

DOST STEELS LIMITED

**FINANCIAL STATEMENTS UN-AUDITED
FOR THE QUARTER ENDED
SEPTEMBER 2024**

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. Naim Anwar	Director/ Chairman
Mr. Muhammad Azhar Chughtai	Director
Mr. Zahid Iftakhar	Director
Mr. Shafiq Ahmed Soomro	Director
Mr. Mian Abuzar Shad	Director
Ms. Nargis Abuzar Shad	Director
Ms. Saba Azam	Director
Ms. Naushaba Shahzad Nominated by NBP	Director
Mr. Asim Jilani	Director
Nominated by FBL	
Mr. Suhail Elahi	Chief Executive Officer

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. Shafiq Ahmed Soomro	Chairman
Mr. Muhammad Azhar Chughtai	Member
Ms. Saba Azam	Member

Head Office/Registered Office

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

Human resource & Remuneration Committee

Mr. Mian Abuzar Shad	Chairman
Mr. Naim Anwar	Member
Mr. Suhail Elahi	Member

Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Chief Financial Officer

Mr. Muhammad Afzal Shehzad

Legal Advisor

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

Company Secretary

Mr. Muhammad Afzal Shehzad

Plant Address

52 Km Lahore Multan Road
Phool Nagar, Distt Kasur Punjab

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

Web Presence

www.doststeels.com
e mail: info@doststeels.com

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Members Assalam-O-Alaikum

The Directors of Dost Steels Limited present their review on the financial performance of the Company for the quarter ended September, 2024.

Financial performance of the Company for the quarter ending September 30, 2024 along with corresponding period was as under:

Description	September 30, 2024 (PKR)	September 30, 2023 (PKR)
Sale	Nil	Nil
Cost of Sales	(10,379,941)	(17,007,724)
Gross (Loss) / Profit	(10,379,941)	(17,007,724)
Administrative and Selling expenses	(3,202,200)	(3,351,487)
Finance costs	(32,289,969)	(45,339,216)
Loss before taxation	(45,872,110)	(65,698,427)
Taxation	Nil	Nil
Loss after taxation	(45,872,110)	(65,698,427)
Loss Per Share	(0.12)	(0.21)

The economic conditions for the steel industry are currently not favorable. The slowdown in construction activities and cut in PSDP has severely affected the demand for steel bars. To overcome the working capital crises and in order to resume the operations of the Company, new investors were inducted and we are hopeful with improvement in demand of steel bars the investors will inject more funds to restart operations.

Business Review

The loss per share for the year was Rupees (0.12) per share as compared to Rupees (0.21) per share during the corresponding period. Loss after tax for the year was Rupees 45.872 million as compared to Rupees 65.698 million in corresponding year. The losses were inevitable owing to non-production during the year under review. So far, the Company has not been able to restart production activities due to shortage of working capital. With the induction of new investor the management is hopeful of a positive outcome. As of today, The Company is not in a position to declare dividend or any bonus shares to the shareholders of the Company.

Operational Performance

Un-fortunately, the Company could not be able to resume its operation during the year due to the non-availability of adequate working capital. However, as described above company is in process of resolving debt settlement with Syndicate banks in order to restart commercial operations.

