

# **DOST STEELS LIMITED**

**FINANCIAL STATEMENTS UN-AUTITED  
FOR THE QUARTER ENDED  
30 SEPTEMBER 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**

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  
 Meezan Bank

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

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

### **Auditors**

Rahman Sarfaraz Rahim Iqbal Rafiq  
 Chartered Accountants

### **Legal Advisor**

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

### **Plant Address**

52 Km Lahore Multan Road  
 Phool Nagar, Distt Kasur Punjab

### **Web Presence**

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



## DIRECTORS' REPORT TO THE SHAREHOLDERS

**Assalam-o-Alaikum**

The Directors of Dost Steels Limited present their review on the financial performance of the Company for the quarter ended September 30, 2023.

Financial performance of the Company for the quarter ending September 30, 2023 along with corresponding period was as under:

Description	September 30, 2023 (PKR)	September 30, 2022 (PKR)
<b>Sales</b>	-	-
<b>Cost of sales</b>	(17,007,724)	(14,376,629)
<b>Gross Loss</b>	(17,007,724)	(14,376,629)
<b>Administrative and selling expenses</b>	(3,351,487)	(3,709,402)
<b>Finance costs</b>	(45,339,216)	(31,553,373)
<b>Loss before taxation</b>	(65,698,427)	(49,639,404)
<b>Taxation</b>	-	-
<b>Loss after taxation</b>	(65,698,427)	(49,639,404)
<b>Loss per share</b>	(0.21)	(0.16)

Loss per share for the three months was Rupees 0.21 as compared to Rupees 0.16 in corresponding period last year. Loss after tax for the period was Rupees 65.698 million as compared to Rupees 49.639 million in corresponding period last year.

The Company was 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 (including his nominees) 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. In this regard the SECP permission was needed and an application to SECP had been made.

We are pleased to inform you that in the quarter, under review, the company has received approval of SECP through its application dated 15 April 2022. The SECP through its letter dated 29 August 2023 has allowed the company to issue 128,961,717 ordinary shares at PKR 4.07/- each (at discount to par value) amounting to PKR. 524,874,188/- (the consideration) by way of other than right offer to a group of investors. The company is in the process of resolving the debt settlement with the syndicate lenders, receipt of funds by the company and compliance with the regulatory laws governing process for the share issuance process.

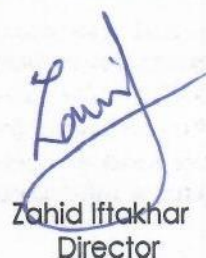
The Investment will be utilized to settle the defaulted bank liabilities and to provide for/arrange working capital to revive operations of the Company. This will result in revival of the Company and will result in profitability.

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

On behalf of the Board of Directors



**Jamal Iftakhar**  
Chief Executive Officer



**Zahid Iftakhar**  
Director



**DOST STEELS LIMITED**  
**STATEMENT OF FINANCIAL POSITION UN-AUTITED**  
**AS AT 30 SEPTEMBER 2023**

	Note	UN-AUTITED September 2023 Rupees	AUTITED June 2023 Rupees
<b>PROPERTY AND ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	2,517,994,136	2,521,484,066
Intangible assets	6	1,000	1,000
Long term security deposits	7	40,521,445	40,521,445
		2,558,516,581	2,562,006,511
<b>CURRENT ASSETS</b>			
Stores and spares		26,845,775	26,845,775
Stock in trade	8	-	-
Trade debtors	9	-	-
Advances	10	1,241,739	1,261,739
Taxes recoverable/adjustable	11	14,598,053	14,598,053
Cash and bank balances	12	72,648	129,114
		42,758,215	42,834,681
<b>TOTAL PROPERTY AND ASSETS</b>		<b>2,601,274,796</b>	<b>2,604,841,192</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	13	3,157,338,600	3,157,338,600
Discount on issue of right shares	14	(1,365,481,480)	(1,365,481,480)
Revenue reserve			
Accumulated loss		(1,828,545,245)	(1,762,846,818)
		(36,688,125)	29,010,302
<b>NON-CURRENT LIABILITIES</b>			
Advance for issuance of shares - unsecured	15	358,100,019	358,100,019
Long term borrowings - secured	16	291,983,243	291,983,243
Markup accrued on secured loans	17	614,940,264	614,940,264
Deferred liabilities	18	25,506,182	25,301,017
		1,290,529,708	1,290,324,543
<b>CURRENT LIABILITIES</b>			
Trade and other payables - unsecured	19	45,054,183	43,366,038
Accrued markup	20	459,911,888	414,572,672
Short term borrowings - unsecured	21	340,635,682	325,736,177
Current and overdue portion of long term financing	16	501,831,460	501,831,460
Provision for taxation		-	-
		1,347,433,213	1,285,506,347
<b>CONTINGENCIES AND COMMITMENTS</b>	22		
		2,637,962,921	2,575,830,890
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,601,274,796</b>	<b>2,604,841,192</b>

