

DOST STEELS LIMITED

Review of Interim Financial Statements

For The Half Year 31 December 2022

COMPANY INFORMATION

Board of Directors

Mr. Bilal Jamal Iftakhar
Mr. Jamal Iftakhar
Mr. Zahid Iftakhar
Mrs. Mona Zahid
Mr. Saad Zahid
Mr. Shahab Mahboob Vora
Mr. Mian Abuzar Shad
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
Plot No. 32-C, Jami Commercial
Street 2, D.H.A., Phase VII
Karachi-75500
UAN +92 (021) 111-000-322
E-mail: secretariat@thk.com.pk

Audit Committee

Mr. Shahab Mahboob Vora
Mr. Mian Abuzar Shad
Mr. Mona Zahid

Chairman
Member
Member

Human resource & Remuneration Committee

Mr. Shahab Mahboob Vora
Mr. Jamal Iftakhar
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
Allied Bank Limited
Meezan Bank

Head Office/Registered Office

4th Floor, Ibrahim Trade Centre
1-Albak 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
e mail: info@doststeels.com

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 2022. Our para wise comments on these reservations are as follows:

Sr. No.	Reservation / Qualification	Responses
01	<p>The Company, as stated in note 2, has incurred a net loss of Rs. 102.825 million (December 2021: Rs. 65.372 million) and its accumulated losses are Rs. 1,653.104 million (June 2022: Rs. 1,550.280 million). The current liabilities of the Company exceeds its current assets by Rs. 1,047.899 million and liquid assets by Rs. 1,074.745 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 obligation 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 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 going concern. Under the circumstances use of going concern assumption is not appropriate;</p>	<p>As described in note 2 of the financial statements, the company is in the process of issuing further share capital against an offer of a potential investor to overcome the working capital shortage and to settle the bank liabilities, the management is hopeful that this will in result to mitigate these factors.</p>
02	<p>Advance for issuance of shares – unsecured from Crescent Star Insurance Limited (CSIL) and its assignees amounts to Rs. 354.279 million as disclosed in note 14. Out of this amount, Rs. 106.284 million remained unconfirmed. The full amount is due to CSIL and its assignees, however CSIL is now disputing assignment to Dynasty</p>	<p>The CSIL assigned the amount of advance against issuance of shares to Dynasty Trading (Private) Limited and Din Corporation (Private) Limited. All legal obligations and matters were complied with and advance was assigned with the mutual consent of CSIL, the Company, Dynasty Trading (Private) Limited and Din Corporation (Private) Limited. The assignment</p>

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Sr. No.	Reservation / Qualification	Responses
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02	<p>Advance for issuance of shares – unsecured from Crescent Star Insurance Limited (CSIL) and its assignees amounts to Rs. 354.279 million as disclosed in note 14. Out of this amount, Rs. 106.284 million remained unconfirmed. The full amount is due to CSIL and its assignees, however CSIL is now disputing assignment to Dynasty</p>	<p>The CSIL assigned the amount of advance against issuance of shares to Dynasty Trading (Private) Limited and Din Corporation (Private) Limited. All legal obligations and matters were complied with and advance was assigned with the mutual consent of CSIL, the Company, Dynasty Trading (Private) Limited and Din Corporation (Private) Limited. The assignment</p>

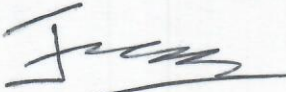
	Trading (Private) Limited (DTPL) (Refer note 14). Further we were unable to confirm these balances by alternative means;	was duly approved by the Board of the Company. All the Parties involved have signed the necessary legal documentation pertaining to the assignment.
03	The syndicate long term finance of Rs. 793.815 million, markup accrued (freezed) thereon of Rs. 614.940 million, overdue portion of LTF of Rs. 268.954 million and markup charged during the period of Rs. 65.568 million as disclosed in the interim financial statements, remained unconfirmed. Further the Company has breached the covenants of the long term financing and as per the requirement of the IAS 1 (Presentation of Financial Statements), has not classified its long term financing 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;	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 company is in process to reactivate the communications with syndicate banks.
04	We did not receive responses to our letters requesting for confirmations from the banks amounting to Rs. 0.057 million. Further bank statements for 3 out of 18 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 either by bank statement provided to auditor and direct balance confirmation received to auditor.
05	Balance confirmation requests remained un-responded in respect of 'trade creditors' and 'advances for supplies/ services' amounting to Rs. 4.052 million and Rs. 1.027 million respectively. We were unable to satisfy ourselves by alternative means;	Due to the unorganized nature of the trade creditors/Debtors most of these could not be reached and organized.
06	The Company has not conducted impairment testing of its property, plant and equipment (note 7) and stores and spares as on 31 December 2022 under the IAS 36, Impairment of Assets which constitute departure from International Financial Reporting Standards. We	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