On behalf of the Board of Directors



Naim Anwar

Chairman / Director

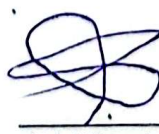
Lahore: 06 December 2024

DOST STEELS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024-UN AUDITED

	Note	September 2024 Rupees	June 2024 Rupees
PROPERTY AND ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,503,945,585	2,507,457,041
Intangible assets	7	1,000	1,000
Long term security deposits	8	40,521,445	40,521,445
Deferred tax assets	9	-	-
		2,544,468,030	2,547,979,486
CURRENT ASSETS			
Stores and spares		26,845,775	26,845,775
Stock in trade	10	-	-
Trade debtors	11	-	-
Advances	12	672,594	672,594
Taxes recoverable/ adjustable	13	17,492,782	16,770,258
Cash and bank balances	14	1,160,263	914,217
		46,171,415	45,202,844
TOTAL PROPERTY AND ASSETS		2,590,639,445	2,593,182,330
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	4,446,955,770	4,446,955,770
Discount on issue of shares	16	(2,130,224,462)	(2,130,224,462)
Revenue reserve			
Accumulated loss		(2,050,954,851)	(2,005,082,741)
		265,776,457	311,648,567
NON-CURRENT LIABILITIES			
Advance for issuance of shares - unsecured	17	3,829,952	3,829,952
Long term borrowings - secured	18	-	96,366,221
Markup accrued on secured borrowings	19	614,940,264	614,940,264
Deferred liabilities	20	26,326,845	26,121,680
		645,097,061	741,258,117
CURRENT LIABILITIES			
Trade and other payables - unsecured	21	42,923,051	46,907,433
Accrued markup	22	624,016,876	591,743,197
Short term borrowings - unsecured	23	219,011,297	204,176,534
Current and overdue portion of long term borrowings	18	793,814,703	697,448,482
Provision for taxation		-	-
		1,679,765,927	1,540,275,646
CONTINGENCIES AND COMMITMENTS	24	-	-
TOTAL EQUITY AND LIABILITIES		2,590,639,445	2,593,182,330

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


Chief Executive Officer


Chief Financial Officer


Director

DOST STEELS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2024 UN-AUDITED

	September 2024 Rupees	September 2023 Rupees
Sales	-	-
Cost of sales	(10,379,941)	(17,007,724)
Gross loss	(10,379,941)	(17,007,724)
Administrative and selling expenses	(3,202,200)	(3,351,487)
Finance cost	(32,289,969)	(45,339,216)
Other operating income	-	-
Loss before taxation	(45,872,110)	(65,698,427)
Taxation	-	-
Loss for the year	(45,872,110)	(65,698,427)
OTHER COMPREHENSIVE INCOME- NET OF INCOME TAX		
Items that will not be reclassified subsequently to the statement of profit or loss	-	-
Items that will be reclassified to the statement of profit or loss	-	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the PERIOD	(45,872,110)	(65,698,427)
Loss per share	(0.12)	(0.21)

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


Chief Executive Officer


Chief Financial Officer


Director

DOST STEELS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2024 UN-AUDITED

	Share capital	Discount on issue of shares	Revenue reserve	Total
			Accumulated loss	
----- Rupees -----				
Balance as at 01 July 2023	3,157,338,600	(1,365,481,480)	(1,762,846,818)	29,010,302
Shares issued during the year:				
issuance of 120,901,717 ordinary shares of Rs. 10 each for subscription at face value	1,289,617,170	-	-	1,289,617,170
Discount on issue of ordinary shares other than	-	(764,742,982)	-	(764,742,982)
	1,289,617,170	(764,742,982)	-	524,874,188
Total comprehensive loss:				
Loss for the year	-	-	(242,235,923)	(242,235,923)
Other comprehensive income for the year	-	-	-	-
	-	-	(242,235,923)	(242,235,923)
Balance as at 30 June 2024	4,446,955,770	(2,130,224,462)	(2,005,082,741)	311,648,567
Total comprehensive loss:				
Loss for the period	-	-	(45,872,110)	(45,872,110)
Other comprehensive income for the period	-	-	-	-
	-	-	(45,872,110)	(45,872,110)
Balance as at 30 September 2024	4,446,955,770	(2,130,224,462)	(2,050,954,851)	265,776,457

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


Chief Executive Officer


Chief Financial Officer


Director

DOST STEELS LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024 UN-AUDITED

	Note	September 2024 Rupees	September 2023 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(45,872,110)	(65,698,427)
Adjustments for non-cash and other items:			
Depreciation		3,511,456	3,489,930
Finance cost		32,289,968	45,339,216
Provision for gratuity		205,165	205,166
		36,006,589	49,034,312
Operating cash flows before working capital changes		(9,865,521)	(16,664,115)
(Increase)/ decrease in current assets:			
Advances		-	20,000
Taxes recoverable/ adjustable		(722,524)	-
Increase/ (decrease) in current liabilities:			
Trade and other payables		(3,984,382)	1,688,145
		(4,706,906)	1,708,145
Cash used in operations		(14,572,427)	(14,955,970)
Finance cost paid		(16,290)	
Net cash flows used in operating activities		(14,588,717)	(14,955,970)
CASH FLOWS FROM INVESTING ACTIVITIES			
Profit received on bank deposit accounts		-	-
Net cash flows generated from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings-unsecured-net		14,834,763	-
Net cash flows generated from financing activities		14,834,763	-
Net increase in cash and cash equivalents during the year		246,046	(56,466)
Cash and cash equivalents at the beginning of the year		914,217	129,114
Cash and cash equivalents at the end of the year	14	1,160,263	72,648

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


Chief Executive Officer


Chief Financial Officer


Director

DOST STEELS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024 UN-AUDITED

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 with effect from November 26, 2007.

