DOST STEELS LTD.

Annual Report 2016

CONTENTS

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 social 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'S INFORMATION

Board of Directors

Mr. Zahid Iftakhar	Chairman
Mr. Jamal Iftakhar Ahmed	Chief Executive
Mr. Faisal Zahid	Director
Mr. Bilal Jamal	Director
Mr. Saad Zahid	Director
Mr. Mustafa Jamal	Director
Mr. Afzal Shahzad	Director

Audit Committee

Mr. Afzal Shahzad	Chairman
Mr. Bilal Jamal	Member
Mr. Saad Zahid	Member

Human Resource & Remuneration Committee

Mr. Faisal Zahid	Chairman
Mr. Jamal Iftakhar	Member
Mr. Afzal Shahzad	Member

Chief Financial Officer
Mr. Sajid Ahmed Ashrafi

Company Secretary
Mr. Zia ur Rahim Khan

Bankers
Faysal Bank Limited
National Bank of Pakistan
Askari Commercial Bank Limited
NIB Bank Limited
Bank of Khyber
Pak Kuwait Investment Co. (Pvt) Ltd
Saudi Pak Industrial & Agricultural Investment Co. Ltd.
United Bank Limited
Silk Bank

Auditors
Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Legal Advisor
Mr. Ahmed Bilal
Suite No. 3, Musa Mansion,
5 Fane Road, Behind Punjab Bar Council Building,
Lahore.
Ph No. +92 (0)42 37363718

Shares Registrar
THK Associates (Pvt) Limited.
2nd Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road,
Karachi-75530
Ph: 92 21 111-000-322, 35693094-95
Fax Nos.:92 21 35655595
E-mail : secretariat@thk.com.pk

Registered/Head Office
101, Chapal Plaza,
Hasrat Mohani Road,
Karachi – 74000
Ph # 021-32412200, 32419820
Fax# 021-32412211
E mail: ho@doststeels.com

Plant Address
52 Km Lahore Multan Road
Phool Nagar, Distt Kasur, Punjab

Web Presence
www.doststeels.com

Notice of the 13th Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of the Shareholders of M/s. Dost Steels Limited, will be held on Wednesday, November 30, 2016 at 11:30 a.m. at Pakistan Society for Training and Development, Plot # TC-3, 34th Street off Khayaban e Seher Phase V (Extension), Defence Housing Authority, Karachi 75500, to transact the following business:-

Ordinary Business:

1. To confirm the minutes of the last Extraordinary General Meeting held on October 27, 2016.
2. To receive, consider and adopt the annual audited accounts of the Company together with the Directors' and Auditors' reports thereon for the year ended June 30, 2016.
3. To appoint Auditors of the Company for the year ended June 30, 2017, and fix their remuneration. The Board of Directors have recommended for reappointment of M/s. Rehman Serfaraz Rahim Iqbal Rafiq, Chartered Accountants as an external auditors.

Other Business:

4. To transact any other business with the permission of the Chair.

By order of the Board

Zia ur Rahim Khan
Company Secretary

Karachi
Dated: November 10, 2016

NOTES:

1. **Closure of Share Transfer Books:**
The Shares Transfer Books of the Company will remain close from November 24, 2016 to November 30, 2016 (both days inclusive). Transfers received at our registrar office THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, by the close of business on November 23, 2016 will be treated in time.

2. **Proxy Form:**
A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

3. **Attendance and Verification:**
Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan:
    a) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
    b) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
    c) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.
    d) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
    e) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy form.

4. **Change in the Addresses:**
Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the registrar.

IMPORTANT:

Distribution of Accounts:

The audited financial statements of the Company for the year ended June 30, 2016 have been made available on the Company's website (www.doststeels.com) in addition to annual and quarterly financial statements for the prior years.

Further this is to inform that in accordance with S.R.O. 470(I)/2016 dated May 31, 2016, the Company is pleased to circulate their annual financial statements to its members through CD/DVD/USB at their registered addresses.

DIRECTORS' REPORT TO THE SHARE HOLDERS

Dear Members Assalam-O-Alaikum

On behalf of my colleagues on the Board, I welcome you to the 13th Annual General Meeting of your Company and present before you the annual report, along with the audited financial statements of your company for year ended June 30, 2016.

Chief Executive's Message

We are pleased to inform the shareholders that the loans restructuring agreement based on the proposed rehabilitation and restructuring plan presented to the lenders of the Company has been signed by all the syndicate lender banks excepting Pak Kuwait Investment Company Limited (PKIC). However, PKIC has given its consent with some minor changes to the restructuring agreement, these changes are under process of incorporation in the restructuring agreement as an addendum, and the Directors are hopeful that the restructuring agreement shall be completed before the end of December 2016.

