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Independent Auditors' Report

To the members of Dost Steels Limited

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of **DOST STEELS LIMITED (the Company)**, which comprise the statement of financial position as at **30 June 2021**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matters as discussed in the ***Basis for Adverse Opinion*** section of our report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at **30 June 2021** and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

1. The Company, as stated in note 2, has incurred a net loss Rs. 175.002 m and its accumulated losses are Rs. 1,415.438 m. The current liabilities of the company exceed its current assets by Rs. 651.205 m and liquid assets by Rs. 682.832 m. 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 as it could not pay any of the 4 installments totaling to Rs. 69.863 m during the year and was unable to obtain additional finance. It has 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. Management of the company has also not shared any future plans to revive its business. The covenants of long term loans have been breached at the reporting date. These conditions indicate the existence of significant material uncertainties which may cast significant doubt on ability of the company to continue as going concern, to realize its assets and to discharge its liabilities in normal course of business. However, these financial statements do not include any adjustment relating to the recoverability and classification of recorded assets and classifications of liabilities that might be necessary should the company be unable to continue as going concern. Under the circumstances use of going concern assumption is not appropriate;

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2. Advance for issuance of shares – unsecured from Crescent Star Insurance Limited (CSIL) and its assignees amounting to Rs. 354.279 m as disclosed in note 17, out of it M/s Dynasty Trading (Private) Limited (DTPL) confirmed amount due to it of Rs. 247.995 m and balance amount remained unconfirmed. The amount of Rs. 354.279 m is due to CSIL and it assignees, however CSIL is now disputing assignment to Dynasty Trading (Private) Limited (DTPL) (Refer 17 and 24). Further we were also unable to confirm these balances by alternative means;

3. We did not receive responses to our letters requesting for confirmations from banks amounting to Rs. 0.061 m/-. Further bank statements of 15 out of 17 banks were also not provided by the management. Therefore, due to lack of sufficient appropriate evidence we were unable to determine whether any adjustment might have been necessary;

4. The syndicate long term finance (LTF) of Rs. 793.815 m, mark up accrued (freezed) thereon of Rs. 614.940 m, accrued mark up on overdue portion of LTF of Rs. 169.695 m and mark up charged during the year of Rs. 59.854 m as disclosed in note 18, 19, 22 and 28 respectively, remained unconfirmed. Further the company has breached the covenants of the long term financing and as per the requirement of the IAS 1 (Presentation of Financial Statements), has not classified its long term financing into current liabilities, which constitute the departure from International Financial Reporting Standard. Moreover, the company have discontinued payments of installments however no information regarding consequent default penalty or additional mark up not incorporated in the financial statements, is available. Therefore, accuracy of the figures could not be ascertained;

5. Balance confirmation requests remained un-responded in respect of 'trade creditors', 'contract liabilities', 'long term security deposits', 'trade debtors' and 'advances for supplies/services' amounting to Rs. 35.562 m, Rs. 0.431 m, Rs. 40.490 m, Rs. 42.482 m and Rs. 1.026 m respectively. We were unable to satisfy ourselves by alternative means;

6. The Company has not conducted impairment testing of its property, plant and equipment (note 5) as on 30 June 2021 under the IAS 36, Impairment of Assets which constitute departure from International Financial Reporting Standards. We consider it is necessary at the year end as the production of the company has been stopped since 2019. Any impact of the same on assets and statement of profit or loss of the Company is not determined;

7. Confirmation from 6 Legal Advisors and consultants, of the company regarding pending litigations and contingencies as on 30 June 2021 were not received therefore completeness of contingencies as disclosed in note 24 cannot be commented upon;

8. The company had not appropriately complied with requirements regarding deduction and deposit of withholding taxes, amounts due to Punjab Employees' Social Security Institution and Employees' Old Age Benefit Institution. Neither consequent impact of default penalty/surcharge due to non-compliance of related provisions of the relevant laws has been quantified nor it has been disclosed in these financial statements. These dues have not been

separately disclosed in the financial statements as per the requirement of IAS-1 "Presentation of Financial Statements'';

9. The Company has not followed the IAS-19 "Employee Benefits" for determining gratuity payable under Industrial and Commercial Employment (Standing Orders) Ordinance, 1968, as explained in note 4.17 and 20 to the financial statements and the impact of the non-compliance of IAS 19 on financial statements has not been quantified;

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the **Basis for Adverse Opinion** section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters (KAMs)	How the matter was addressed in our audit
(i) **Expected Credit Loss (ECL)**	
The Company has a significant balance of trade debts amounting to Rs 46.67 m. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECLs) as disclosed in note 10 with related policies in 3.4, 4.04 & 4.11. We identified recoverability of trade debts as a key audit matter as it involves significant judgment in determining the recoverable amount of trade debts.	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • Obtain understanding of procedures and system of the company for recording and accounting such type of financial assets; • Obtaining an understanding of the basis for the determination of provision required at the year end and the receivables collection process; and • Checking the accuracy of the data on test basis extracted from

	the Company's accounting system which has been used to calculate the provision required including subsequent recoveries.

Information other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As discussed in the basis for adverse opinion section of our report we have concluded that the other information is materially misstated for the same reason.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Except for the effects of matters explained in ***Basis for Adverse Opinion*** section of our report:

   i. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
   ii. the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
   iii. investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

b) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Mr. Rashid Rahman Mir.