	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;	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.
07	Confirmation from 2 legal advisors and consultants, of the Company regarding pending litigations and contingencies as on 31 December 2022 were not received therefore completeness of contingencies as disclosed in note 17 cannot be commented upon;	These Legal advisors have no active legal litigations of the company. However Legal advisor who have active legal litigation of the company has been respond to the auditor's confirmation.
08	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 15.1 to the interim financial statements for the half year ended 31 December 2022 and the impact of the non-compliance of IAS 19 on interim financial statements could not be quantified;	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.
09	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. Neither consequent impact of default penalty/surcharge due to non-compliance of related provisions of the relevant laws has been quantified nor it has been disclosed in these financial statements. These dues have not been separately disclosed in the financial statements as per the requirement of IAS-1 "Presentation of 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.
10	The Company had written back aggregate liabilities amount of Rs. 35.695 million during the year ended 30 June 2022. Management could not provide valid reasons for writing back of these balances. Consequently, the impact of these write backs on the accuracy of the closing balances of the above and on the	Most of the balances were outstanding more than three years, and not even respond to their balance confirmation since long therefore written off. However the company has not denied its legal obligation to pay these liabilities whenever they demand.

	financial statements could not be ascertained.	
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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

A handwritten signature in black ink, appearing to read 'Jamal Iftakhar'.

Jamal Iftakhar
Chief Executive Officer
Dated:- 28 February 2023

A handwritten signature in blue ink, appearing to read 'Saad Zahid'.

Saad Zahid
Director



Independent Auditors' Review Report

To the members of Dost Steels Limited

Report on review of 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, 2022 and the related condensed interim statement of profit or loss, the condensed interim statement of 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, has incurred a net loss of Rs. 102.825 million (December 2021: Rs. 65.372 million) and its accumulated losses are Rs. 1,653.104 million (June 2022: Rs. 1,550.280 million). The current liabilities of the Company exceeds its current assets by Rs. 1,047.899 million and liquid assets by Rs. 1,074.745 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 obligation 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 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 going concern. Under the circumstances use of going concern assumption is not appropriate;

2. Advance for issuance of shares – unsecured from Crescent Star Insurance Limited (CSIL) and its assignees amounts to Rs. 354.279 million as disclosed in note 14. Out of this amount, Rs. 106.284 million remained unconfirmed. The full amount is due to CSIL and its assignees, however CSIL is now disputing assignment to Dynasty Trading (Private) Limited (DTPL) (Refer note 14). Further we were unable to confirm these balances by alternative means;
3. The syndicate long term finance of Rs. 793.815 million, markup accrued (freezed) thereon of Rs. 614.940 million, overdue portion of LTF of Rs. 268.954 million and markup charged during the period of Rs. 65.568 million as disclosed in the interim financial statements, remained unconfirmed. Further the Company has breached the covenants of the long term financing and as per the requirement of the IAS 1 (Presentation of Financial Statements), has not classified its long term financing 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;
4. We did not receive responses to our letters requesting for confirmations from the banks amounting to Rs. 0.057 million. Further bank statements for 3 out of 18 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;
5. Balance confirmation requests remained un-responded in respect of 'trade creditors' and 'advances for supplies/ services' amounting to Rs. 4.052 million and Rs. 1.027 million respectively. We were unable to satisfy ourselves by alternative means;
6. The Company has not conducted impairment testing of its property, plant and equipment (note 7) and stores and spares as on 31 December 2022 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;
7. Confirmation from 2 legal advisors and consultants, of the Company regarding pending litigations and contingencies as on 31 December 2022 were not received therefore completeness of contingencies as disclosed in note 17 cannot be commented upon;
8. 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 15.1 to the interim financial statements for the half year ended 31 December 2022 and the impact of the non-compliance of IAS 19 on interim financial statements could not be quantified;
9. 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. Neither consequent impact of default penalty/ surcharge due to non-compliance of related provisions of the relevant laws has been quantified nor it has been disclosed in these financial statements. These dues have not been separately disclosed in the financial statements as per the requirement of IAS-1 "Presentation of Financial Statements";

10. The Company had written back aggregate liabilities amount of Rs. 35.695 million during the year ended 30 June 2022. Management could not provide valid reasons for writing back of these balances. Consequently, the impact of these write backs on the accuracy of the closing balances of the above and on the financial statements could not be ascertained.