As part of the above mentioned restructuring agreement your company Dost Steels Limited (DSL) is in process of raising its capital by Rs.1,117,212,120 through a Right Issue which is currently in process and is expected to be completed before the end of December 2016. More than sixty percent of this equity has already been received by the Company as an advance against shares from the current sponsors and the new incoming sponsor Crescent Star Insurance Limited.

The funds available on the completion of the Right Issue shall enable your company to complete its hot commissioning, and together with other working capital arrangements, it will enable the company to start its commercial operations, IshaAllah by the third quarter of the current financial year.

The auditors of the Company M/s Rahman Safaraz Rahim Iqbal Rafiq Chartered Accountants have expressed certain reservations in their audit report for the financial year ended 30 June 2016. These reservations and our respective para wise comments on these reservations are as follows:

The management has taken major steps of overhauling of the project since May 2015, with most of the machinery ready to run, now and as explained above the management is confident that it shall be able to start the commercial operations on the completion of the Right Issue and other working capital arrangements.

The company is in the final stages of the signing of the restructuring agreement and as such it is not expected from the financial institutions and the banks involved to send any confirmation till the time all legal formalities with regards to this restructuring agreement has been completed.

These balances represent certain transactions done during the time of inactive period of the company to keep the plant site alive and other related overheads. Due to the aging factor no response was received by the auditors, the management intends to make its last effort to resolve these out standings before the end of the next financial year, otherwise these shall be proposed to be the fully provided for.

These balances materially represent certain advance payments made for procurement of certain supplies for the plants and machinery, which have not been received till the writing of this report. The management is confident that once these supplies are received and suppliers accounts are settled the observation would stand resolved.

Litigations Against Company

There have been two separate suits filed against the Company by the lenders, one by Pak Kuwait Investment Company (Private) Limited and the other by Faysal Bank Limited on behalf of the syndicate. Since the restructuring agreement has been signed by all the syndicate members except PKIC as discussed above, the two suits would be settled through a consent decree as per the terms of the said agreement.

Future Prospects, Risks and Uncertainties:

In any country, industrial and economic development would be impossible without the possession of a self-reliant iron and steel making plant. The dependence on imports would cause serious setbacks to the country. Pakistan is a steel deficit country and is likely to witness increased demand mainly due to the focus of the Government on infrastructure projects, which will in-turn increase demand for steel.

Dost Steels Limited is a straight line bar mill comprising of 18 rolling stands, automatic rake cooling bed, bundling and binding station with complete automation interconnecting all equipment to a central computer control system with a capacity to produce 350,000 tons of steel rebar per annum. The use of state of the art technology enables the Company to produce steel rebar of highest quality using quenching and tempering techniques. This will also enable the Company to become one of the largest steel rebar production units in the country.

Currently, company is facing Operational, Credit and Business risks, for the mitigation of such risks the principal shareholders have continued to provide their support to the Company.

Results of the Company

The basic and diluted (Loss) per share on June 30, 2016 was Rs. (0.45) as compared to Rs. (1.47) (Restated) on June 30, 2015. Due to non-functional operations of the company, the Company neither declared dividend nor issued bonus shares since inception.

Auditors

The present auditors, Messrs. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants are retiring at the conclusion of the forth coming annual general meeting and are available for reappointment. The Board has endorsed their reappointment as external auditors of the company for the year ended June 30, 2017.

Corporate and Financial Reporting Framework

The Directors are pleased to state that all the necessary steps have been taken to comply with requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the Statements on Corporate and Financial Reporting frame work:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

- Proper books of accounts have been maintained by the Company;

    - Appropriate accounting policies have been consistently applied, except for the changes as stated in note 4.14 to the financial statements, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained;

- The system of internal control is sound in design and has been effectively implemented and monitored; and

- There are no doubts upon the Company's ability to continue as a going concern, subject to note 2 to the financial statements;

- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations;

- The summary of key operating and financial data of the Company of last six years will be provided after commencement of production.

- Information about taxes and levies is given in the notes to the accounts.

Board and Committees:

A calendar of Meetings is prepared and circulated in advance to the Directors. The Board met seven times during the year, the details of which are given in the Corporate Governance Report that forms part of this Annual Report. Attendances by each Director were as follows:

Name of Directors	No. of meetings attended
Mr. Jamal Iftakhar	07
Mr. Zahid Iftakhar	07
Mr. Faisal Zahid	06
Mr. Bilal Jamal	07
Mr. Saad Zahid	07
Mr. Mustafa Jamal	05
Mr. Afzal Shehzad	04

Based on the listing requirement and to ensure good corporate governance for the stakeholders, the company has formed two statutory committees of the board.