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Lahore:

DOST STEELS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(174,896,064)	(240,937,314)
Adjustments for non cash items:			
Depreciation		19,623,396	22,101,990
Amortization		333,405	333,405
Finance cost		59,898,943	92,015,280
Provision for gratuity		4,276,505	4,498,255
Bad debts		5,545,944	24,758,931
Exchange (Gain)/ Loss		(1,066,560)	363,600
Gain on disposal of fixed assets		-	(12,033)
Creditors written back		-	(3,368,558)
Provision reversed during the year		-	(506,560)
Interest Income		(17,353)	(38,212)
		88,594,280	140,146,098
Operating cash flow before working capital changes		(86,301,784)	(100,791,216)
Working capital changes:			
(Increase)/decrease in current assets:			
Stores and spares		7,993	-
Stock in trade		26,927,183	15,827,462
Trade debtors		(7,311,815)	20,231,811
Advances		42,883	1,450,750
Short term prepayments		-	856,645
Other receivables		-	506,560
Tax refund due from government		(393,188)	4,203,659
Increase/(decrease) in current liabilities:			
Trade and other payables		2,025,229	51,267,115
Cash Inflow from working capital		21,298,285	94,344,002
Cash used in operations		(65,003,499)	(6,447,214)
Finance cost paid		(45,295)	(604,115)
Taxes Paid		(169,050)	(7,208,225)
Net cash used in operating activities		(65,217,844)	(14,259,554)
CASH FLOW FROM INVESTING ACTIVITIES			
Long term security deposits		-	330,000
Interest received		17,353	38,212
Net cash generated from investing activities		17,353	368,212
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing - secured		(526,375)	-
Receipt of short term borrowings- unsecured		64,917,073	12,907,417
Net cash generated from financing activities		64,390,698	12,907,417
Net decrease in cash and cash equivalents during the year		(809,793)	(983,925)
Cash and cash equivalents at beginning of the year		903,290	1,887,215
Cash and cash equivalents at the end of the year	14	93,497	903,290

The annexed notes 01 to 43 form an integral part of these financial statements.

Chief Executive Officer	Chief Financial Officer	Director

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DOST STEELS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	2,554,663,806	2,574,801,963
Intangible assets	6	333,405	666,810
Long term security deposits	7	40,521,445	40,521,445
Deferred tax assets	8	-	-
		2,595,518,656	2,615,990,218
Current Assets			
Stores and spares		26,845,775	26,853,768
Stock in trade	9	4,781,225	31,708,408
Trade debtors	10	8,933,358	6,417,487
Advances	11	1,242,237	2,035,120
Other receivables	12	-	-
Taxes refundable/adjustable	13	8,494,586	8,101,398
Cash and bank balances	14	93,497	903,290
		50,390,678	76,019,471
TOTAL ASSETS		2,645,909,334	2,692,009,689
EQUITY			
Share Capital and Reserves			
Authorized share capital	15	3,600,000,000	3,600,000,000
Issued, subscribed and paid up capital	15	3,157,338,600	3,157,338,600
Discount on issue of right shares	16	(1,365,481,480)	(1,365,481,480)
Accumulated losses		(1,415,438,292)	(1,240,436,419)
Total Equity		376,418,828	551,420,701
LIABILITIES			
Non-Current Liabilities			
Advance for issuance of shares - unsecured	17	358,100,019	358,100,019
Long term financing - secured	18	571,436,132	664,587,096
Mark up accrued on secured loans	19	614,940,264	614,940,264
Deferred liabilities	20	23,418,350	19,141,845
		1,567,894,765	1,656,769,224
Current Liabilities			
Trade and other payables - unsecured	21	85,665,250	84,706,581
Accrued mark up	22	169,694,601	109,840,953
Short term borrowings - unsecured	23	223,751,510	159,349,198
Current and overdue portion of long term financing		222,378,571	129,753,982
Provision for taxation		105,809	169,050
		701,595,741	483,819,764
Contingencies and Commitments	24		
Total Liabilities		2,269,490,506	2,140,588,988
TOTAL EQUITY AND LIABILITIES		2,645,909,334	2,692,009,689

The annexed notes 01 to 43 form an integral part of these financial statements.

Chief Executive Officer	Chief Financial Officer	Director

Stamped for Identification RSRIR CAs

DOST STEELS LIMITED
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Rupees	2020 Rupees
Sales	25	7,053,960	11,270,030
Cost of sales	26	(61,375,236)	(60,985,653)
Gross loss		(54,321,276)	(49,715,623)
Administrative and selling expenses	27	(61,763,625)	(103,100,474)
Finance cost	28	(59,898,943)	(92,015,280)
Other operating income	29	1,087,780	3,894,063
Loss before taxation		(174,896,064)	(240,937,314)
Taxation	30	(105,809)	(169,050)
Loss after taxation		(175,001,873)	(241,106,364)
Other Comprehensive Income-Net of Tax			
Items that will never be reclassified to profit or loss:			
Remeasurement of staff gratuity (loss)/gain		-	-
Related impact on deferred tax		-	-
Items that will be reclassified to profit or loss		-	-
Total comprehensive loss for the year		(175,001,873)	(241,106,364)
Loss per share - basic and diluted	31	(0.55)	(0.76)

The annexed notes 01 to 43 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 YEAR ENDED 30 JUNE 2021

	Issued, subscribed and paid up capital	Discount on issue of right shares	Revenue Reserve Accumulated losses	Total
	------------------	*Rupees*	------------------	
Balance as at July 01, 2019	3,157,338,600	(1,365,481,480)	(999,330,055)	792,527,065
Total comprehensive loss for the year	-	-	(241,106,364)	(241,106,364)
Balance as at June 30, 2020	**3,157,338,600**	**(1,365,481,480)**	**(1,240,436,419)**	**551,420,701**
Total comprehensive loss for the year	-	-	(175,001,873)	(175,001,873)
Balance as at June 30, 2021	**3,157,338,600**	**(1,365,481,480)**	**(1,415,438,292)**	**376,418,828**

The annexed notes 01 to 43 form an integral part of these financial statements.