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

Geographical location and address of business units/ plants are as follows:

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

2 GOING CONCERN ASSUMPTION

The Company incurred a net loss of Rs. 45.872 million (2023: Rs. 212.567 million) and its accumulated losses are Rs. 2,050.955 million (2023: Rs. 2,005.083 million). The current liabilities of the Company exceeds its current assets by Rs. 1,633.595 million (2023: Rs. 1,242.672 million) and liquid assets by Rs. 1,660.44 million (2023: Rs. 1,269.517 million). The Company has also been facing long overdue receivables, unfavorable key financial ratios, difficulty in complying with the terms of loan agreement 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. The Company has also stopped its commercial production since 2019 and lost its key management staff without replacement due to working capital deficiency. There are also banking litigations against the Company (note 24.1).

The Company has issued 128,861,717 shares to new investors during the year at a discounted price of Rs 4.07 per share, as detailed in note 15 and 16, to provide the required working capital. 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 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.

3.2 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.

During the year the Institute of Chartered Accountants of Pakistan (ICAP) have withdrawn the Technical Release 27 "IAS 12, Income Taxes (Revised 2012)" and issued guidance – "IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes". The said guidance suggests taxes paid under final OR minimum (as applicable) tax regime to be

shown separately as a levy instead of showing it in current tax.

3.3 Presentation

These financial statements are presented in Pak Rupees, which is also the Company's functional currency. Figures have been rounded to the nearest Pak Rupee, unless otherwise stated.

3.4 Reclassification and rearrangements

Corresponding figures have been reclassified and rearranged, wherever necessary, to reflect more appropriate presentation of events and transactions for the purpose of comparison. Appropriate disclosures are given in relevant notes in case of material reclassifications and rearrangements.

3.5 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 5.5).

- 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 5.20).

4 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:

- IAS-1 - Presentation of financial statements - Amendments regarding the classification of debt with covenants.
- IAS-1 - Presentation of financial statements - Amendments regarding the classification of liabilities.
- IAS-7 - Statement of cash flows - Amendments regarding supplier finance arrangements.
- IFRS-7 - Financial Instruments - Amendments regarding supplier finance arrangements.
- IFRS-16 - Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.

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

The following standards (revised or amended) and interpretations became effective for the annual periods beginning on or after the mentioned dates but are either not relevant or do not have any material effect on the financial statements of the Institute other than increased disclosures in certain cases:

- IFRS 7 - Amendments regarding the classification and measurement of financial instruments - (applicable on Annual periods beginning on or after 1 January 2026).

- IFRS 9 - Amendments regarding the classification and measurement of financial instruments - (applicable on Annual periods beginning on or after 1 January 2026).
 - IFRS 17 - Insurance Contracts - (initial application on Annual periods beginning on or after 1 January 2026).
- 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 18 – Presentation and Disclosure in Financial Statements.
 - IFRS 19 – Subsidiaries without Public Accountability: Disclosures.
 - IFRS S1 – General Requirements for Disclosure of Sustainability-Related Financial Information.
 - IFRS S2 – Climate-Related Disclosures.

5 MATERIAL ACCOUNTING POLICY INFORMATION

The Company adopted disclosure of Accounting Policies (narrow-scope Amendments to IAS-1 and IFRS practice statements 2 "Making Materiality Judgements") from 01 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements. The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that users need to understand other information in the financial statements.

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 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 loss, 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 6.

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 is 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.

5.2 Intangibles

Intangible assets are stated at cost less accumulated amortization and accumulated impairment loss, 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/ derecognised.

5.3 Stores and spares

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

5.4 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

5.5 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 delivered.