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 31 December 2022 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.

Emphasis of Matter

We draw attention to note 2 to the interim financial statements, describing that the Company is in process of issuing further share capital to the potential investor other than right shares. Our conclusion is not modified in this matter.

Other Matter

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

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



Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS


Lahore: 28 FEB 2023
UDIN: RR202210701UPL3WChkt

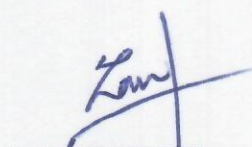
DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

		(Unaudited) December 31, 2022 <u>Rupees</u>	(Audited) June 30, 2022 <u>Rupees</u>
	Note		
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,529,315,716	2,537,149,985
Intangible assets	8	1,000	1,000
Long term security deposits		40,521,445	40,521,445
Deferred tax asset		-	-
		2,569,838,161	2,577,672,430
CURRENT ASSETS			
Stores and spares		26,845,775	26,845,775
Stock in trade	9	-	-
Trade debtors	10	-	-
Advances		1,267,184	1,241,739
Taxes refundable/ adjustable		14,043,132	10,056,682
Cash and bank balances	11	94,026	117,743
		42,250,117	38,261,939
TOTAL ASSETS		2,612,088,278	2,615,934,369
<u>EQUITY</u>			
SHARE CAPITAL AND RESERVES			
Share capital	12	3,157,338,600	3,157,338,600
Discount on issue of right shares	13	(1,365,481,480)	(1,365,481,480)
Accumulated losses		(1,653,104,160)	(1,550,279,593)
TOTAL EQUITY		138,752,960	241,577,527
<u>LIABILITIES</u>			
NON-CURRENT LIABILITIES			
Advance for issuance of shares - unsecured	14	358,100,019	358,100,019
Long term financing - secured	15	385,134,206	454,997,428
Markup accrued on secured loans	15	614,940,264	614,940,264
Deferred liabilities	16	25,011,357	24,480,355
		1,383,185,846	1,452,518,066
CURRENT LIABILITIES			
Trade and other payables		46,166,520	49,169,296
Accrued markup		325,484,698	259,916,909
Short term borrowings - unsecured		309,817,757	273,935,296
Current and overdue portion of long term financing	15	408,680,497	338,817,275
Provision for taxation		-	-
		1,090,149,472	921,838,776
CONTINGENCIES AND COMMITMENTS			
TOTAL LIABILITIES	17	2,473,335,318	2,374,356,842
TOTAL EQUITY AND LIABILITIES		2,612,088,278	2,615,934,369

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer

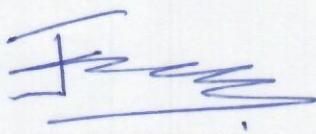

Director



DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	Note	(Unaudited)		(Unaudited)	
		Half year ended		Quarter ended	
		December 31, 2022 Rupees	December 31, 2021 Rupees	December 31, 2022 Rupees	December 31, 2021 Rupees
Sales		-	-	-	-
Cost of sales	18	(29,793,241)	(16,697,510)	(15,416,612)	(8,459,281)
Gross loss		(29,793,241)	(16,697,510)	(15,416,612)	(8,459,281)
Administrative and selling expenses		(7,455,012)	(32,017,632)	(3,745,610)	(13,094,805)
Finance cost		(65,577,938)	(37,110,866)	(34,024,565)	(21,088,938)
Other operating income	19	1,624	20,454,405	-	-
Loss before taxation		(102,824,567)	(65,371,603)	(53,186,787)	(42,643,024)
Taxation		-	-	-	-
Loss after taxation		(102,824,567)	(65,371,603)	(53,186,787)	(42,643,024)
Loss per share - Basic and diluted	20	(0.33)	(0.21)	(0.17)	(0.12)

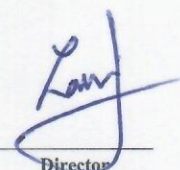
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Chief Executive Officer