Chief Executive Officer | **Chief Financial Officer** | **Director**

Stamped for Identification
RFRIR

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

2 GOING CONCERN ASSUMPTION

The Company has incurred a net loss of Rs. 175.002 million (2020: Rs. 241.106 million) and its accumulated losses are Rs. 1,415.438 million (2020: Rs. 1,240.436 million). The current liabilities of the company exceeds its current assets by Rs. 651.205 million and liquid assets by Rs. 682.832 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, has 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).

Further, the Company is in process of negotiating with syndicate consortium to arrange for working capital need to resume commercial production. The management is also working on other option to induct a strategic investor to provide the required working capital. 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 Statement of Compliance

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

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

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

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. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

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3.3 Basis of Measurement

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

3.4 Use of Estimates And Judgments

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

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

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

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

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

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

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

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

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:

- IAS 1 -Presentation of Financial Statements- (Amendments regarding the definition of material)
- IAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors- (Amendments regarding definition of material)
- IFRS 3 - Business Combinations - (Amended-definition of business)
- IFRS-7 Financial Instruments disclosure- (Amendments regarding replacement issues in the context of the IBOR reform)
- IFRS-9 Financial Instruments- (Amendments regarding replacement issues in the context of the IBOR
- IFRS-16 Leases- (Amendments regarding replacement issues in the context of the IBOR reform)

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- IFRS-16 Leases- (Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification)
- IAS-39 Financial Instruments: Recognition and Measurement- (Amendments regarding replacement issues in the context of the IBOR reform)

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

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

- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework)- (applicable for annual periods beginning on or after 1 January 2022)
- IFRS 4 - Insurance Contracts - (Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) issued)
- IFRS 4 - Insurance Contracts - (Amendments regarding replacement issues in the context of the IBOR
- IFRS 9 - Financial Instruments - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)- (Effective for annual periods beginning on or after 1 January 2022))
- IAS 1- Presentation of Financial Statements - (Amendments regarding the classification of liabilities)- (Effective for annual periods beginning on or after 1 January 2023)
- IAS 1- Presentation of Financial Statements - (Amendment to defer the effective date of the January 2020 amendments)- (Effective for annual periods beginning on or after 1 January 2023)
- 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 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 on leases and decommissioning obligations)- (Effective for annual periods beginning on or after 1 January 2023).
- 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 is preparing the asset for its intended use)-(Effective for annual periods beginning on or after 1 January 2022).
- 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

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

4.01 Property, plant, equipment and intangibles

Property, plant, equipment

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

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

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

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

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

Intangibles

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

4.02 Stores and spares

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

4.03 Stock in trade

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

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

4.04 Trade debtors and other receivables

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

4.05 Cash and cash equivalents

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

4.06 Long term loans

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

4.07 Trade and other payables

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

4.08 Taxation

Current

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

Deferred

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

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

4.09 Provisions

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

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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

i) Financial assets

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

Amortized cost

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

a) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment

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

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

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

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

ii) Financial liabilities

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

iii) Recognition and measurement

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

iv) Derecognition

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

4.12 Off-Setting of financial assets And financial liabilities

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

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4.13 Impairment

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

4.14 Related party transactions

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

4.15 Foreign currency translation

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

4.16 Borrowing cost

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

4.17 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.

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5 PROPERTY, PLANT AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating assets	5.1	**2,554,663,806**	2,574,801,963
		2,554,663,806	2,574,801,963

