on ability of the Company to continue as a going concern, to realize its assets and to discharge its liabilities in the normal course of business. However, these interim financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Under the circumstances use of going concern assumption is not appropriate;</p>	<p>of the company since long. As described earlier the current management is in the process of renegotiating with lender banks and after that arranging working capital to resume the commercial operations of the company. Hence the management is hopeful that this will in result to mitigate these factors.</p>
<p><b>02</b> The syndicate long term borrowings of Rs. 793.815 million, markup accrued (frozen) thereon of Rs. 614.940 million, its overdue portion of Rs. 408.680 million and markup charged during the period of Rs. 88.271 million as disclosed in the interim financial statements, remained unconfirmed. Further the Company has breached the covenants of the long term borrowing and as per the requirement of the IAS 1 (Presentation of Financial Statements), has not classified</p>	<p>The agent failed to effectively communicate within the entire syndicate and between the lenders and the borrower. As a result a consensus could not be reached between the stake holders within the required time and therefore confirmation of balances could not be completed. However the current management is in process of renegotiation with syndicate banks to settle their liabilities. We hope that by the end of this financial year the said issue will be resolved.</p>



	its long term borrowings into current liabilities, which constitute the departure from International Financial Reporting Standard. Moreover, the Company has discontinued payments of instalments, however no information regarding consequent default penalty or additional markup incorporated in the financial statements, is available. Therefore, accuracy of the figures could not be ascertained;	
03	We did not receive responses to our letters requesting for confirmations from the banks amounting to Rs. 0.080 million. Further bank statements for 2 out of 17 banks were also not provided by the management. Therefore, due to lack of sufficient appropriate evidence we were unable to determine whether any adjustment might have been necessary;	Because the company has stop its production activity due to non-availability of sufficient working capital since 2018, therefore all these banks are stated dormant and not has been used by the company since long time. However, balance shown in the financial statement has been verified by bank statements, Only one bank having balance amounting Rs.0.004 million (rupees four thousand) have not been provided the bank statement due their system restriction as the account is stated dormant.
04	The Company has not conducted impairment testing of its property, plant and equipment (note 7) and stores and spares as on 31 December 2023 under the IAS 36, Impairment of Assets which constitute departure from International Financial Reporting Standards. We consider it is necessary at the period end as the production of the Company has been stopped since 2019. Any impact of the same on assets and condensed interim statement of profit or loss of the Company is not determined;	The company has conducted, In-house impairment testing with regular intervals, for this purpose company has retained sufficient qualified employees on its payroll. However auditor's point of view is that it should be conducted by third party. Furthermore, the type of plant is not subjected to rapid technological changes therefore the company believes that the plant and machinery is not subjected to impairment. Latest in house impairment has been conducted in January 2023.
05	Balance confirmation requests remained un-responded in respect of 'trade and other payables, contract liabilities, long term security deposits', 'trade debtors' and 'advances for supplies/ services' amounting to Rs. 1.354 million, Rs. 0.119 million, Rs. 40.521 million, Rs. 19.470 million and Rs. 0.638 million respectively. We were unable to satisfy ourselves by alternative means;	Due to the unorganized nature of the trade Debtors most of these could not be reached and organized. Securities Deposits are belong to government organizations like LESCO, National High way etc. and there is very difficult to get balance confirmation from them.
06	Confirmation from 1 legal advisors and consultants, of the Company regarding	The said Legal advisor have no active legal litigations of the company, hence didn't respond.



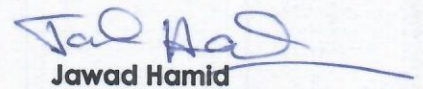
	pending litigations and contingencies as on 31 December 2023 were not received therefore completeness of contingencies as disclosed in note 17 cannot be commented upon;	
07	The Company had not followed the IAS-19 "Employee Benefits" for determining gratuity payable under Industrial and Commercial Employment (Standing Orders) Ordinance, 1968, as explained in note 16.1.1 to the interim financial statements for the half year ended December 31, 2023 and the impact of the non-compliance of IAS 19 on interim financial statements could not be quantified	Current Management has plan to determine gratuity payable (Employees Benefits) as per provisions of IAS-19 under Industrial and Commercial Employment (Standing Orders) Ordinance 1968., by the end of current Financial Year, through an actuarial consultant.
08	The Company had not appropriately complied with requirements regarding deduction and deposit of withholding taxes, amounts due to Punjab Employees' Social Security Institution and Employees' Old Age Benefit Institution. These dues have not been separately disclosed in the financial statements as per the requirement of IAS-1 "Presentation of Financial Statements". Consequent impact of default penalty/surcharge due to noncompliance of related provisions of the relevant laws has not been quantified and disclosed in these interim financial statements.	Due to non-operational of core business activities most of the expenses are below or even not subject to deduct withholding tax limit, However complete provision has been recorded in the books regarding Punjab Employees Social security Institution and Employees Old Age Benefit institution as per related laws, as soon as company will be able financially, these liabilities will be pay off.