Chief Financial Officer




Director



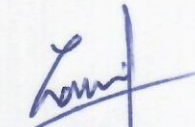
DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	(Unaudited) Half year ended		(Unaudited) Quarter ended	
	December 31, 2022 Rupees	December 31, 2021 Rupees	December 31, 2022 Rupees	December 31, 2021 Rupees
Loss after taxation	(102,824,567)	(65,371,603)	(53,186,787)	(42,643,024)
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss				
Remeasurement of staff gratuity	-	-	-	-
Deferred tax impact of remeasurement	-	-	-	-
Items that may be reclassified to profit or loss	-	-	-	-
Total comprehensive loss for the period	(102,824,567)	(65,371,603)	(53,186,787)	(42,643,024)

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


 Chief Executive Officer,


 Chief Financial Officer


 Director





DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	(Unaudited)			
	Share capital	Discount on issue of right shares	Revenue reserve	Total
			Accumulated losses	
	----- Rupees -----			
Balance as at July 01, 2021	3,157,338,600	(1,365,481,480)	(1,415,438,292)	376,418,828
Total comprehensive loss for the half year ended December 31, 2021	-	-	(65,371,603)	(65,371,603)
Balance as at December 31, 2021	3,157,338,600	(1,365,481,480)	(1,480,809,895)	311,047,225
Total comprehensive loss for the half year ended June 30, 2022	-	-	(69,469,698)	(69,469,698)
Balance as at July 01, 2022	3,157,338,600	(1,365,481,480)	(1,550,279,593)	241,577,527
Total comprehensive loss for the half year ended December 31, 2022	-	-	(102,824,567)	(102,824,567)
Balance as at December 31, 2022	3,157,338,600	(1,365,481,480)	(1,653,104,160)	138,752,960

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


 Chief Executive Officer


 Chief Financial Officer


 Director

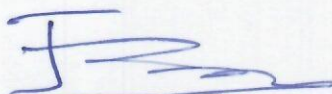


DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED DECEMBER 31, 2022


	(Unaudited) December 31, 2022 Rupees	(Unaudited) December 31, 2021 Rupees
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(102,824,567)	(65,371,603)
Adjustments for non-cash and other items:		
Depreciation	7,834,269	8,756,910
Amortization	-	166,703
Finance cost	65,577,938	37,110,866
Provision for gratuity	531,002	2,138,252
Creditors written back	-	(20,452,613)
Provision against raw material	-	4,781,225
Interest income	(1,624)	(1,792)
	73,941,585	32,499,551
Operating cash flow before working capital changes	(28,882,982)	(32,872,052)
Working capital changes:		
(Increase)/ decrease in current assets:		
Stock-in-trade	-	-
Trade debtors	-	1,030,000
Advances	(25,445)	498
Taxes refundable/ adjustable	(3,986,450)	(707,948)
Increase/ (decrease) in current liabilities:		
Trade and other payables	(3,002,776)	3,171,118
	(7,014,671)	3,493,668
Cash used in operations	(35,897,653)	(29,378,384)
Finance cost paid	(10,149)	(13,142)
Taxes paid	-	(105,809)
Net cash used in operating activities	(35,907,802)	(29,497,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,624	1,792
Net cash generated from investing activities	1,624	1,792
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing - secured	-	-
Receipt of short term borrowings - unsecured	35,882,461	29,712,510
Net cash generated from financing activities	35,882,461	29,712,510
Net (decrease)/ increase in cash and cash equivalents during the period	(23,717)	216,967
Cash and cash equivalents at the beginning of the period	117,743	93,497
Cash and cash equivalents at the end of the period	94,026	310,464

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The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director



DOST STEELS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - UNAUDITED
FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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 (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 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 GOING CONCERN ASSUMPTION

The Company has incurred a net loss of Rs. 102.825 million (December 2021: Rs. 65.372 million) and its accumulated losses are Rs. 1,653.104 million (June 2022: Rs. 1,550.280 million). The current liabilities of the Company exceeds its current assets by Rs. 1,047.899 million and liquid assets by Rs. 1,074.745 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 obligation 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 (note 17).

The Company is in process of issuing further share capital other than right shares to settle the defaulted bank liabilities and to provide for/ arrange working capital to revive the operations of the Company. The board of directors, in their meeting held on 18 January 2022 has approved the offer from Mr. Khawaja Shahzeb Akram being the potential investor to invest upto 29% in share capital (after the issuance of these shares) of the Company. Later on, the board decision is also approved by the members of the Company in the extraordinary general meeting held on 10 February 2022. The future implications of the scheme cannot presently be estimated as it is subject to the applicable statutory and regulatory approvals.