5.1 Operating Assets

Particulars	OWNED Freehold land	Building on freehold land	Plant and Machinery	Furniture and fittings	Vehicles	Office Equipment	Electric Equipment	Computers Equipment	Total
	------	------	------	------ Rupees	------	------	------	------	
Year ended June 30, 2021									
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	-	**(68,652,556)**	**(4,481,784)**	**(3,067,209)**	**(687,144)**	**(913,377)**	**(6,351,456)**	**(4,267,638)**	**(88,421,164)**
	157,876,220	**163,894,046**	**2,226,268,945**	**742,090**	**150,356**	**1,014,925**	**3,913,318**	**803,906**	**2,554,663,806**
Year Ended June 30, 2020									
Cost	157,876,220	232,546,602	2,230,750,729	3,809,299	3,108,500	1,928,302	10,264,774	5,071,544	2,645,355,970
Accumulated depreciation	-	(50,442,106)	(4,481,784)	(2,936,252)	(2,378,701)	(731,187)	(5,660,869)	(3,923,108)	(70,554,007)
	157,876,220	182,104,496	2,226,268,945	873,047	729,799	1,197,115	4,603,905	1,148,436	2,574,801,963
Year ended June 30, 2021									
Opening net book value	**157,876,220**	**182,104,496**	**2,226,268,945**	**873,047**	**729,799**	**1,197,115**	**4,603,905**	**1,148,436**	**2,574,801,963**
Additions	-	-	-	-	-	-	-	-	-
Deletion	-	-	-	-	**(514,761)**	-	-	-	**(514,761)**
Depreciation charged	-	**(18,210,450)**	-	**(130,957)**	**(64,682)**	**(182,190)**	**(690,587)**	**(344,530)**	**(19,623,396)**
Net book value as at June 30, 2021	**157,876,220**	**163,894,046**	**2,226,268,945**	**742,090**	**150,356**	**1,014,925**	**3,913,318**	**803,906**	**2,554,663,806**
Year ended June 30, 2020									
Opening net book value	157,876,220	202,338,329	2,226,268,945	1,046,280	958,403	1,411,455	5,476,666	1,640,622	2,597,016,920
Additions	-	-	-	-	-	-	-	-	-
Deletion	-	-	-	(17,728)	(41,538)	-	(53,701)	-	(112,967)
Depreciation charged	-	(20,233,833)	-	(155,505)	(187,066)	(214,340)	(819,060)	(492,186)	(22,101,990)
Net book value as at June 30, 2020	157,876,220	182,104,496	2,226,268,945	873,047	729,799	1,197,115	4,603,905	1,148,436	2,574,801,963
Rate of Depreciation	-	**10%**	**Units of production**	**15%**	**20%**	**15%**	**15%**	**30%**	

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

	Note	2021 Rupees	2020 Rupees
Cost of sales	26	**19,101,570**	21,412,675
Administrative and selling expenses	27	**521,826**	689,315
		19,623,396	22,101,990

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

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

5.1.4 The aggregate carrying amount of disposals during the year was not exceeding five million further the vehicles having carrying amount of Rs. 514,761/- was sold to a directors.

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	Note	2021 Rupees	2020 Rupees
6 INTANGIBLE ASSETS			
Computer Software			
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		(444,540)	(111,135)
Amortization charge for the year		(333,405)	(333,405)
Balance as at June 30,		(777,945)	(444,540)
Written down value as at June 30,		333,405	666,810

The Company amortizes intangible asset on straight line basis over the period of useful life @ 30%.
The remaining useful life of intangible asset as on 31 June 2021 would be 1 years.

	Note	2021 Rupees	2020 Rupees
7 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
8 DEFERRED TAX ASSETS		-	-

The company has not recognised deferred tax asset amounting to Rs. 158,067,319/- (2020: 476,708,818/-) 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.

	Note	2021 Rupees	2020 Rupees
9 STOCK IN TRADE			
Raw material		4,781,225	4,781,225
Work in process		-	17,955,072
Finished goods		-	8,972,111
		4,781,225	31,708,408
10 TRADE DEBTORS			
Unsecured and considered good by the management			
Trade debtors		46,669,340	39,357,525
Remeasurement of expected credit loss	10.1	(37,735,982)	(32,940,038)
		8,933,358	6,417,487
10.1 Remeasurement of expected credit loss			
Opening balance		32,940,038	13,284,848
Charged for the year		4,795,944	19,655,190
Closing balance		37,735,982	32,940,038
11 ADVANCES			
Unsecured and considered good by the management			
Advances			
To employees - against expenses		24,898	67,781
For supplies/ services	11.1	1,208,110	1,958,110
Letter of credits	11.2	-	-
Margin against letter of credits		9,229	9,229
		1,242,237	2,035,120

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		Note	2021 Rupees	2020 Rupees
11.1	For supplies/services		3,526,502	3,526,502
	Provision against doubtful advances			
	Opening balance		1,568,392	1,200,000
	Charged for the year		750,000	368,392
	Closing balance		(2,318,392)	(1,568,392)
			1,208,110	1,958,110
11.2	Advance letter of credits		-	3,631,900
	Provision against letter of credits		-	(3,631,900)
			-	-
12	**OTHER RECEIVABLES**			
	Other receivables		-	-
	Provision against doubtful receivable			
	Opening balance		-	506,560
	Charged for the year		-	
	Provision reversed during the year		-	(506,560)
	Closing balance			-
			-	-
13	**TAXES REFUNDABLE/ ADJUSTABLE**			
	Advance income tax		7,952,912	7,752,512
	Input sales tax		541,674	348,886
			8,494,586	8,101,398
14	**CASH AND BANK BALANCES**			
	Cash in hand		7,400	8,982
	Cash at banks:			
	- current accounts		64,490	361,969
	- deposit accounts	14.1	21,607	532,339
			86,097	894,308
			93,497	903,290

14.1 It includes balances pertaining to repayment account for long term loans amounting to Rs. 2,757/- (30 June 2020: Rs. 513,742/-). Management of the company as per arrangement can't withdraw amounts once deposited in this bank account.

15 SHARE CAPITAL

June 30, 2021	June 30, 2020		Note	2021 Rupees	2020 Rupees
Number of shares					
AUTHORIZED SHARE CAPITAL					
360,000,000	360,000,000	Authorized share capital of Rs. 10 each		3,600,000,000	3,600,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL					
315,733,860	315,733,860	Ordinary share of Rs.10 each fully paid in cash	15.1	3,157,338,600	3,157,338,600

15.1 It includes 84,166,705 (June 2020: 84,166,705) ordinary shares of Rs.10/- each amounting to Rs. 841,667,050/- (June 2020: Rs. 841,667,050/-) held by related parties.