The annexed notes 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

**DOST STEELS LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME UN-AUTIED**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

	Note	Un-Audited September 2023 Rupees	Un-Audited September 2022 Rupees
Sales		-	-
Cost of sales		(17,007,724)	(14,376,629)
<b>Gross loss</b>		<b>(17,007,724)</b>	<b>(14,376,629)</b>
Administrative and selling expenses		(3,351,487)	(3,709,402)
Finance cost		(45,339,216)	(31,553,373)
Other operating income		-	-
<b>Loss before taxation</b>		<b>(65,698,427)</b>	<b>(49,639,404)</b>
Taxation		-	-
<b>Loss after taxation</b>		<b>(65,698,427)</b>	<b>(49,639,404)</b>
<b>OTHER COMPREHENSIVE INCOME</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 year</b>		<b>(65,698,427)</b>	<b>(49,639,404)</b>
<b>Loss per share - basic and diluted</b>	<b>23</b>	<b>(0.21)</b>	<b>(0.16)</b>

The annexed notes 1 to 29 form an integral part of these financial statements.



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

**DOST STEELS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY UN-AUTITED**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

	Share capital	Discount on issue of right shares	Revenue reserve	Total
			Accumulated losses	
----- Rupees -----				
Balance as at 01 July 2022	3,157,338,600	(1,365,481,480)	(1,550,279,593)	241,577,527
Total comprehensive loss for the year	-	-	(212,567,225)	(212,567,225)
Balance as at 30 June 2023	3,157,338,600	(1,365,481,480)	(1,762,846,818)	29,010,302
Total comprehensive loss for the period	-	-	(65,698,427)	(65,698,427)
Balance as at 30 September 2023	3,157,338,600	(1,365,481,480)	(1,828,545,245)	(36,688,125)

The annexed notes 1 to 29 form an integral part of these financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**



**DOST STEELS LIMITED**  
**STATEMENT OF CASH FLOWS UN-AUTITED**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

	Un-Audited September 2023 Rupees	Un-Audited September 2022 Rupees
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(65,698,427)	(49,639,404)
<b>Adjustments for non-cash and other items:</b>		
Depreciation	3,489,930	3,917,134
Amortization	-	-
Finance cost	45,339,216	31,553,373
Provision for gratuity	205,166	273,554
	49,034,312	35,744,061
<b>Operating cash flows before working capital changes</b>	(16,664,115)	(13,895,343)
<b>Working capital changes:</b>		
(Increase)/ decrease in current assets:		
Advances	20,000	-
Taxes recoveable/ adjustable	-	(1,871,155)
Decrease in current liabilities:		
Trade and other payables	1,688,145	(2,947,511)
	1,708,145	(4,818,666)
<b>Cash flows used in operations</b>	(14,955,970)	(18,714,009)
<b>Net cash flows used in operating activities</b>	(14,955,970)	(18,714,009)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Net cash flows generated from investing activities</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings-unsecured	14,899,505	18,700,000
<b>Net cash flows generated from financing activities</b>	14,899,505	18,700,000
<b>Net increase in cash and cash equivalents during the year</b>	(56,466)	(14,009)
<b>Cash and cash equivalents at the beginning of the year</b>	129,114	117,743
<b>Cash and cash equivalents at the end of the year</b>	72,648	103,734

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The annexed notes 1 to 29 form an integral part of these financial statements.

  
**Chief Executive Officer**

  
**Chief Financial Officer**

  
**Director**



**DOST STEELS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 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.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

- International Financial Reporting Standards (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 Functional and presentation currency**

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

**3.3 Accounting convention**

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

**3.4 Use of estimates and judgments**

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

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

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

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

- **Property, plant and equipment**

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

- **Income taxes**

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

- **Trade and other receivables**

The Company regularly reviews its trade and other receivables in order to estimate the provision required against bad debts (refer note 4.4).