Further, the Company is in process of negotiating with syndicate consortium to arrange for working capital required to resume commercial production. The Company is 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 BASIS OF PREPARATION

3.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise:

- International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, 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, 2022, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the selected notes for half year ended December 31, 2022.



- 3.4 The comparative statement of financial position presented in these condensed interim financial statements as at December 31, 2022 has been extracted from the audited financial statements of the Company for the year ended June 30, 2022, whereas the comparative statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half year ended December 31, 2022 have been subjected to review but not audited.
- 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, 2022.

4 SIGNIFICANT ACCOUNTING POLICIES

- 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 financial statements for the year ended June 30, 2022, except for those stated as below;

a New standards, amendments to approved accounting standards and new interpretations

- Amendments to approved accounting standards which are effective during the half year ended 31 December, 2022

There are certain amendments to approved accounting standards which are mandatory for accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or have any significant effect on the Company's financial reporting.

- New standards and amendments to approved accounting standards that are effective for the Company's accounting periods beginning on or after July 1, 2022

There are certain amendments to approved accounting standards that will be mandatory for accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or expected to have any significant effect on the Company's financial reporting.

- 4.2 Previous periods' figures are rearranged/ reclassified where necessary to facilitate comparison and are rounded off to the nearest rupee; appropriate disclosure is given in relevant note in case of material rearrangement.

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, 2022.

6 RISK MANAGEMENT

The Company's risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2022.



7 PROPERTY, PLANT AND EQUIPMENT

Operating assets

	Note	(Unaudited) December 31, 2022 Rupees	(Audited) June 30, 2022 Rupees
7.1		2,529,315,716	2,537,149,985
		<u>2,529,315,716</u>	<u>2,537,149,985</u>

7.1 Operating Assets

Particulars	OWNED							Total
	Freehold land	Building on freehold land	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Electric equipment	Computers equipment
----- Rupees -----								
Period ended December 31, 2022								
Cost	157,876,220	232,546,602	2,230,750,729	3,809,299	837,500	1,928,302	10,264,774	5,071,544
Accumulated depreciation	-	(92,417,193)	(4,481,784)	(3,225,831)	(729,243)	(1,134,055)	(7,187,928)	(4,593,220)
	<u>157,876,220</u>	<u>140,129,409</u>	<u>2,226,268,945</u>	<u>583,468</u>	<u>108,257</u>	<u>794,247</u>	<u>3,076,846</u>	<u>478,324</u>
								<u>2,529,315,716</u>
As at June 30, 2022								
Cost	157,876,220	232,546,602	2,230,750,729	3,809,299	837,500	1,928,302	10,264,774	5,071,544
Accumulated depreciation	-	(85,041,961)	(4,481,784)	(3,178,523)	(717,215)	(1,068,238)	(6,938,454)	(4,508,810)
	<u>157,876,220</u>	<u>147,504,641</u>	<u>2,226,268,945</u>	<u>630,776</u>	<u>120,285</u>	<u>860,064</u>	<u>3,326,320</u>	<u>562,734</u>
								<u>2,537,149,985</u>
Period ended December 31, 2022								
Opening net book value	157,876,220	147,504,641	2,226,268,945	630,776	120,285	860,064	3,326,320	562,734
Additions	-	-	-	-	-	-	-	-
Deletion	-	-	-	-	-	-	-	-
Depreciation charged	-	(7,375,232)	-	(47,308)	(12,028)	(65,817)	(249,474)	(84,410)
	<u>157,876,220</u>	<u>140,129,409</u>	<u>2,226,268,945</u>	<u>583,468</u>	<u>108,257</u>	<u>794,247</u>	<u>3,076,846</u>	<u>478,324</u>
								<u>2,529,315,716</u>
Year ended June 30, 2022								
Opening net book value	157,876,220	163,894,046	2,226,268,945	742,090	150,356	1,014,925	3,913,318	803,906
Additions	-	-	-	-	-	-	-	-
Deletion	-	-	-	-	-	-	-	-
Depreciation charged	-	(16,389,405)	-	(111,314)	(30,071)	(154,861)	(586,998)	(241,172)
	<u>157,876,220</u>	<u>147,504,641</u>	<u>2,226,268,945</u>	<u>630,776</u>	<u>120,285</u>	<u>860,064</u>	<u>3,326,320</u>	<u>562,734</u>
								<u>2,537,149,985</u>
Net book value as at June 30, 2022								
	-	10%	Units of production	15%	20%	15%	15%	30%
Rate of depreciation								