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

On behalf of the Board of Directors



**Mian Abuzar Shad**  
Chief Executive Officer  
Dated:- 27 February 2024



**Jawad Hamid**  
Director





## **Independent Auditors' Review Report**

**To the members of Dost Steels Limited**

**Report on review of Condensed Interim Financial Statements**

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Dost Steels Limited** (the Company) as at December 31, 2023 and the related condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, and the condensed interim statement of cash flows, and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Adverse Conclusion**

Based on information provided to us by the management, we report that;

1. The Company, as stated in note 2, incurred a net loss of Rs. 115.505 million (December 2022: Rs. 102.825 million) and its accumulated losses are Rs. 1,878.352 million (June 2023: Rs. 1,762.847 million). The current liabilities of the Company exceed its current assets by Rs. 1,273.299 million and liquid assets by Rs. 1,300.145 million. The Company has also been facing long overdue receivables, unfavorable key financial ratios, difficulty in complying with the terms of loan agreements with banks and to pay creditors on due date. The Company is in default under its syndicated contractual obligations with bankers and unable to obtain additional finance, has stopped its commercial production since 2019 and lost its key management staff without replacement due to working capital deficiency. There are also bank litigations against the Company. These conditions indicate the existence of significant material uncertainties which may cast significant doubt on ability of the Company to continue as a going concern, to realize its assets and to discharge its liabilities in the normal course of business. However, these interim financial statements do not include any adjustment relating to the recoverability and classification of recorded assets





and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Under the circumstances use of going concern assumption is not appropriate;

2. The syndicate long term borrowings of Rs. 793.815 million, markup accrued (freezed) thereon of Rs. 614.940 million, its overdue portion of Rs. 408.680 million and markup charged during the period of Rs. 88.271 million as disclosed in the interim financial statements, remained unconfirmed. Further the Company has breached the covenants of the long term borrowing and as per the requirement of the IAS 1 (Presentation of Financial Statements), has not classified its long term borrowings into current liabilities, which constitute the departure from International Financial Reporting Standard. Moreover, the Company has discontinued payments of instalments, however no information regarding consequent default penalty or additional markup incorporated in the financial statements, is available. Therefore, accuracy of the figures could not be ascertained;
3. We did not receive responses to our letters requesting for confirmations from the banks amounting to Rs. 0.080 million. Further bank statements for 2 out of 17 banks were also not provided by the management. Therefore, due to lack of sufficient appropriate evidence we were unable to determine whether any adjustment might have been necessary;
4. The Company has not conducted impairment testing of its property, plant and equipment (note 7) and stores and spares as on December 31, 2023 as per IAS 36 "Impairment of Assets" and IAS 2 "Inventories" which constitute departure from International Financial Reporting Standards. We consider it is necessary at the period end as the production of the Company has been stopped since 2019. Any impact of the same on assets and condensed interim statement of profit or loss of the Company is not determined;
5. Balance confirmation requests remained unresponded in respect of 'trade and other payables', 'contract liabilities', 'long term security deposits', 'trade debtors' and 'advances for supplies/ services' amounting to Rs. 1.354 million, Rs. 0.119 million, Rs. 40.521 million, Rs. 19.470 million and Rs. 0.638 million respectively. We were unable to satisfy ourselves by alternative means;
6. Confirmation from 1 legal advisors and consultants of the Company regarding pending litigations and contingencies as on December 31, 2023 were not received therefore completeness of contingencies as disclosed in note 17 cannot be commented upon;
7. The Company had not followed the IAS-19 "Employee Benefits" for determining gratuity payable under Industrial and Commercial Employment (Standing Orders) Ordinance, 1968, as explained in note 16.1.1 to the interim financial statements for the half year ended December 31, 2023 and the impact of the non-compliance of IAS 19 on interim financial statements could not be quantified; and
8. The Company had not appropriately complied with requirements regarding deduction and deposit of withholding taxes, amounts due to Punjab Employees' Social Security Institution and Employees' Old Age Benefit Institution. These dues have not been separately disclosed in the financial statements as per the requirement of IAS-1 "Presentation of Financial Statements". Consequent impact of default penalty/surcharge due to noncompliance of related provisions of the relevant laws has not been quantified and disclosed in these interim financial statements. *2.*