- **Employee benefits**

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

**3.5 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements**

**a) Standards and interpretations that became effective but are not relevant to the Company:**

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

- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework).
- IFRS 9 - Financial Instruments - (Amendments to 10 percent test for derecognition of financial liabilities in
- IAS 16- Property, Plant and Equipment - (Amendments regarding proceeds before intended use).
- IAS 16- Property, Plant and Equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company).
- IAS 37- Provisions, Contingent Liabilities and Contingent Assets - (Amendments regarding the costs to include when assessing whether a contract is onerous).

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

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

- IAS 1- Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies- (Effective for annual periods beginning on or after 1 January 2023).
- IAS 1- Presentation of Financial Statements - Amendments regarding the classification of debt with covenants-(effective for annual periods beginning on or after 1 January 2024).
- IAS 1 - Presentation of financial statements - Amendments regarding the classification of liabilities - (applicable on annual periods beginning on or after 1 January 2024).
- IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates- (Effective for annual periods beginning on or after 1 January 2023).



- IAS 12- Income Taxes - (Amendments regarding deferred tax related to assets and liabilities arising from single transaction)-(effective for annual periods beginning on or after 1 January 2023).
  - IFRS 7 - Financial Instruments - Amendments regarding supplier finance arrangements - (applicable on annual periods beginning on or after 1 January 2024).
  - IFRS 16 - Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions - (applicable on Annual periods beginning on or after 1 January 2024).
  - IAS 7 - Statement of cash flows - Amendments regarding supplier finance arrangements - (applicable on annual periods beginning on or after 1 January 2024).
  - IAS 41 - Agriculture - Amendment regarding taxation in fair value measurement - (effective for annual periods beginning on or after 1 January 2023).
  - IAS 37- Provisions, Contingent Liabilities and Contingent Assets - (Amendments regarding the costs to include when assessing whether a contract is onerous)-(effective for annual periods beginning on or after 1 January 2022).
  - IFRS 10/ IAS 28 - Consolidated Financial Statements and Investment in Associates - Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture - (Application date not
- Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:**
- IFRS 1 – First Time Adoption of International Financial Reporting Standards
  - IFRS 17 – Insurance Contracts

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Property, plant and equipment

These are initially measured at cost. Subsequent to initial recognition these are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land and capital work-in-progress, which are stated at cost less any identified impairment loss. Depreciation on fixed assets is charged to the statement of profit or loss by applying reducing balance method except that of plant and machinery which is on number of units method. Rates of depreciation are specified in the note 5.

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

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

Gain/ loss on disposal of property, plant and equipment are recognized in the statement of profit or loss.

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

##### Intangibles

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

##### 4.2 Stores and spares

These are valued at lower of average cost and net realizable value (NRV).

##### 4.3 Stock in trade

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

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

##### 4.4 Trade debtors and other receivables

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

##### 4.5 Cash and cash equivalents

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



**4.6 Long term loans**

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

**4.7 Trade and other payables**

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

**4.8 Taxation**

**Current**

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

**Deferred**

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

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

**4.9 Provisions**

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

**4.10 Revenue recognition**

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

**4.11 Financial instruments**

**Recognition and measurement**

Financial assets and liabilities are recognized, when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights to receive cash flows from the assets that comprise the financial asset or the rights have been transferred and the Company has transferred substantially all the risks and rewards of ownership or the enterprise loses control of the contractual rights that comprise financial assets or a portion of financial assets. In case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets are long term investments, short term investments, trade and other receivables, advances adjustable in cash and cash and bank balances. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the right to receive the cash flows from the assets have been expired or have been transferred; and the Company has transferred substantially all the risks and rewards of ownership or the enterprise loses control of the contractual rights that comprise the financial assets or a portion of financial assets.

The Company has classified its financial assets based on the requirements as set out in IFRS-9 'Financial Instruments'. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items and contains three principal classifications categories of financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets are generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics.

**4.11.1 Financial assets**

**a) Financial asset at amortized cost**

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and; at an amount equal to lifetime ECLs.
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

**b) Financial asset at fair value through other comprehensive income:**

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:



- i) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and;
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.
- c) **Financial asset at fair value through profit or loss**  
A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

#### **Recognition and measurement**

Financial assets at initial recognition are measured at its fair value of the consideration given. Subsequent to initial recognition, financial assets shall be classified at amortized cost using effective interest method, fair value through other comprehensive income with changes in fair value recognized in other comprehensive income and fair value through profit or loss with changes in fair value recognized in profit or loss.