5.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Short term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

5.7 Share capital, reserves and profit distribution

Share capital represents the face value of ordinary shares that have been issued. Any transaction costs associated with the issuance of shares are deducted from share capital, net of any related income tax benefits, if any. Right shares are issued at a discount with the approval of board of directors, the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange (PSX).

Retained earnings/ accumulated loss include all current and prior period retained profits/ losses.

Profit distribution to the shareholders is recognized in the period in which it is approved.

5.8 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 loss, if any.

5.9 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.

5.10 Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

5.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

5.11.1 Current tax

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.11.2 Deferred tax

Deferred tax is provided using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using the current rates of taxation. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged to income except in case of items credited or charged to equity in which case it is included in the equity.

5.11.3 Levies

Tax charged under the Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid/ payable in excess of the calculation based on taxable income or any minimum tax which is not adjustable against future income tax liability is classified as levy in the statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC 21/ IAS 37.

5.12 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.

5.13 Revenue recognition

Revenue arises mainly from the sale of steel, reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron, special alloy steel in different forms, shapes and sizes, and is measured according to IFRS-15 (Revenue from Contracts with Customers) at the fair value of the consideration received or receivable as defined in sales contract, including variable consideration; sales tax and other duties collected on behalf of third parties are not taken into account.

5.13.1 Sale of goods

Revenue is recognized when control of a promised goods passes to a customer at a specific point in time. The customer obtains control of the goods when the goods are delivered to customers and in very few cases when goods are handed over to the customers i.e. ex-factory, in case of local sales. Further in case of export sale, control is transferred when goods are loaded on vessels.

5.14 Interest income

Interest income is recognised as it accrues under the effective interest method.

5.15 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

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.

5.15.1 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.

5.15.2 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.

5.15.3 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

5.15.4 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.

5.16 Impairment of other assets

The carrying amounts of the assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of that asset or group of assets is estimated and impairment losses are recognized in the statement of profit or loss.

5.17 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 and priced at comparable uncontrolled market price. However, loan from the related parties are unsecured and interest free.

5.18 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.

5.19 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.

5.20 Staff retirement benefit

The Company operates an unfunded gratuity scheme (defined benefit plan) covering all permanent employees of the Company who have completed minimum qualifying period. Provisions are made annually to cover the obligation and charged to the statement of profit or loss, based on actuarial valuation by using the projected unit credit method. Actuarial gains and losses are recognized immediately in other comprehensive income and past service cost is recognized immediately to the statement of profit or loss.

6 PROPERTY, PLANT AND EQUIPMENT

Particulars	Freehold land	Building on freehold land	Plant and machinery	OWNED					Total
				Furniture and fittings	Vehicles	Office equipments	Electric equipments	Computer equipments	
----- Rupees -----									
Period ended 30 September 2024									
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	-	(116,386,697)	(4,481,786)	(3,373,671)	(765,328)	(1,339,018)	(7,967,535)	(4,825,350)	(139,139,385)
	157,876,220	116,159,905	2,226,268,943	435,628	72,172	589,284	2,297,239	246,194	2,503,945,585
Year ended 30 June 2024									
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	-	(113,067,843)	(4,481,784)	(3,353,564)	(760,517)	(1,306,906)	(7,861,510)	(4,795,805)	(135,627,929)
	157,876,220	119,478,759	2,226,268,945	455,735	76,983	621,396	2,403,264	275,739	2,507,457,041
Period ended 30 September 2024									
Opening net book value	157,876,220	119,478,759	2,226,268,945	455,735	76,983	621,396	2,403,264	275,739	2,507,457,041
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charged	-	(3,318,855)	-	(20,106)	(4,811)	(32,113)	(106,027)	(29,544)	(3,511,456)
	157,876,220	116,159,904	2,226,268,945	435,629	72,172	589,283	2,297,237	246,195	2,503,945,585
Year ended 30 June 2024									
Opening net book value	157,876,220	132,754,177	2,226,368,945	536,159	120,285	96,227	731,054	2,827,370	2,521,310,437
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Depreciation charged	-	(13,275,418)	-	(80,424)	(19,244)	(109,658)	(424,106)	(118,175)	(14,027,025)
	157,876,220	119,478,759	2,226,368,945	455,735	101,041	(13,431)	306,948	2,709,195	2,507,283,412
Depreciation rate			Units of production basis	15%	20%	15%	15%	30%	

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

Note	September 2024		June 2024	
	Rupees		Rupees	
25	3,448,511		13,775,250	
26	62,945		251,775	
	3,511,456		13,665,919	

6.2 Freehold land includes land having area of 326 kanal and 12 marla, situated at 57 Km, Mulian 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 Deh Kalo Kohar, Tapo Kalo Kohar, Taluka Thano Bula Khan, District Jamshoro, Sindh.