### **Adverse Conclusion**

Based on our review, due to significance of the matters described in Basis for Adverse Conclusion section, the interim financial statements do not give a true and fair view of the financial position of the Company as at December 31, 2023 and of its financial performance, its cash flows and of its changes in equity for the half year then ended in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

### **Other Matter**

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarter ended December 31 have not been reviewed, as we are required to review only the cumulative figures for the half year ended on December 31.

The engagement partner on the review resulting in this independent auditors' review report is Mr. Adnan Rasheed.

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

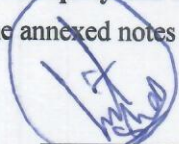
Lahore: 27 FEB 2024  
UDIN: RR202310701OF9YWCNop



**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

	Note	December 31, 2023 (Unaudited) Rupees	June 30, 2023 (Audited) Rupees
<b>PROPERTY AND ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	2,514,470,552	2,521,484,066
Intangible assets	8	1,000	1,000
Long term security deposits		40,521,445	40,521,445
Deferred tax asset		-	-
		<b>2,554,992,997</b>	<b>2,562,006,511</b>
<b>Current assets</b>			
Stores and spares		26,845,775	26,845,775
Stock-in-trade	9	-	-
Trade debtors	10	-	-
Advances		722,049	1,261,739
Taxes recoverable/ adjustable		14,599,006	14,598,053
Cash and bank balances	11	182,220	129,114
		<b>42,349,050</b>	<b>42,834,681</b>
<b>Total property and assets</b>		<b>2,597,342,047</b>	<b>2,604,841,192</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	12	4,446,955,770	3,157,338,600
Discount on issue of right and other than right shares	13	(2,130,224,462)	(1,365,481,480)
Revenue reserve			
Accumulated loss		(1,878,351,594)	(1,762,846,818)
		<b>438,379,714</b>	<b>29,010,302</b>
<b>Non-current liabilities</b>			
Advance for issuance of shares - unsecured	14	3,829,952	358,100,019
Long term borrowings - secured	15	198,832,282	291,983,243
Unpaid markup	15.2	614,940,264	614,940,264
Deferred liabilities	16	25,711,349	25,301,017
		<b>843,313,847</b>	<b>1,290,324,543</b>
<b>Current liabilities</b>			
Trade and other payables - unsecured		40,044,724	43,366,038
Accrued markup	17	502,850,086	414,572,672
Short term borrowings - unsecured		177,771,255	325,736,177
Current and overdue portion of long term borrowings	15	594,982,421	501,831,460
Provision for taxation		-	-
		<b>1,315,648,486</b>	<b>1,285,506,347</b>
<b>Contingencies and commitments</b>	18	-	-
		<b>2,158,962,333</b>	<b>2,575,830,890</b>
<b>Total equity and liabilities</b>		<b>2,597,342,047</b>	<b>2,604,841,192</b>

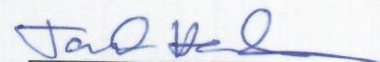
The annexed notes 1 to 26 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director





**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

	Note	Half year ended		Quarter ended	
		December 31, 2023 Rupees	December 31, 2022 Rupees	December 31, 2023 Rupees	December 31, 2022 Rupees
Sales		-	-	-	-
Cost of sales	19	(24,169,638)	(29,793,241)	(7,161,914)	(15,416,612)
<b>Gross loss</b>		<b>(24,169,638)</b>	<b>(29,793,241)</b>	<b>(7,161,914)</b>	<b>(15,416,612)</b>
Administrative and selling expenses		(21,281,732)	(7,455,012)	(17,930,245)	(3,745,610)
Finance cost		(88,294,823)	(65,577,938)	(42,955,607)	(34,024,565)
Other income	20	18,241,417	1,624	18,241,417	-
<b>Loss before taxation</b>		<b>(115,504,776)</b>	<b>(102,824,567)</b>	<b>(49,806,349)</b>	<b>(53,186,787)</b>
Taxation		-	-	-	-
<b>Loss after taxation</b>		<b>(115,504,776)</b>	<b>(102,824,567)</b>	<b>(49,806,349)</b>	<b>(53,186,787)</b>
<b>Other comprehensive income - net of tax</b>					
Items that will never be reclassified to profit or loss		-	-	-	-
Items that will be reclassified to profit or loss		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(115,504,776)</b>	<b>(102,824,567)</b>	<b>(49,806,349)</b>	<b>(53,186,787)</b>
<b>Loss per share - basic and diluted</b>	21	<b>(0.33)</b>	Restated <b>(0.29)</b>	<b>(0.14)</b>	Restated <b>(0.15)</b>