The Company follows trade date accounting for purchase and sale of investments.

#### **4.11.2 Financial liabilities**

Financial liabilities are recognized according to the substance of the contractual arrangements entered into. At the time of initial recognition, all the financial liabilities shall be measured at fair value plus or minus transaction costs that are directly attributable to the issue of a financial liability. Financial liabilities shall subsequently be measured at amortised cost. Significant financial liabilities are due to related party, trade and other payables. Any gain or loss on subsequent remeasurement to fair value of financial assets and financial liabilities is taken to the statement of profit or loss in the year in which it arises.

#### **Offsetting of financial assets and financial liabilities**

A financial asset and liability is offset against each other and the net amount is reported in the statement of financial position if the Company has legally enforceable right to set off the recognized amount and intends either to settle on net basis or realize the asset and settle the liability simultaneously.

#### **4.11.3 Derecognition**

##### **Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

##### **Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the statement of profit or loss.

#### **4.11.4 Impairment**

##### **Financial assets**

A financial asset is impaired if the credit risk on that financial asset has increased significantly since the initial recognition. Loss allowance for ECL on a financial asset is recognized to account for impairment.

If a financial asset has low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### **Non financial assets**

The Company assesses at each statement of financial position date, whether there is any indication that assets may be impaired. If such an indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed their respective recoverable amounts, assets are written down to their recoverable amount and resulting impairment loss is recognized in the statement of profit or loss. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of carrying amount of the asset had there been no impairment loss. A reversal of the impairment loss is recognized in the statement of profit or loss.

#### **4.12 Related party transactions**

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

#### **4.13 Foreign currency translation**

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

#### **4.14 Borrowing costs**

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

#### **4.15 Staff retirement benefit**

##### **Defined benefit plan**

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

The fair value of plan assets are amortized over the expected average working lives of the participating employees. Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under this scheme.



## 5 PROPERTY, PLANT AND EQUIPMENT

Particulars	OWNED								Total
	Freehold land	Building on	Plant and	Furniture and	Vehicles	Office	Electric	Computer	
		freehold land		machinery		fittings	equipments	equipments	
----- Rupees -----									
Period ended 30 September 2023									
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	2,643,084,970
Accumulated depreciation	-	(103,111,279)	(4,481,784)	(3,293,246)	(746,083)	(1,207,838)	(7,543,430)	(4,707,174)	(125,090,834)
	157,876,220	129,435,323	2,226,268,945	516,053	91,417	720,464	2,721,344	364,370	2,517,994,136
Year ended 30 June 2023									
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	2,643,084,970
Accumulated depreciation	-	(99,792,425)	(4,481,784)	(3,273,140)	(741,273)	(1,197,248)	(7,437,404)	(4,677,630)	(121,600,904)
	157,876,220	132,754,177	2,226,268,945	536,159	96,227	731,054	2,827,370	393,914	2,521,484,066
Period ended 30 September 2023									
Operating net book value	157,876,220	132,754,177	2,226,268,945	536,159	96,227	731,054	2,827,370	393,914	2,521,484,066
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charged	-	(3,318,854)	-	(20,106)	(4,810)	(10,590)	(106,026)	(29,544)	(3,489,930)
	157,876,220	129,435,323	2,226,268,945	516,053	91,417	720,464	2,721,344	364,370	2,517,994,136
Year ended 30 June 2023									
Operating net book value	157,876,220	147,504,641	2,226,368,945	630,776	120,285	860,064	3,326,320	562,734	2,537,249,985
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charged	-	(14,750,464)	-	(94,617)	(24,058)	(129,010)	(498,950)	(168,820)	(15,665,919)
	157,876,220	132,754,177	2,226,368,945	536,159	96,227	731,054	2,827,370	393,914	2,521,584,066
Net book value as at 30 June 2023									
	-	10%	Units of production	15%	20%	15%	15%	30%	

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

Note	September 2023	June 2023
	Rupees	Rupees
23	3,426,987	17,108,819
24	62,943	405,002
	3,489,930	15,665,919

5.2 Freehold land includes land having area of 326 kanal and 12 marla, situated at 52 Km, Multan Road, Phoolnagar. Building is constructed on this land. Freehold land also includes open freehold land having area of 206 acres 68 sq-yards situated in Nooriabad, Sindh.