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

	December 31, 2022 Rupees	June 30, 2022 Rupees
Cost of sales	7,675,316	17,108,819
Administrative and selling expenses	158,953	405,002
	<u>7,834,269</u>	<u>17,513,821</u>

7.1.2 Freehold land includes land, comprising of 326 kanal and 12 marla, situated at 52 km, Multan Road, Ferozshah. Building is constructed on this land. Freehold land also includes open freehold land having area of 206 acres 68 sq-yards situated at Karachi.

7.1.3 No depreciation is charged to plant and machinery as per Company's policy as number of units produced were nil during the year.



		(Unaudited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees	Rupees
8 INTANGIBLE ASSETS			
Computer software			
COST			
As at beginning of the period/ year		1,111,350	1,111,350
Addition		-	-
Balance as at end of the period/ year		1,111,350	1,111,350
ACCUMULATED AMORTIZATION			
As at beginning of the period/ year		(1,110,350)	(777,945)
Amortization charge for the period/ year		-	(332,405)
Balance as at end of the period/ year		(1,110,350)	(1,110,350)
Written down value as at end of the period/ year		1,000	1,000
The Company amortizes intangible asset on straight line basis over the period of useful life. As assets are still in use, these are carried in books at notional value.			
9 STOCK-IN-TRADE			
Raw material		4,781,225	4,781,225
Less: Provision for obsolete raw material		(4,781,225)	(4,781,225)
		-	-
10 TRADE DEBTORS			
Unsecured and considered good by the management			
Trade debtors		45,218,980	45,218,980
Remeasurement of expected credit loss	10.1	(45,218,980)	(45,218,980)
		-	-
10.1 Remeasurement of expected credit loss			
Opening balance		45,218,980	37,735,982
Charged for the period/ year		-	7,482,998
Closing balance		45,218,980	45,218,980
11 CASH AND BANK BALANCES			
Cash in hand		1,539	2,661
Cash at banks:			
- current accounts		67,212	91,203
- deposit accounts	11.1	25,275	23,879
		92,487	115,082
		94,026	117,743
11.1	It includes balances pertaining to repayment account for long term loans amounting to Rs. 3,188/- (30 June 2022: Rs. 2,911/-). Management of the Company as per arrangement can't withdraw amounts once deposited in this bank account.		
12 SHARE CAPITAL			
		(Unaudited) December 31, 2022	(Audited) June 30, 2022
		Number of shares	
AUTHORIZED SHARE CAPITAL			
360,000,000		360,000,000	Authorized share capital of Rs. 10 each
		3,600,000,000	3,600,000,000
ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
		Ordinary share of Rs.10 each	
315,733,860		315,733,860	fully paid in cash
	12.1	3,157,338,600	3,157,338,600
12.1	It includes 84,166,705 (June 2022: 84,166,705) ordinary shares of Rs.10/- each, amounting to Rs. 841,667,050/- (June 2022: Rs. 841,667,050/-) held by related parties.		
12.2	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.		
12.3	The Company has not reserved shares for issue under options or sale contracts.		
12.4	Reconciliation of shares is not required in view of no change.		
13 DISCOUNT ON ISSUE OF RIGHT SHARES		1,365,481,480	1,365,481,480
The Company issued right shares with the approval of board of directors, SECP and PSX 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 in year 2017.			
14 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
		358,100,019	358,100,019
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 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 and Din Corporation (Private) Limited respectively under an assignment agreement executed on February 12, 2019. The notice of assignment was given on February 08, 2019 which was approved by the board on February 27, 2019. Subsequently CSIL has controverted/ disputed assignment in favour of Dynasty Trading (Private) Limited. Management is of the view that presently there is no dispute regarding total amount payable and dispute pertains to whom it is payable. At that time CEO of CSIL was also chairman and director of Doot Steels Limited. Refer note 17 also on contingencies.			