Board Audit Committee:

The Committee has adopted a Charter for its functioning. The primary objective of the Committee is to monitor and provide effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The Committee met (04) times during the year, the details of which are given in the Corporate Governance Report that forms part of this Annual Report.
The audit committee remains responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and considers any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit its financial statements.
Attendances by each Member were as follows:

Name of Members	No. of meetings attended
Mr. Zahid Iftakhar	04
Mr. Bilal Jamal	04
Mr. Saad Zahid	04
Mr. Afzal Shehzad	00

Leave of absence was granted to Directors/Members who could not attend some of the meetings.

Board Human Resource & Remuneration Committee:
Said committee was formed in April 26, 2016. The role of the HR & R committee is to assist the directors in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement involvement.

Director Training Program:
During the year the Company conducted orientation and training courses for their director to acquaint them with their duties and responsibilities and enable them to effectively manage the affairs of listed companies on behalf of the shareholders.

Pattern of Shareholding

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately, there was no trade in the shares of the company carried out by the Directors, CEO, CFO, Company Secretary, Internal Auditor, their spouses and minor children except those that have been duly reported as per the law.

Financial Statements

The financial statements of the company have been duly audited and approved by the auditors of the Company, Messrs. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants and their report is attached with the financial statements. There are no material changes and commitments affecting the financial position between the end of the financial year to which this balance Sheet relates and the date of the Directors Report.

Corporate Social Responsibility

The Company encourages Social Action Programs under its policy of Corporate Social Responsibility (CSR) which includes the provision of basic health facilities, promotion/education of underprivileged children and students, spending for under privileged classes. These plans will be implemented as soon as commencement of operation occurs.

Election of the Directors

Pursuance to the section 180 of the Companies Ordinance 1984, current Board of Directors elected on October 28, 2013 completed its term of three years and the Company has elected its new board on October 27, 2016 for next term of three years. Constitution of new board is as follows:

1. Mr. Naim Anwar
2. Mr. Amir Mehmood
3. Lt. General (R) Syed Parwez Shahid
4. Mr. Mian Nasser Hyatt Maggo
5. Mr. Jamal Iftakhar Ahmad
6. Mr. Zahid Iftakhar
7. Mr. Mustafa Jamal Iftakhar
8. Mr. Saad Zahid
9. Mr. Syed Adnan Ali Zaidi

In the light of above the sub-committees of board i.e. Audit and Human Resource and Remuneration Committee have also recomposed as per required by Code of Corporate Governance accordingly, in the last Board of Directors' meeting held on November 9, 2016.

Further pursuance to the section 199 of the Companies Ordinance 1984, the Board of Directors has also re-appointed Mr. Jamal Iftakhar Ahmed as the Chief Executive of the company in the last Board of Directors' meeting held on November 9, 2016.

Acknowledgement

The Board of Directors once again acknowledges the cooperation of its shareholders, project partner, bankers, supplier's, employees who are helping the Company in its efforts to consolidate and commence commercial operations.

The Board also offers deepest gratitude to the management of Crescent Star Insurance Limited for its undying commitment for the revival of the company and for making every effort to ensure the success of the proposed restructuring and rehabilitation process.

Authorized On behalf of the Board of Directors

Jamal Iftakhar
Chief Executive
Karachi: November 9, 2016

Statement of Ethics and Business Practices

The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business and enhancing the reputation of the company by:

- Maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the company.
- Fostering the highest standard of conduct and competence amongst those for whom they are responsible.
- Ensuring transparency in business transactions, and rejecting any business practices, which might be deemed to be improper.
- Promoting fair business practices and ensuring compliance with legal and regulatory requirements.

In applying these rules, employees should adhere the defined guidelines in following areas:

- Corporate Governance.
- Conflict of Interest.
- Trading in Company's shares.
- Confidentiality and Accuracy of Information.
- Gifts.
- Proper Recording of Funds, Assets, Receipts and Disbursements.
- Health & Safety.
- Environment.
- Work Place Harassment.
- Legal Proceedings.