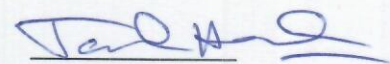
The annexed notes 1 to 26 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director





**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

	Share capital	Discount on issue of right shares	Revenue reserve	Total
			Accumulated loss	
----- Rupees -----				
<b>Balance as at 01 July 2022</b>	3,157,338,600	(1,365,481,480)	(1,550,279,593)	241,577,527
Total comprehensive loss for the period	-	-	(102,824,567)	(102,824,567)
<b>Balance as at 31 December 2022</b>	3,157,338,600	(1,365,481,480)	(1,653,104,160)	138,752,960
Total comprehensive loss for the period	-	-	(109,742,658)	(109,742,658)
<b>Balance as at 30 June 2023</b>	3,157,338,600	(1,365,481,480)	(1,762,846,818)	29,010,302
Total comprehensive loss for the period	-	-	(115,504,776)	(115,504,776)
Issuance of new shares of Rs. 10 each	1,289,617,170	-	-	1,289,617,170
Discount on issuance of new shares during the period	-	(764,742,982)	-	(764,742,982)
<b>Balance as at 31 December 2023</b>	<b>4,446,955,770</b>	<b>(2,130,224,462)</b>	<b>(1,878,351,594)</b>	<b>438,379,714</b>

The annexed notes 1 to 26 form an integral part of these financial statements.



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

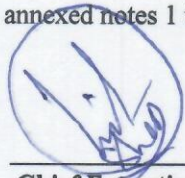




**DOST STEELS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

	December 31, 2023	December 31, 2022
Note	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(115,504,776)	(102,824,567)
<b>Adjustments for non-cash and other items:</b>		
Depreciation	7,013,514	7,834,269
Finance cost	88,294,823	65,577,938
Provision for gratuity	410,332	531,002
Profit on bank deposit accounts	(2,467)	(1,624)
	<u>95,716,202</u>	<u>73,941,585</u>
Operating cash flows before working capital changes	(19,788,574)	(28,882,982)
<b>(Increase)/ decrease in current assets:</b>		
Advances	539,690	(25,445)
Taxes recoverable/ adjustable	(953)	(3,986,450)
<b>Decrease in current liabilities:</b>		
Trade and other payables	(3,321,313)	(3,002,776)
	<u>(2,782,576)</u>	<u>(7,014,671)</u>
Cash used in operations	(22,571,150)	(35,897,653)
Finance cost paid	(17,409)	(10,149)
Net cash flows used in operating activities	<u>(22,588,559)</u>	<u>(35,907,802)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Profit received on bank deposit accounts	2,467	1,624
Net cash flows generated from investing activities	<u>2,467</u>	<u>1,624</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings-unsecured	(147,964,922)	35,882,461
Advance for issuance of shares	170,604,120	-
Net cash flows generated from financing activities	<u>22,639,198</u>	<u>35,882,461</u>
Net increase/ (decrease) in cash and cash equivalents during the period	53,106	(23,717)
Cash and cash equivalents at the beginning of the period	129,114	117,743
Cash and cash equivalents at the end of the period	<u>11</u> <u>182,220</u>	<u>94,026</u>

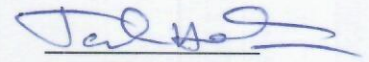
The annexed notes 1 to 26 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director





**DOST STEELS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

Dost Steels Limited (the Company) was incorporated and domiciled in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984 (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 are as follows:

<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 GOING CONCERN ASSUMPTION**

The Company incurred a net loss of Rs. 115.505 million (2022: Rs. 102.825 million) and its accumulated losses are Rs. 1,878.352 million (June 2023: Rs. 1,762.847 million). The current liabilities of the Company exceeds its current assets by Rs. 1,273.299 million and liquid assets by Rs. 1,300.145 million. The Company has also been facing long overdue receivables, unfavorable key financial ratios, difficulty in complying with the terms of loan agreements with banks and to pay creditors on due date. The Company is in default under its syndicated contractual obligations with bankers and unable to obtain additional finance. The Company has also stopped its commercial production since 2019 and lost its key management staff without replacement due to working capital deficiency. There are also banking litigations against the Company (note 18).