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

	Note	September 2023 Rupees	June 2023 Rupees
<b>6 INTANGIBLE ASSETS</b>			
<u>Computer software</u>			
Cost			
At the beginning of the year		1,111,350	1,111,350
Addition during the year		-	-
Balance as at June 30		1,111,350	1,111,350
Accumulated amortization			
At the beginning of the year		(1,110,350)	(1,110,350)
Amortization charge for the year	26	-	-
Balance as at June 30		(1,110,350)	(1,110,350)
Written down value as at June 30		1,000	1,000
The Company amortizes intangible asset on a straight line basis over the period of useful life @ 30%.			
Intangible asset has been taken at notional value of Rs. 1,000/- after amortising the asset over its estimated useful life as asset is still in use.			
<b>7 LONG TERM SECURITY DEPOSITS</b>			
Against utilities		40,251,445	40,251,445
Against rent		210,000	210,000
Others		60,000	60,000
		40,521,445	40,521,445
<b>8 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>9 TRADE DEBTORS</b>			
- Unsecured			
Trade debtors		37,708,665	37,708,665
Remeasurement of expected credit loss		(37,708,665)	(37,708,665)
		-	-
<b>10 ADVANCES</b>			
- Unsecured and considered good by the management			
Advances			
To employees - against salary		-	20,000
To employees - against expenses		24,400	24,400
For supplies/ services		1,208,110	1,208,110
Margin against letter of credits		9,229	9,229
		1,241,739	1,261,739
<b>11 TAXES RECOVERABLE/ ADJUSTABLE</b>			
Advance income tax		9,506,891	9,506,891
Input sales tax		5,091,162	5,091,162
		14,598,053	14,598,053
<b>12 CASH AND BANK BALANCES</b>			
Cash in hand		20,324	4,655
Cash at banks:			
- current accounts		25,485	97,620
- deposit accounts	13.1 & 13.2	26,839	26,839
		52,324	124,459
		72,648	129,114
13.1 It includes balances pertaining to repayment account for long term loans amounting to Rs. 3,388/- (June 2023: Rs. 3388/-). Management of the Company as per arrangement can't withdraw amounts once deposited in this bank account.			
13.2 These carry profit at the rates ranging from 9.00% to 20.00% (2022: 6.75% to 12.25%) per annum.			



### 13 SHARE CAPITAL

13 SHARE CAPITAL		September 2023		June 2023	
		Rupees		Rupees	
	Note				
30 September 2023	30 June 2023				
Number of shares					
<b>AUTHORIZED SHARE CAPITAL</b>					
360,000,000	360,000,000	Authorized share capital of Rs. 10 each		3,600,000,000	3,600,000,000
<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>					
Ordinary share of Rs.10 each					
315,733,860	315,733,860	fully paid in cash		3,157,338,600	3,157,338,600
13.1 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.					
13.2 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.					
13.3 The Company has not reserved shares for issue under options or sale contracts.					
13.4 Reconciliation of shares is not required in view of no change.					
<b>14 DISCOUNT ON ISSUE OF RIGHT SHARES</b>				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 of 248,269,360 ordinary shares of Rs. 10/- each at a discount of Rs. 5.5/- per share in year 2017.					
<b>15 ADVANCE FOR ISSUANCE OF SHARES - UNSECURED</b>					
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
15.1 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.					
15.2 Subsequently due to non-settlement of assignment consideration by DTPL, a Settlement and Assignment Agreement reached on 07 June 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 (refer note 37).					
16.3 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.					
<b>16 LONG TERM BORROWINGS - SECURED</b>					
From banking companies and financial institutions					
Term finance - restructured facilities					
Opening balance		16.1	-	-	-
Paid during the year			793,814,703	793,814,703	
			-	-	-
Less: current portion			793,814,703	793,814,703	
Less: overdue portion		16.1.1	(163,014,185)	(163,014,185)	
			(338,817,275)	(338,817,275)	
			(501,831,460)	(501,831,460)	
			291,983,243	291,983,243	
16.1 The Company has arranged Restructured Term Finance facilities of Rs. 931,509,627/- from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited (now MCB Bank Limited), Bank of Khyber, Pak Kuwait Investment Company (Private) Limited, Saudi Pak Industrial and Agricultural Investment Company Limited and Faysal Bank Limited (former Royal Bank of Scotland Limited) as Syndicated loan, whereby Faysal Bank Limited is acting as agent of the syndicate. Due to absence of cash flow and delayed commissioning of the project and subsequent closure of the production, 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.					
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 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	Year 10th	Year 11th	Year 12th
		2024	2025	2026	2027
		Percentage of TFC converted	25%	25%	25%
The Conversion shall be held on the 20th Day of December each year at a discount of 5% to the last six months weighted average price of the Company shares at 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 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 is made 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.
- 16.1.1 Overdue portion of liability represents amount due from partial installment of fourth quarter of year 2019 upto 30 June 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.