		(Unaudited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees	Rupees
15 LONG TERM FINANCING - SECURED			
From banking companies and financial institutions			
Term finance - Restructured facilities	15.1		
Opening balance		793,814,703	793,814,703
Paid during the year		-	-
		793,814,703	793,814,703
Less: Current portion		(139,726,444)	(116,438,704)
Less: Overdue portion	15.1.1	(268,954,053)	(222,378,571)
		(408,680,497)	(338,817,275)
		<u>385,134,206</u>	<u>454,997,428</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 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-principal 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.		
	Terms of rescheduled and restructured agreement are as follows:		
a)	For the repayment of the unpaid markup, markup 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. As per the terms of the agreement the syndicate loan banks individually have the following two options regarding the repayment of the unpaid markup:		
i)	Option I : 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%
	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 Pakistan Stock Exchange Limited.		
ii)	Option II : Waiver of 85% of the markup upto 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 has not signed this agreement so far and no communication was made by the banks in this respect which will enable the company to assess treatment for 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 agreed in 41 quarterly instalments commencing from 31 March 2016 and ending on 31 December 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.		
15.1.1	Overdue portion of liability represents full amount due upto 31 December 2022 as per the Company's records.		
16 DEFERRED LIABILITIES			
Staff gratuity	16.1	<u>25,011,357</u>	<u>24,480,355</u>
		<u>25,011,357</u>	<u>24,480,355</u>
16.1 Staff gratuity			
Movement in net defined benefit obligation recognized in the statement of financial position:			
Opening balance		24,480,355	23,418,350
Provision for the period/ year	16.1.1	531,002	1,062,005
		25,011,357	24,480,355
Less: Payments made during the period/ year		-	-
		<u>25,011,357</u>	<u>24,480,355</u>
16.1.1	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 30 June 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 in June 2022.		
	Provision of gratuity for the period/ year has been allocated as follows:		
Cost of sales		287,752	575,505
Administrative and selling expenses		243,250	486,500
		<u>531,002</u>	<u>1,062,005</u>
17 CONTINGENCIES AND COMMITMENTS			
17.1 Contingencies			
	There are no material changes in contingencies from the preceding annual published financial statements of the Company for the year ended 30 June 2022		
17.2 Commitments			
Non-capital commitments - post dated cheques		<u>1,245,310</u>	<u>1,625,000</u>
	There are no any other contingencies or commitments of the Company except as described above.		



	Note	(Unaudited) December 31, 2022 Rupees	(Unaudited) December 31, 2021 Rupees
18 COST OF SALES			
Raw material consumed		-	-
Manufacturing overheads			
Salaries, wages and other benefits		4,489,055	4,376,551
Fuel, power and water		17,510,892	3,647,565
Travelling and conveyance		-	11,630
Entertainment		19,500	17,260
Repair and maintenance		93,348	86,705
Printing and stationery		5,130	3,390
Depreciation	7.1.1	7,675,316	8,554,409
		29,793,241	16,697,510
Add: Opening stock- work in process		-	-
Less: Closing stock- work in process		-	-
		29,793,241	16,697,510
Cost of goods manufactured		-	-
Add: Opening stock of finished goods		-	-
Less: Closing stock of finished goods		-	-
		29,793,241	16,697,510

19 OTHER OPERATING INCOME			
Income from financial instruments			
Profit on bank deposit accounts		1,624	1,792
Exchange gain		-	-
		1,624	1,792
Income from non-financial instruments			
Creditors written back		-	20,452,613
		1,624	20,454,405

20 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		(102,824,567)	(65,371,603)
Weighted average number of ordinary shares in issue		315,733,860	315,733,860
Loss per share - basic and diluted		(0.33)	(0.21)
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.			

	(Unaudited) December 31, 2022 Rupees	(Audited) June 30, 2022 Rupees
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21 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.

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

Key management personnel:

Salaries and benefits charged

Remuneration of chief executive and directors

19,104,000

Short term borrowings - Unsecured/ Interest free

Loan obtained from sponsors - not

35,882,461 31,079,787

Advance for issuance of shares - unsecured of Rs. 358,100,019/- (June 30, 2022: Rs. 358,100,019/-) and short term borrowings - unsecured of Rs. 309,817,757/- (June 30, 2022: Rs. 273,935,296/-) are due to associated undertakings and related parties. Shares held by related parties are disclosed in note 12.1. Refer note 14 also.

22 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

23 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on **28 FEB 2023** by the board of directors of the Company.

24 GENERAL

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


Chief Executive Officer


Chief Financial Officer


Director