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

	Note	September 2024 Rupees	June 2024 Rupees
7 INTANGIBLE ASSETS			
Computer software			
Cost			
At the beginning of the year		1,111,350	1,111,350
Addition during the year		-	-
Balance as at 30 June		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 30 June		(1,110,350)	(1,110,350)
Written down value as at 30 June		1,000	1,000
7.1 The Company amortizes intangible asset on a straight line basis over the period of useful life @ 30%.			
7.2 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.			
8 LONG TERM SECURITY DEPOSITS			
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
9 DEFERRED TAX ASSETS		-	-
9.1 The Company has not recognised deferred tax asset amounting to Rs. 56,172,864 (2023: Rs. 138,897,807) in respect of temporary differences arising from carrying values and tax base of assets and liabilities and unused tax losses, in view of prudence and to cover uncertainty factor.			
10 STOCK IN TRADE			
Raw material		4,781,225	4,781,225
Less: Provision for obsolete raw material		(4,781,225)	(4,781,225)
		-	-
11 TRADE DEBTORS			
- Unsecured			
Trade debtors		19,469,715	19,469,715
Allowance for expected credit loss	11.1	(19,469,715)	(19,469,715)
		-	-
12 ADVANCES			
- Unsecured and considered good by the management			
Advances:			
To employees - against salary		-	-
To employees - against expenses		24,400	24,400
For supplies/ services	12.1	638,965	638,965
Letters of credit	12.2	-	-
Margin against letters of credit		9,229	9,229
		672,594	1,261,739
12.1 Advances for supplies/ services		638,965	638,965
Provision against doubtful advances:			
Opening balance		-	-
Bad debts written off		-	-
Closing balance		-	-
		638,965	638,965
12.2 Advances against letters of credit		3,631,900	3,631,900
Provision against letters of credit		(3,631,900)	(3,631,900)
		-	-
13 TAXES RECOVERABLE/ ADJUSTABLE			
Advance income tax		10,225,928	10,045,418
Input sales tax		7,266,854	6,724,840
		17,492,782	16,770,258
14 CASH AND BANK BALANCES			
Cash in hand		660,305	265,433
Cash at banks:			
- Current accounts		471,064	619,890
- Deposit accounts	14.1 and 14.2	28,894	28,894

499,958	648,784
<u>1,160,263</u>	<u>914,217</u>

14.1 It includes balances pertaining to repayment account for long term loans amounting to Rs. 3,697/- (2023: Rs. 3,188/-). Management of the Company as per arrangement can't withdraw amounts once deposited in this bank account.

14.2 These carry profit at the rates ranging from 15.00% to 21.00% (2023: 9.00% to 20.00%) per annum.

	Note	September 2024 Rupees	June 2024 Rupees
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15 SHARE CAPITAL

		30 June 2024		
Authorized share capital		445,000,000	Authorized share capital of Rs. 10 each	4,450,000,000
Issued, subscribed and paid-up capital				
		315,733,860	Ordinary share of Rs.10 each each fully paid in cash	4,446,955,770

15.1 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.

15.2 The Company has not reserved shares for issue under options or sale contracts.

16 DISCOUNT ON ISSUE OF SHARES

Discount on issue of right shares	16.1	1,365,481,480	1,365,481,480
Discount on issue of shares other than right shares	16.2	764,742,982	764,742,982
		<u>2,130,224,462</u>	<u>2,130,224,462</u>

16.1 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. 5.50 per share in the financial year ended 2017.