The Company is in process of negotiating with other forums and channels to arrange working capital required to resume commercial production. Further, during the period the Company issued new shares to a group of investors led by Mr. Khawaja Shahzeb that will improve the working capital requirements of the Company and will help the Company to resume its commercial production. The Company is also expected to earn net profits in coming years. Therefore the Company expects that adequate inflows will be generated in the future years which will wipe out these losses. Hence, the financial statements are prepared on the basis of going concern assumption.

**3 STATEMENT OF COMPLIANCE**

3.1 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 (IFRSs) 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 IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 The cumulative figures for the half year ended December 31, 2022 presented in these condensed interim financial statements are unaudited but have been subjected to limited scope review by the auditors of the Company, as required under section 237 of the Companies Act, 2017 ("the Act") and Code of Corporate Governance.

3.3 These condensed interim financial statements comprise the statement of financial position as at December 31, 2023, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows together with the selected notes for half year ended December 31, 2023.





- 3.4 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2023 has been extracted from the audited financial statements of the Company for the year ended June 30, 2023, whereas the comparative statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half year ended December 31, 2023 have been subjected to review but not audited. Quarterly figures are unaudited/ unreviewed.
- 3.5 These interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2023.
- 3.6 These condensed interim financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest Rupee. Figures for previous year/ period are rearranged wherever necessary to facilitate comparison. Appropriate disclosure is given in relevant note in case of material rearrangement.

#### 4 MATERIAL ACCOUNTING POLICY INFORMATION

- 4.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2023.
- 4.2 **Standards and amendments to published accounting and reporting standards which were effective during the half year ended December 31, 2023**

There are other new standards which are effective from July 01, 2023 but they do not have a material effect on the Company's condensed interim financial statements.

- 4.3 **Standards and amendments to approved accounting and reporting standards that are not yet effective**

There are other new standards and certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 01, 2023. However, these standards, amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

#### 5 ESTIMATES

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended June 30, 2023.

#### 6 RISK MANAGEMENT

The Company's risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2023.

7 PROPERTY, PLANT AND EQUIPMENT	Note	December 31,	June 30,
		2023	2023
		Rupees	Rupees
		(Unaudited)	(Audited)
Opening balance - net book value		2,521,484,066	2,537,149,985
Additions made during the period/ year		-	-
Assets disposed off during the period/ year		-	-
Depreciation charged during the period/ year	7.1	(7,013,514)	(15,665,919)
Closing balance - net book value		<u>2,514,470,552</u>	<u>2,521,484,066</u>
7.1 Depreciation charged for the period/ year has been allocated as under:			
Cost of sales	19	6,887,627	15,348,015
Administrative and selling expenses		125,887	317,904
		<u>7,013,514</u>	<u>15,665,919</u>