15.2 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.

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

15.4 Reconciliation of shares is not required in view of no change.

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	Note	2021 Rupees	2020 Rupees
16 DISCOUNT ON ISSUE OF RIGHT SHARES		**1,365,481,480**	1,365,481,480

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

17 ADVANCE FOR ISSUANCE OF SHARES - UNSECURED

From Crescent Star Insurance Limited and its assignees		**354,279,066**	354,279,066
From directors		**3,820,953**	3,820,953
		358,100,019	358,100,019

The Company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL), associated company, and directors of the company which will be adjusted against shares in capital of the company whenever there is next issue. These amounts are un-secured and interest free. In the previous years, CSIL assigned aggregate amount of Rs. 247,995,000/- and Rs. 57,768,000/- to Dynasty Trading (Private) Limited and Din Corporation (Private) Limited respectively under an assignment agreement executed on February 12, 2019. The notice of assignment was given on February 08, 2019 which was approved by the board on February 27, 2019. Subsequently CSIL has controverted/ disputed assignment in favour of Dynasty Trading (Private) Limited. Management is of the view that presently there is no dispute regarding total amount payable and dispute pertains to whom it is payable. At that time CEO of CSIL was also chairman and director of Dost Steels Limited. Refer note 24 also on contingencies.

18 LONG TERM FINANCING - SECURED

From banking companies and financial institutions

	Note	2021	2020
Term finance - restructured facilities	**18.1**		
Opening balance		**794,341,078**	794,341,078
Paid during the year		**(526,375)**	-
		793,814,703	794,341,078
Less: Current portion		**(93,150,964)**	(69,863,222)
Less: Overdue portion	**18.1.1**	**(129,227,607)**	(59,890,760)
		(222,378,571)	(129,753,982)
		571,436,132	664,587,096

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 Syndicated loan, whereby Faysal Bank Limited is acting as agent of the syndicate. Due to absence of cash flow and delayed commissioning of the project and subsequent closure of the production, DSL was and is unable to meet its repayment obligations towards the Financiers. All the syndicate banks have given their in-principle approval to the rescheduling and restructuring of the debts and obligations. All the syndicate banks except Pak Kuwait Investment Company (Private) Limited have signed the rescheduling and restructuring agreement.

Terms of rescheduled and restructured agreement are as follows:

a) For the repayment of the unpaid mark up, mark up has been calculated on the total outstanding amount from the date of last payment till 30 June 2016 - the assumed date of commissioning @ 8% per annum. As per the terms of the agreement the syndicate loan banks individually have the following two options regarding the repayment of the upaid markup:

i) Option I : The total Mark up calculated will be converted into a "Zero Coupon TFC convertible into ordinary shares". All the TFCs issued will be completely converted into equity/ordinary shares by 2027 as per the following schedule:

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

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

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	Note	2021 Rupees	2020 Rupees

ii) Option II : Waiver of 85% of the mark up up to the date of the commissioning. The 15% remaining mark up would be payable within 2 years after complete repayment of restructed 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 mark up.

b) The Mark up 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 full amount due upto 30 June 2021 including the partial instalment of fourth quarter of year 2019, all four instalments of last year, all four instalments of current year and full portion of Pak Kuwait Investment Company (Private) Limited. Pak Kuwait Investment Company (Private) Limited has neither signed the restructuring agreement nor accepted the payment.

19 MARK UP ACCRUED ON SECURED LOANS

	Note	2021	2020
On secured loans		**614,940,264**	614,940,264
Refer note 18			

20 DEFERRED LIABILITIES

	Note	2021	2020
Deferred taxation		**-**	-
Staff gratuity	20.1	**23,418,350**	19,141,845
		23,418,350	19,141,845

20.1 Staff gratuity

Movement in net defined benefit obligation recognized in statement of financial position:

	Note	2021	2020
Opening balance		**19,141,845**	14,643,590
Provision for the year	20.1.1	**4,276,505**	4,498,255
		23,418,350	19,141,845
Less: Payments made during the year		**-**	-
		23,418,350	19,141,845

20.1.1 The Company operates a non-funded 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 2021.

Provision of gratuity for the year has been allocated as follows:

	Note	2021	2020
Cost of sales	26.1	**608,505**	608,505
Administrative and selling expenses	27.1	**3,668,000**	3,889,750
		4,276,505	4,498,255

21 TRADE AND OTHER PAYABLES - UNSECURED

	Note	2021	2020
Creditors		**45,820,415**	47,458,183
Contract liabilities		**493,778**	493,778
Accrued liabilities		**36,339,716**	33,465,106
Payable to old employees		**3,011,341**	3,011,341
Taxes payable		**-**	278,173
		85,665,250	84,706,581

22 ACCRUED MARK UP

	Note	2021	2020
Long term financing - secured		**169,694,601**	109,840,953

It represents mark up pertaining to over due portion (as explained in note 18). It includes Rs. 24,445,818/- payable to Pak Kuwait Investment Company (Private) Limited as they have not yet accepted and signed the restructuring agreement.

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	Note	2021 Rupees	2020 Rupees

23 SHORT TERM BORROWINGS - UNSECURED

Loan from directors		197,850,493	134,967,181
Loan from sponsors		25,901,017	24,382,017
		223,751,510	159,349,198

These loans are unsecured, interest free, obtained to facilitate the company for working capital requirement and had been utilized accordingly. The movement during the year is due to loan obtained amounting to Rs. 25,869,120/-, salaries and allowances amounting to Rs. 39,047,953/- payable to directors transfered to their short term borrowings and adjustment amounting to Rs. 514,761/- against sale of vehicles to the directors.