16.2 The Company issued ordinary shares other than right with the approval of the board of directors, SECP and PSX with face value of Rs.1,289,617,170 comprising of 128,961,717 ordinary shares of Rs. 10 each at a discounted price of Rs. 4.07 per share in the financial year ended 2024.

17 ADVANCE FOR ISSUANCE OF SHARES - UNSECURED

From Crescent Star Insurance Limited and its assignees	17.1 and 17.2	8,999	8,999
From directors	17.1	<u>3,820,953</u>	<u>3,820,953</u>
		<u>3,829,952</u>	<u>3,829,952</u>

17.1 The Company had received an unconditional advance against issuance of shares from Crescent Star Insurance Limited (CSIL), associated company, and directors of the Company which are to be adjusted against further issue of shares by the Company whenever made. These amounts are unsecured and interest free.

17.2 In the previous years, CSIL had assigned an 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 of Directors of the Company (the Board) on February 27, 2019. Subsequently due to non-settlement of the 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. Furthermore, CSIL and DCL agreed to assign the advance for issue of shares to a group of investors led by Mr. Khawaja Shahzeb Akram. 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 the 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 Rs. 524,874,188 (the Consideration) by way of other than right shares. The Consideration was adjusted against advance from CSIL and its assignees amounting to Rs. 354,270,067. During the year, funds against issuance of shares have been received from the new investors in the Company's bank account amounting to Rs. 170,604,121.

18 LONG TERM BORROWINGS - SECURED

From banking companies and financial institutions

Term finance - restructured facilities			
Opening balance	18.1	793,814,703	793,814,703
Paid during the year		<u>793,814,703</u>	<u>793,814,703</u>
Less: Current portion		(96,366,221)	(195,617,022)
Less: Overdue portion	18.1.1	<u>(697,448,482)</u>	<u>(501,831,460)</u>
		<u>(793,814,703)</u>	<u>(501,831,460)</u>
		<u>-</u>	<u>96,366,221</u>

18.1 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 a Syndicated loan, whereby Faysal Bank Limited is acting as the principal 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 2024	Year 10th 2025	Year 11th 2026	Year 12th 2027
Percentage of TFC converted	25%	25%	25%	25%

The Conversion shall be held on the 20th Day of December each year at a discount of 5% to the last six months weighted average price of the Company shares at 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 Le 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.
- 18.1.1 Overdue portion of liability represents amount due from partial installment of fourth quarter of year 2019 upto 30 June 2024 and full portion of Pak Kuwait Investment Company (Private) Limited as they have neither signed the restructuring agreement nor accepted the payment.

	Note	September 2024 Rupees	June 2024 Rupees
19 MARKUP ACCRUED ON SECURED BORROWINGS			
On secured borrowings (refer note 18.1)		614,940,264	614,940,264
20 DEFERRED LIABILITIES			
Staff gratuity	20.1	26,326,845	26,121,680
20.1 Staff gratuity			
Movement in net defined benefit obligation recognized in statement of financial position:			
Opening balance		26,121,681	25,301,017
Provision for the year		205,166	820,664
		26,326,847	26,121,681
Less: Payments made during the year		-	-
		26,326,847	26,121,681
21 TRADE AND OTHER PAYABLES - UNSECURED			
Creditors		13,013,154	14,093,154
Contract liabilities		119,438	119,438
Accrued liabilities		26,824,367	29,728,749
Payable to old employees		2,966,092	2,966,092
		42,923,051	46,907,433
22 ACCRUED MARKUP			
Long term borrowings - secured		624,016,876	591,743,197
23 SHORT TERM BORROWINGS - UNSECURED			
Loans from directors		31,529,925	31,529,926
Loans from sponsors		169,061,762	154,226,998
Loan from Abuzar Grinding Mills (Private) Limited - Associated company		18,419,610	18,419,610
		219,011,297	204,176,534
24 CONTINGENCIES AND COMMITMENTS			
24.1 Contingencies			
There is no material change in the contingencies as described in the financial statements for the year ended 30 June 2024.			
24.2 Commitments			
Non-capital commitments - post dated cheques		176,358	356,250

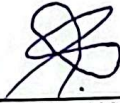
25 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

26 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were approved and authorized for issue on 26-12-2024 by the Board of Directors of the Company.


Chief Executive Officer


Chief Financial Officer


Director