			December 31, 2023 Rupees (Unaudited)	June 30, 2023 Rupees (Audited)
<b>8 INTANGIBLE ASSETS</b>				
<b><u>Computer software</u></b>				
<b>COST</b>				
As at the beginning of the period/ year			1,111,350	1,111,350
Additions made during the period/ year			-	-
As at the end of the period/ year			1,111,350	1,111,350
<b>ACCUMULATED AMORTIZATION</b>				
As at the beginning of the period/ year			(1,110,350)	(1,110,350)
Amortization charged for the period/ year			-	-
As at the end of the period/ year			(1,110,350)	(1,110,350)
Written down value as at the end of the period/ year			1,000	1,000
The Company amortizes intangible asset on straight line basis over the period of useful life @ 30%. As asset is still in use, it is carried in books at notional value.				
<b>9 STOCK-IN-TRADE</b>				
Raw material			4,781,225	4,781,225
Less: Provision for obsolete raw material			(4,781,225)	(4,781,225)
			-	-
<b>10 TRADE DEBTORS</b>				
- Unsecured				
Trade debtors			19,469,715	37,708,665
Less: Provision under expected credit loss (ECL)	10.1		(19,469,715)	(37,708,665)
			-	-
<b>10.1 Provision under ECL</b>				
Opening balance			37,708,665	45,218,980
Written off during the period/ year			-	(7,510,315)
Reversed during the period/ year	19		(18,238,950)	-
Closing balance			19,469,715	37,708,665
<b>11 CASH AND BANK BALANCES</b>				
Cash in hand			10,762	4,655
Cash at banks:				
- current accounts			142,390	97,620
- deposit accounts			29,068	26,839
			171,458	124,459
			182,220	129,114
<b>11.1</b>				
It includes balance pertaining to repayment account for long term loans amounting to Rs. 3,696/- (June 2023; Rs. 3,188/-). Management of the Company as per arrangement can't withdraw amount once deposited in this bank account.				
<b>12 SHARE CAPITAL</b>				
	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
	<u>Number of shares</u>			
<b>AUTHORIZED SHARE CAPITAL</b>				
	<u>445,000,000</u>	<u>360,000,000</u>	Ordinary shares of Rs. 10 each	12.1
			<u>4,450,000,000</u>	<u>3,600,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>				
	<u>444,695,577</u>	<u>315,733,860</u>	Ordinary shares of Rs.10 each fully paid in cash	12.2/ 12.3
			<u>4,446,955,770</u>	<u>3,157,338,600</u>





- 12.1 The Company, during the period, has increased its authorized share capital from Rs. 3,600,000,000 divided into 360,000,000 ordinary shares of Rs.10 each to Rs. 4,450,000,000 divided into 445,000,000 ordinary shares of Rs.10 each. This increase has been made to cater for the planned increase in paid-up share capital.
- 12.2 The Company, during the period under review, has allotted shares to the group of investors. (refer note 14.2 and 23).
- 12.3 It includes 114,266,205 (June 2023: 121,166,705) ordinary shares of Rs.10/- each amounting to Rs. 1,142,662,050/- (June 2023: Rs. 1,211,667,050/-) held by related parties.
- 12.4 The Company has only one class of ordinary shares. The holders 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.
- 12.5 The Company has not reserved shares for issue under options or sale contracts.
- 12.6 Movement in issued, subscribed and paid-up capital is as follows:

	December 31, 2023	June 30, 2023
	Number of shares (Unaudited)	Number of shares (Audited)
Opening	315,733,860	315,733,860
New shares issued during the period	128,961,717	-
Closing balance	<u>444,695,577</u>	<u>315,733,860</u>
	December 31, 2023	June 30, 2023
	Rupees (Unaudited)	Rupees (Audited)
Note	<u>2,130,224,462</u>	<u>1,365,481,480</u>

**13 DISCOUNT ON ISSUE OF RIGHT AND OTHER THAN RIGHT SHARES**

During the period under review, the Company, under the provision of section 82 of the Companies Act, 2017, issued shares otherwise than right with the approval of the board of directors, SECP and PSX (the authorities) with face value of Rs. 1,289,617,170/- comprising 128,961,717 ordinary shares of Rs. 10/- each at a discount of Rs. 5.93/- per share. Earlier, during the financial year ended June 2017, the Company issued right shares with the approval of the authorities with face value of Rs. 2,482,693,600/- comprising 248,269,360 ordinary shares of Rs. 10/- each at a discount of Rs. 5.5/- per share.

**14 ADVANCE FOR ISSUANCE OF SHARES - UNSECURED**

From Crescent Star Insurance Limited and its assignees	8,999	354,279,066
From directors and sponsors	3,820,953	3,820,953
	<u>3,829,952</u>	<u>358,100,019</u>

- 14.1 The Company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL), associated company, and directors of the Company which was to be adjusted against further issue of shares by the Company. These amounts are unsecured and interest free. In the previous years, CSIL assigned aggregate amount of Rs. 247,995,000/- and Rs. 57,768,000/- to Dynasty Trading (Private) Limited (DTPL) and Din Corporation (Private) Limited (DCL) respectively, under an assignment agreement executed on February 12, 2019, which was approved by the Board on February 27, 2019.
- 14.2 Subsequently due to non-settlement of assignment consideration by DTPL, a Settlement and Assignment Agreement reached on June 07, 2023 between the concerned parties, pursuant to which the assignment to DTPL was revoked. Further CSIL and DCL agreed to assign the above-mentioned advance for issue of shares to a group of investors led by Mr. Khawaja Shahzeb Akram and during the period under review shares have been allotted by the Company against the advance. Moreover, subsequently Central Depository Company (CDC) has also transferred these shares in the relevant accounts (refer note 23).
- 14.3 The above settlement provides that no markup and other compensation shall be payable on the advance for issue of shares. In addition, all the parties have withdrawn their respective litigations.