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 The Company is not exposed to any contingent liability in respect of syndicated loan at the Statement of Financial Position date, in view of restructuring agreement - Note 18.

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

24.1.2 The company has received advance against issuance of shares from the Crescent Star Insurance Limited (CSIL) as described in note 17. The advance is interest free and the fact was confirmed in the confirmation for the year ended 30 June 2016. The CSIL after the right issue unilaterally started claiming mark up @ 1 year KIBOR + 3% which the company does not accept being against the agreed terms and is apparently illegal demand. The amount of disputed markup as on 30 June 2020 calculates to Rs. 187,474,579/-. CSIL has also filed civil suit disputing assignment of Rs. 247,995,000/- in favour of Dynasty Trading (Private) Limited as disclosed in note 17.

24.2 Commitments

	2021	2020
Non-capital commitments - Post dated cheques	2,478,128	3,444,535

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

25 SALES

	2021	2020
Bar sales	-	8,551,946
End cut	8,464,752	4,954,374
	8,464,752	13,506,320
Less : Sales tax	(1,410,792)	(2,236,290)
	7,053,960	11,270,030

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	Note	2021 Rupees	2020 Rupees
26 COST OF SALES			
Raw material consumed			
Opening stock of raw material		4,781,225	4,781,225
Add: Purchased during the year		-	-
Less: Closing stock of raw material		(4,781,225)	(4,781,225)
		-	-
Manufacturing overheads			
Salaries, wages and other benefits	26.1	8,776,895	16,378,228
Stores and spares consumed		7,993	-
Fuel, power and water		6,394,274	6,913,908
Travelling and conveyance		1,050	11,030
Rent, rates and taxes		-	247,331
Mess expenses		-	23,917
Entertainment		21,120	17,202
Repair and maintenance		127,810	253,026
Printing and stationery		1,425	600
Internet charges		12,096	51,564
Insurance		-	794,708
Depreciation	5.1.1	19,101,570	21,412,675
Others		3,820	8,722
		34,448,053	46,112,911
Add: Opening stock of work in process		17,955,072	18,909,792
Less: Input sales tax adjustment		-	(954,720)
Less: Closing stock of work in process		-	(17,955,072)
		17,955,072	-
Cost of goods manufactured		52,403,125	46,112,911
Add: Opening stock of finished goods		8,972,111	23,844,853
Less: Closing stock of finished goods		-	(8,972,111)
		8,972,111	14,872,742
		61,375,236	60,985,653

26.1 Salaries, wages and other benefits include Rs. 608,505/- (2020 : 608,505) in respect of gratuity (note 20.1).

27 ADMINISTRATIVE AND SELLING EXPENSES

	Note	2021 Rupees	2020 Rupees
Salaries and other benefits	27.1	48,949,423	62,934,404
Utilities		302,705	766,134
Rent, rates and taxes		1,036,291	1,963,011
Printing and stationery		23,376	121,360
Vehicle running and maintenance		441,133	1,695,276
Telephone, postage and couriers		137,290	563,335
Auditors' remuneration	27.2	665,100	743,850
Legal and professional charges		1,619,837	5,133,654
Entertainment expenses		56,421	298,286
Repairs and maintenance		444,542	158,982
Traveling and conveyance		130,044	398,440
Freight outward		-	16,000
Insurance		-	61,937
Advertising expenses		-	96,800
Fees and subscription		1,551,288	1,862,650
Bad debts	27.3	5,545,944	24,758,931
Depreciation	5.1.1	521,826	689,315
Amortization	6	333,405	333,405
Tax charged u/s 137		-	225,552
Default surcharge		-	52,621
General expenses		5,000	226,531
		61,763,625	103,100,474

27.1 Salaries, wages and other benefits include Rs. 3,668,000/- (2020 : Rs. 3,889,750/-) in respect of gratuity (note 20.1).

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		Note	2021 Rupees	2020 Rupees
27.2	**Auditors' remuneration**			
	Audit fee		**381,000**	381,000
	CCG review fee		**70,000**	70,000
	Interim half yearly review fee		**156,600**	156,600
	Other certification charges		**42,000**	120,750
	Out of pocket expenses		**15,500**	15,500
			665,100	743,850
27.3	**Bad debts**			
	Expected credit loss on trade debtors	**10.1**	**4,795,944**	19,655,190
	Provision against doubtful advances	**11.1**	**750,000**	368,392
	Provision against letter of credits		-	3,631,900
	Long term security deposit written off		-	29,900
	Trade debtors written off		-	92,620
	Advances written off			980,929
			5,545,944	24,758,931

28 FINANCE COST

	2021 Rupees	2020 Rupees
Mark up on long term financing	**59,853,648**	91,943,197
Bank charges and commission	**45,295**	72,083
	59,898,943	92,015,280

29 OTHER OPERATING INCOME

	2021 Rupees	2020 Rupees
Income from financial instruments		
Profit on bank deposit accounts	**17,353**	38,212
Provision reversed during the year	-	506,560
Exchange gain/ (loss)	**1,066,560**	(363,600)
Creditors written back	-	3,368,558
	1,083,913	3,549,730
Income from non financial instruments		
Miscellaneous income	**3,867**	332,300
Gain on disposal of fixed assets	-	12,033
	3,867	344,333
	1,087,780	3,894,063

30 TAXATION

	2021 Rupees	2020 Rupees
Current tax	**105,809**	169,050
Prior year tax	-	-
Deferred tax	-	-
	105,809	169,050

30.1 Relationship between tax expense and accounting profit

Tax charge reconciliation is not prepared as the company is charged with minimum tax and the relation between income tax expense and accounting profit is not meaningful.