		September 2023 Rupees	June 2023 Rupees
17	<b>MARKUP ACCRUED ON SECURED LOANS</b>		
	On secured loans (refer note 17)	614,940,264	614,940,264
18	<b>DEFERRED LIABILITIES</b>		
	Staff gratuity	18.1	25,301,017
18.1	<b>Staff gratuity</b>		
	Movement in net defined benefit obligation recognized in statement of financial position:		
	Opening balance	25,301,017	24,480,355
	Provision for the year	19.1.1	205,166
		25,506,183	25,301,017
	Less: payments made during the year	-	-
		25,506,183	25,301,017
19.1.1	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 are 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 as on 30 June 2023.		
	Provision of gratuity for the year has been allocated as follows:		
	Cost of sales	23.1	113,947
	Administrative and selling expenses	24.1	91,219
		205,166	820,662
19	<b>TRADE AND OTHER PAYABLES - UNSECURED</b>		
	Creditors	13,141,728	12,050,973
	Contract liabilities	419,438	419,438
	Accrued liabilities	28,481,676	27,884,286
	Payable to old employees	3,011,341	3,011,341
		45,054,183	43,366,038
20	<b>ACCRUED MARKUP</b>		
	Long term financing - secured	459,911,888	414,572,672
	It represents markup pertaining to overdue portion (as explained in note 17). It includes Rs. 45,627,069/- payable to Pak Kuwait Investment Company (Private) Limited as they have not yet accepted and signed the restructuring agreement.		
21	<b>SHORT TERM BORROWINGS - UNSECURED</b>		
	Loan from directors	276,191,888	263,264,661
	Loan from sponsors	64,443,794	62,471,516
		340,635,682	325,736,177
22	<b>CONTINGENCIES AND COMMITMENTS</b>		
22.1	<b>Contingencies</b>		
	There is no material change in the contingencies as described in the financial statements for the year ended June 30 2023.		
		September 2023 Rupees	June 2023 Rupees
22.2	<b>Commitments</b>		
	Non-capital commitments - post dated cheques	746,093	900,781
23	<b>LOSS PER SHARE - BASIC AND DILUTED</b>		
	Loss per share is calculated by dividing the loss after tax for the year by the weighted average number of ordinary shares outstanding during the year as follows:		
		September 2023 Rupees	September 2022 Rupees
	Loss attributable to ordinary shareholders	(65,698,427)	(134,841,301)
	Weighted average number of ordinary shares in issue	315,733,860	315,733,860
	Loss per share - basic and diluted	(0.21)	(0.43)
	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.		



## 24 PRODUCTION CAPACITY

Total Installed Capacity - on three shift basis  
Available Installed Capacity - on three shift basis  
Actual Production

September 2023	June 2023
Metric Tons	
350,000	350,000
350,000	350,000
-	-

The plant has not been operated as the Company had stopped its commercial production since 2019 due to the absence of required working capital.

## 25 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 financial statements.

## 26 ISSUE OF FURTHER SHARE CAPITAL TO POTENTIAL INVESTORS

The Securities and Exchange Commission of Pakistan (SECP), on the basis of Special Resolution passed by the shareholders of the Company in the Extraordinary General Meeting (EOGM) held on 10 February 2022 and the information/documents submitted to SECP through Company's application dated 15 April 2022 and further correspondence dated 25 July 2023, the SECP through its letter dated 29 August 2023 has allowed the Company to issue 128,961,717 ordinary shares at PKR 4.07 each (at a discount to par value) amounting to PKR 524,874,188/- (the Consideration) by way of other than right offer to the following persons subejct to certain conditions within 60 days of the approval dated 29 August 2023:

Sr #	Name of persons	Number of shares
1	Mr. Khawaja Shahzeb Akram	20,000,947
2	Ms. Quara-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
		<b>128,961,717</b>

The company is in process of completing necessary corporate and legal formalities in respect of issuance of shares and may need extension in the 60 days period for which an application has been submitted to SECP.

## 27 CORRESPONDING FIGURES

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

## 28 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on \_\_\_\_\_ by the board of directors of the Company.

## 29 GENERAL

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



Chief Executive



Chief Financial Officer



Director