		December 31, 2023 Rupees (Unaudited)	June 30, 2023 Rupees (Audited)
<b>15 LONG TERM BORROWINGS - SECURED</b>			
<b>From banking companies and financial institutions</b>			
<b>Term finance - restructured facilities</b>			
Opening balance	15.1	793,814,703	793,814,703
Paid during the period/ year		-	-
		<u>793,814,703</u>	<u>793,814,703</u>
Less: Current portion		<u>(186,301,924)</u>	<u>(163,014,185)</u>
Less: Overdue portion	15.1.1	<u>(408,680,497)</u>	<u>(338,817,275)</u>
		<u>(594,982,421)</u>	<u>(501,831,460)</u>
		<u>198,832,282</u>	<u>291,983,243</u>

**15.1** 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 flows and delayed commissioning of the project and subsequent closure of the production, the Company was and is still 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.

**15.1.1** Overdue portion of liability represents amount due from partial installment of fourth quarter of year 2019 upto December 31, 2023 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.

**15.2** Terms of rescheduled and restructured agreement are as follows:

- a) For the repayment of the unpaid markup amounting to Rs. 641,940,264 (June 2023: Rs. 641,940,264) which was calculated on the total outstanding amount from the date of last payment till June 30, 2016 - the assumed date of commissioning @ 8% per annum. As per the terms of the agreement the syndicate banks individually have the following two options regarding the repayment of the unpaid markup:
- i) **Option I : The total markup calculated will be converted into a "Zero Coupon Term Finance Certificate (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's shares at Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited).

- ii) **Option II : Waiver of 85% of the markup up to the date of the commissioning. The 15% remaining markup would be payable within 2 years after complete repayment of restructured loan i.e 31 December 2025.**

However, respective adjustments of this compound financial instrument regarding classification into equity portion and financial liability as required by the IAS 32 cannot be determined as options are available to individual banks of the syndicate loan and considering the financial standing of the Company in stock market, it is highly unlikely that bankers will opt for the investment in equity option as compared to markup recovery. Further all the syndicate banks except Pak Kuwait Investment Company (Private) Limited have signed the rescheduling and restructuring agreement. Pak Kuwait Investment Company (Private) Limited has not signed this agreement so far and no communication has been made by the syndicate banks in this respect which will enable the Company to assess the treatment of the said markup.

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





- 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.

	Note	December 31, 2023 Rupees (Unaudited)	June 30, 2023 Rupees (Audited)
<b>16 DEFERRED LIABILITIES</b>			
Staff gratuity	16.1	25,711,349	25,301,017
<b>16.1 Movement in net defined benefit obligation recognized in the statement of financial position:</b>			
Opening balance		25,301,017	24,480,355
Provision for the period/ year	16.1.2	410,332	820,662
		25,711,349	25,301,017
Less: Payments made during the period/ year		-	-
		25,711,349	25,301,017
<b>16.1.1</b> The Company operates a unfunded gratuity scheme for all its permanent employees subject to completion of a prescribed qualifying period of service. Actuarial valuation of the gratuity scheme undertaken at appropriate regular intervals and the latest valuation was carried out at June 30, 2019, using the "Projected Unit Credit Method". However, the amount is charged on the basis of last drawn salary of eligible employees with the Company as on December 31, 2023.			
<b>16.1.2</b> Provision of gratuity for the period/ year has been allocated as follows:			
Cost of sales		227,894	455,787
Administrative and selling expenses		182,438	364,875
		410,332	820,662
<b>17 ACCRUED MARKUP</b>			
Long term borrowings - secured		502,850,086	414,572,672
It represents markup pertaining to overdue portion (as explained in note 15.1). It includes Rs. 52,531,724/- payable to Pak Kuwait Investment Company (Private) Limited as they have not yet accepted and signed the restructuring agreement.			
<b>18 CONTINGENCIES AND COMMITMENTS</b>			
<b>18.1 Contingencies</b>			
There are no material changes in contingencies from the preceding annual published financial statements of the Company for the year ended June 30, 2023.			
<b>18.2 Commitments</b>			
Non-capital commitments - post dated cheques		746,093	900,781
		December 31, 2023 Rupees (Unaudited)	December 31, 2022 Rupees (Unaudited)
<b>19 COST OF SALES</b>			
Raw material consumed		-	-
Manufacturing overheads			
Salaries, wages and other benefits		5,146,251	4,489,055
Fuel, power and water		1,178,396	17,510,892
Entertainment		59,765	19,500
Repair and maintenance		10,893,679	93,348
Printing and stationery		3,920	5,130
Depreciation	7.1	6,887,627	7,675,316
		24,169,638	29,793,241
Add: Opening stock of work-in-process		-	-
Less: Closing stock of work-in-process		-	-
		-	-
Cost of goods manufactured		24,169,638	29,793,241
Add: Opening stock of finished goods		-	-
Less: Closing stock of finished goods		-	-
		-	-
		24,169,638	29,793,241