31 LOSS PER SHARE - BASIC AND DILUTED

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:

		2021	2020
Loss attributable to ordinary shareholders	**Rupees**	**(175,001,873)**	(241,106,364)
Weighted average number of ordinary shares in issue		**315,733,860**	315,733,860
Loss per share - basic and diluted	**Rupees**	**(0.55)**	(0.76)

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.

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	2021 Rupees	2020 Rupees

32 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial instrument by category

Financial assets - At amortized cost

	2021 Rupees	2020 Rupees
Long term security deposits	40,521,445	40,521,445
Trade debtors	8,933,358	6,417,487
Advances	9,229	9,229
Cash and bank balances	93,497	903,290
	49,557,529	47,851,451

Financial liabilities - At amortized cost

	2021 Rupees	2020 Rupees
Advance for issuance of shares-unsecured	358,100,019	358,100,019
Long term financing - secured	571,436,132	664,587,096
Markup accrued on secured loans	614,940,264	614,940,264
Trade and other payables	85,171,472	83,934,630
Accrued Mark up	169,694,601	109,840,953
Short term borrowings - unsecured	223,751,510	159,349,198
Current and overdue portion of long term borrowings	222,378,571	129,753,982
	2,245,472,569	2,120,506,142

32.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

a) Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

Out of the total financial assets of Rs. 49,557,529/- (2020: Rs. 47,851,451/-), the financial assets which are subject to credit risk amounted to Rs. 49,550,129/- (2020: Rs.47,842,469).

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancement. The maximum exposure to credit risk at the reporting date is as follows:

	2021	2020
Long term security deposits	40,521,445	40,521,445
Trade debtors	8,933,358	6,417,487
Advances	9,229	9,229
Cash and bank balances	86,097	894,308
	49,550,129	47,842,469

All the trade debtors at the statement of financial position date represent domestic parties. The aging of trade receivable at the reporting date is

	2021	2020
1 - 30 days	-	-
Past due 31 - 60 days	-	-
Past due 61 - 180 days	4,838,917	-
Past due 181 - 365 days	3,625,835	-
Past due > 365 days	38,204,588	39,357,525
	46,669,340	39,357,525
Remeasurement of Expected Credit Loss	(37,735,982)	(32,940,038)
	8,933,358	6,417,487

Remeasurement of Expected Credit Loss - Aging

	2021	2020
1 - 30 days	-	-
Past due 31 - 60 days	-	-
Past due 61 - 180 days	2,209,076	-
Past due 181 - 365 days	1,655,276	-
Past due > 365 days	33,871,630	32,940,038
	37,735,982	32,940,038

Credit risk related to bank balance

The bank balance represents low credit risk as this is placed with bank having good credit rating assigned by independent credit rating agency. The credit

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	2021 Rupees	2020 Rupees

quality of bank balance can be assessed with reference to external credit rating as follows:

Bank Name	Rating agency	Rating Short term	Rating Long term	2021	2020
Askari Bank Limited	PACRA	A-1+	AA+	5,402	5,402
Faysal Bank Limited	VIS & PACRA	A-1+	AA	34,188	545,173
National Bank of Pakistan	VIS & PACRA	A-1+	AAA	4,100	4,100
Silk Bank Limited	VIS	A-2	A-	14,071	13,818
United Bank Limited	VIS	A-1+	AAA	10,887	247,174
Soneri Bank Limited	PACRA	A-1+	AA-	4,779	4,779
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	57	57
Bank Alfalah Limited	VIS & PACRA	A-1+	AA+	10,435	10,435
Meezan Bank Limited	VIS	A-1+	AAA	2,178	63,370
				86,097	894,308

b) **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

Liquidity / cash flow risk reflects the Company's inability of raising funds to meet commitments. The Company is in process of negotiating with syndicate consortium to arrange for working capital need to resume commercial production. The management is also working on other option to induct a strategic investor to provide the required working capital.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Six Months or less	Six to twelve months	More than one year
	----------	----------	Rupees	----------	----------
30 June 2021					
Advance for issuance of shares-unsecured	**358,100,019**	**358,100,019**	**-**	**-**	**358,100,019**
Long term financing - secured	**571,436,132**	**661,652,839**	**-**	**-**	**661,652,839**
Markup accrued on secured loans	**614,940,264**	**614,940,264**	**-**	**-**	**614,940,264**
Trade and other payables	**85,171,472**	**85,171,472**	**85,171,472**	**-**	**-**
Accrued Mark up	**169,694,601**	**169,694,601**	**169,694,601**	**-**	**-**
Short term borrowings - unsecured	**223,751,510**	**223,751,510**	**223,751,510**	**-**	**-**
Current and overdue portion of long term borrowings	**222,378,571**	**269,742,343**	**200,352,443**	**69,389,900**	**-**
	2,245,472,569	**2,383,053,048**	**678,970,026**	**69,389,900**	**1,634,693,122**
30 June 2020					
Advance for issuance of shares-unsecured	358,100,019	358,100,019	-	-	358,100,019
Long term financing - secured	664,587,096	798,658,811	-	-	798,658,811
Markup accrued on secured loans	614,940,264	614,940,264	-	-	614,940,264
Trade and other payables	83,934,630	83,934,630	83,934,630	-	-
Accrued Mark up	109,840,953	109,840,953	109,840,953	-	-
Short term borrowings - unsecured	159,349,198	159,349,198	159,349,198	-	-
Current and overdue portion of long term borrowings	129,753,982	182,038,569	109,849,134	72,189,435	-
	2,120,506,142	2,306,862,444	462,973,915	72,189,435	1,771,699,094

c) **Market risk**

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest / mark up rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:-