	Note	December 31, 2023 Rupees (Unaudited)	December 31, 2022 Rupees (Unaudited)
<b>20 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Profit on bank deposit accounts		2,467	1,624
Reversal of provision under ECL	10.1	18,238,950	-
		<u>18,241,417</u>	<u>1,624</u>

**21 LOSS PER SHARE - BASIC AND DILUTED**

Loss per share is calculated by dividing the loss after tax for the period by the weighted average number of ordinary shares outstanding during the period as follows:

Loss attributable to ordinary shareholders		<u>(115,504,776)</u>	<u>(102,824,567)</u>
			Restated
Weighted average number of ordinary shares in issue		<u>350,777,805</u>	<u>350,777,805</u>
			Restated
Loss per share - basic and diluted		<u>(0.33)</u>	<u>(0.29)</u>

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on loss per share when exercised.

**22 TRANSACTIONS WITH RELATED AND ASSOCIATED PARTIES**

Related parties include associated companies, directors of the Company, companies where directors also hold directorship, related group companies, key management personnel, staff retirement funds and entities over which directors are able to exercise influence. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter-company prices using admissible valuation modes, i.e. comparable uncontrolled price method except short term loan which are unsecured and interest free.

The outstanding balance payable to directors, sponsors and transactions with them are disclosed appropriately at relevant places in these condensed interim financial statements. Shares held by related parties are disclosed in note 12.3 to these condensed interim financial statements. During the period, the Company has not paid any remuneration or any other benefits to chief executive officer and directors.

Transactions with related and associated parties, other than disclosed elsewhere in these financial statements are as follows:

**Short term borrowings - unsecured, interest free**

Loan (repaid)/ obtained from directors and sponsors - net		<u>(147,964,922)</u>	<u>35,882,461</u>
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**23 RECOVERABLE AMOUNTS AND IMPAIRMENT**

As at the reporting date, recoverable amounts of all assets/ cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these condensed interim financial statements.

**24 ISSUE OF FURTHER SHARE CAPITAL TO POTENTIAL INVESTORS**

During the period under review, the Company has received approval of Securities and Exchange Commission of Pakistan (SECP) through its letter dated August 29, 2023, where the Company has been allowed to issue 128,961,717 ordinary shares at Rs. 4.07/- each (at Rs. 5.93 discount to par value) amounting to Rs. 524,874,188/- (the consideration) by way of other than right offer to a group of investors. During the period, funds against issuance of shares (share deposit money) have been received from the new investors in the Company's bank account and shares has been allotted to the following persons (refer note 14.2).

Sr #	Name of persons	Number of shares
1	Mr. Khawaja Shahzeb Karam	20,000,947
2	Ms. Quarat-ul-Ain Shahzeb	29,983,422
3	Haji Ghulam Ali	6,136,506
4	Mr. Fayyaz Ali	6,136,506
5	Mr. Zahir Khan	26,681,734
6	Mr. Mohabbat Khan	40,022,602
		<u>128,961,717</u>





**25 EVENTS AFTER THE CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION DATE**

There are no any other events after the condensed interim statement of financial position date causing any adjustment to/ disclosure in the condensed interim financial statements.

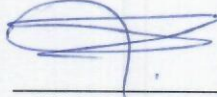
**26 DATE OF AUTHORIZATION FOR ISSUE**

27 FEB 2024

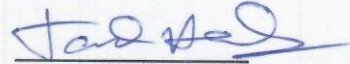
The condensed interim financial statements were authorized for issue on \_\_\_\_\_ by the board of



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