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company's exposure to currency risk is as follows;

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	2021	2020	2021	2020	2021	2020
	US$		Exchange Rate		Rupees	Rupees
Creditors	101,000	101,000	157.54	168.1	15,911,540	16,978,100

Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the statement of financial position date the interest rate profile of the Company's interest-bearing financial instruments are: -

	2021 Rate	2020 Rate
Financial liabilities		
Variable rate - Long term financing	**3 Month KIBOR**	3 Month KIBOR

Interest rate risk cash flow sensitivity

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

Cash flow sensitivity - Variable rate	Change in BPS	Effect on profit before tax	
		Rupees	Rupees
Long term financing - secured	100 bps	**5,714,361**	6,645,871
Overdue portion	100 bps	**2,223,786**	1,297,540

Capital risk management

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may issue new shares and take other measures commensurating the circumstances.

Consistently with others in the industry, the company monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt ÷ equity. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Equity comprises of share capital, reserves and retained earnings.

The net debt-to-equity ratios at 30 June 2021 and at 30 June 2020 are as follows:

Total debts	**1,017,566,213**	953,690,276
Less: Cash and bank balances	**(93,497)**	(903,290)
Net debt	**1,017,472,716**	952,786,986
Total equity	**376,418,828**	551,420,701
Net debt-to-equity (Times)	**2.70**	1.73

Fair value of financial assets and liabilities

The estimated fair value of all financial instruments is not significantly different from their book value as shown in these financial statements.

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33 TRANSACTIONS WITH RELATED PARTIES

Related parties include associated companies, directors of the company, companies where directors also hold directorship, related group companies, key management personnel, staff retirement funds and entities over which directors are able to exercise influence. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes, i.e. comparable uncontrolled price method except short term loan which are unsecured and interest free. There are no transactions with the key management personnel other than under their terms of employment / entitlements.

The outstanding balance payable to directors & sponsors and transactions with them are disclosed in note 17 and 23, shares held by related parties in note 15.1 and Remuneration paid to chief executive and directors is disclosed in note 34 to the financial statements. All the transactions with related parties are appropriately disclosed at relevant places in these financial statements.

Following are the related parties with whom the Company had entered into transactions during the year:

Name of Related Party	Basis of Relationship	Relationship	Shareholding %
Mr. Jamal Iftakhar Ahmed	Shareholder & Chief Executive	Shareholding	8.762%
Mr. Zahid Iftakhar	Shareholder & Director	Shareholding	7.784%
Mr. Saad Zahid	Shareholder & Director	Shareholding	1.36%
Mr. Bilal Jamal Iftakhar	Shareholder & Director	Shareholding	2.536%

34 REMUNERATION AND OTHER BENEFITS TO CEO / DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration, including certain benefits to the chief executive, the director and executives of the Company, are as follows:

	Chief Executive		Directors		Executives	
	2021	2020	**2021**	2020	**2021**	2020
	Rupees					
Managerial remuneration	**15,600,000**	15,600,000	**21,600,000**	22,106,666	**3,660,000**	12,658,000
Other allowances	**-**	-	**-**	-	**-**	-
Car allowances	**-**	-	**1,008,000**	336,000	**1,200,000**	2,755,582
Staff retirement gratuity	**1,300,000**	1,300,000	**1,884,000**	1,592,000	**405,000**	697,000
Directors' meeting fee	**-**	-	**-**	-	**-**	-
	16,900,000	16,900,000	**24,492,000**	24,034,666	**5,265,000**	16,110,582
Number of Person(s)	**1**	(2) *	**(3)**	(3)	**(2)**	(6)

* Two persons served as chief executive one after another.

Chief Executive & Directors of the company are also provided with company maintained cars.

35 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment and commercial operations were started during the year ended 30 June 2018.

36 PRODUCTION CAPACITY

	2021	2020
	Metric Tons	
Total Installed Capacity - on three shift basis	**350,000.00**	350,000.00
Available Installed Capacity - on three shift basis	**350,000.00**	350,000.00
Actual Production	**-**	-

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

37 NUMBER OF EMPLOYEES

	Number	
Number of employees as at 30 June	**33**	33
Average number of employees during the year	**33**	60

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38 **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.

39 **IMPACTS OF COVID-19 ON THE FINANCIAL STATEMENTS**

A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19. The Company expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and management have evaluated and concluded that there is additional uncertainty other than those disclosed at note 2 and there are no material implications of COVID-19 impacts that requires disclosures/ adjustments in these financial statements.

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

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

41 **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.

42 **DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on 06 OCT 2021 by the board of directors of the company.

43 **GENERAL**

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

Chief Executive	Chief Financial Officer	Director

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