Statement of Compliance with the Code of Corporate Governance

Name of Company: Dost Steels Limited
Year Ended: June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in regulation no. 5.19 of listing regulations (rule book) of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Afzal Shehzad
Executive Directors	Jamal Iftakhar CEO
	Zahid Iftakhar Chairman
Non Executive Directors	Faisal Zahid
	Bilal Jamal
	Saad Zahid
	Mustafa Jamal

The independent director meets the criteria of independence under clause 5.19.1. (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange except two directors who have executed a restructuring agreement followed by consent decree against a bank borrowing with a banking company.
4. No casual vacancy has occurred on the board during the period ended June 30, 2016.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged to carry out orientation courses training programs for its directors during the year.
10. The board has approved appointment of Company Secretary including remuneration and terms and conditions of employment. There is no new appointment of CFO and head of internal audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG. The company's board has developed evaluation criteria for carrying out performance evaluation of its members and chairman. Under this criteria, the first evaluation would be performed in 2016-17.
15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom one is executive director, another is independent director and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matters stated in paragraphs 3 and 14 towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of the Board of Directors
DOST STEELS LIMITED

JAMAL IFTAKHAR
Chief Executive Officer
Karachi
Date: 09/11/2016

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

54-P, Gulberg II,
Lahore-54660, Pakistan.
Tel +92-42-35875965-67
Fax +92-42-35758621
E-Mail: rsrir.pa.lhr@gmail.com
rsrilhr@brain.net.pk
Other Offices: Islamabad Karachi

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of **Dost Steels Limited** for the year ended June 30, 2016 to comply with the requirements of Listing Regulation of the Pakistan Stock Exchange where the company is listed

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to Company for the year ended June 30, 2016.

Further, we highlight instance of non-compliance with the requirements of the Code as reflected in the paragraphs 3 [Directors in default] and 14 [Evaluation of Board members] in the statement of compliance.

Other Matters:

The Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2015 was reviewed by another firm of Chartered Accountants and review report dated September 28, 2015 was issued. The aforesaid review report expressed an unqualified opinion highlighting non-compliances reflected in the statement of compliance.

Rahman Sarfaraz Rahim Iqbal Rafiq,
CHARTERED ACCOUNTANTS
Engagement Partner: A. Rahman Mir
Lahore: **November 9, 2016**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

54-P, Gulberg II,
Lahore-54660, Pakistan.
Tel: +92-42-35875965-67
Fax: +92-42-35758621
E-Mail: rsrir.po.lhr@gmail.com
rsrirlhr@brain.net.pk
Other Offices: Islamabad-Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DOST STEELS LIMITED** as at 30 June 2016 and the related profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that–

i. The Company has incurred a net loss of Rs. 30.11 million, its accumulated losses are Rs. 500.99 million and its current liabilities exceed its current assets by Rs. 115.1 million as disclosed in note 2 to the financial statements. Moreover, the company has not been able to commence its commercial production. These conditions indicate the existence of 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. The financial statements do not fully disclose this fact.

ii. We did not receive any response to our letters requesting for confirmation of balances outstanding of Rs. 716.57 million in the books of accounts of the Company against 'Long Term Financing' and 'Accrued Mark-up' payable to various banks. Further, confirmations of balances outstanding against 'Accrued Mark-up' to some banks do not agree with balances as per books of accounts amounting to Rs. 214.3 million. Therefore, relevant facts relating to these balances could not be substantiated.

iii. We did not receive any response to our letters sent regarding confirmation of balances of 'Trade Creditors' and 'Advance to Suppliers' amounting to Rs 8.90 million and Rs. 2.85 million, respectively and were unable to satisfy ourselves by alternative means.

iv. Out of the additions of Rs. 382 million in 'Capital Work in Progress', additions to the extent of Rs. 231 million could not be substantiated due to lack of appropriate evidence.

Except for the foregoing and the effects these may have:

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion –

   i) the balance sheet and profit & loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.14 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and in view of the aforementioned observations respectively do not give a true and fair view of the state of the company's affairs as at 30 June 2016 and of the loss, total comprehensive loss, its cash flows & changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Matter of Emphasis

Without qualifying our opinion on this point, we draw attention to Note 18 of the financial statements which describes the Company's arrangement of Restructured Term Finance Facilities as Syndicated Loan. All the syndicate banks except Pak Kuwait Investment Company (Private) Limited have signed the rescheduling and restructuring agreement.

Other matters

The financial statements for the year ended 30 June 2015 and for the half year ended on 31 December 2014 were audited / reviewed by another firm of Chartered Accountants who issued report dated 28 September 2015 and 27 February 2015, respectively. The aforesaid auditors' report expressed a modified opinion and the review report also gave a modified conclusion.

Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS
Engagement Partner: A. Rahman Mir
LAHORE: **November 9, 2016**

DOST STEELS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees Restated	2014 Rupees Restated
ASSETS				
Non-Current Assets				
Property, plant and equipment *	7	2,409,547,478	2,024,364,982	2,020,006,494
Long term security deposits	8	14,320,345	15,246,345	16,526,345
Deferred tax assets	9	-	-	-
		2,423,867,823	2,039,611,327	2,036,532,839
Current Assets				
Current portion of Long term security deposits	8	1,170,000	1,170,000	1,170,000
Advances	10	2,895,415	6,455,250	5,755,209
Short term prepayments	11	3,446,500	-	-
Interest accrued	12	521,620	34,812	43,514
Other receivable	13	-	740,070	-
Tax refund due from government	14	915,923	736,175	680,865
Cash and bank balances	15	6,505,449	66,999	373,956
		15,454,907	9,203,306	8,023,544
TOTAL ASSETS		2,439,322,730	2,048,814,633	2,044,556,383
EQUITY				
Share Capital and Reserves				
Authorized Share Capital				
320,000,000 (June 30,2015 : 70,000,000)		3,200,000,000	700,000,000	700,000,000
Issued, subscribed and paid up capital	16	674,645,000	674,645,000	674,645,000
Accumulated losses *		(500,993,968)	(471,305,856)	(372,561,035)
Total Equity		173,651,032	203,339,144	302,083,965
LIABILITIES				
Non-Current Liabilities				
Advance for issuance of shares-unsecured	17	686,603,186	-	-
Long term financing - secured	18	831,701,117	838,188,237	-
Markup accrued on secured loans	19	614,940,264	546,235,608	-
Deferred Liabilities *	20	1,873,561	705,556	553,141
		2,135,118,128	1,385,129,401	553,141
Current Liabilities				
Trade & other payables	21	29,985,993	29,830,364	23,361,564
Short term borrowings - unsecured	22	45,692,239	337,395,724	316,393,371
Accrued mark up		-	-	470,856,105
Current and overdue portion of long term borrowings	18	54,875,338	93,120,000	931,308,237
		130,553,570	460,346,088	1,741,919,277
Contingencies and Commitments	23			
Total Liabilities		2,265,671,698	1,845,475,489	1,742,472,418
TOTAL EQUITY AND LIABILITIES		2,439,322,730	2,048,814,633	2,044,556,383

The annexed notes 01 to 38 form an integral part of these financial statements.

* Last year's figures have been restated as detailed in note 5 & 6 and the relevant notes.

Chief Executive

Director

DOST STEELS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

		Note	2016 Rupees	2015 Rupees Restated
Administrative expenses	*	24	(30,675,020)	(23,870,538)
Finance cost		25	(109,056)	(75,412,883)
Gain / (loss) on disposal			-	3,741
Other operating income		26	670,685	80,269
Loss before taxation			(30,113,391)	(99,199,411)
Taxation		27	-	-
Loss after taxation			(30,113,391)	(99,199,411)
Loss per share		28	(0.45)	(1.47)

The annexed notes 01 to 38 form an integral part of these financial statements.

* Last year's figures have been restated as detailed in note 5 & 6 and the relevant notes.

Chief Executive

Director

DOST STEELS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

		2016 Rupees	2015 Rupees Restated
Loss for the year	*	**(30,113,391)**	(99,199,411)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of staff gratuity	*	425,279	454,590
Items that may be reclassified subsequently to profit or loss:		-	-
Total comprehensive loss for the year		**(29,688,112)**	(98,744,821)

The annexed notes 01 to 38 form an integral part of these financial statements.
* Last year's figures have been restated as detailed in note 5 & 6.

Chief Executive | *Director*

DOST STEELS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation *		(30,113,391)	(99,199,411)
Adjustments for non cash items:			
Depreciation *		791,525	553,253
Loss / (Gain)loss on disposal		-	(3,741)
Finance cost		109,056	75,412,883
Provision for gratuity *	20	1,593,284	607,005
Interest income		(667,399)	(80,269)
		1,826,466	76,489,131
Operating cash flow before working capital changes		(28,286,925)	(22,710,280)
Working capital changes:			
(Increase) / Decrease in current assets:			
Advances		3,559,835	(700,041)
Short term payments		(3,446,500)	-
Other receivable		740,070	(740,070)
Tax refund due from government		(179,748)	(55,310)
Increase / (Decrease) in current liabilities:			
Trade and other payables		155,629	6,468,800
Cash inflow/(outflow) from working capital		829,286	4,973,379
Cash generated from/(used in) operations		(27,457,639)	(17,736,901)
Finance cost paid		(3,363,066)	(33,380)
Net cash generated from / (used in) from operating activities		(30,820,705)	(17,770,281)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(314,015,355)	(5,038,000)
Proceeds from disposal of property, plant & equipment		-	130,000
Long term security deposits		926,000	1,280,000
Interest received		180,591	88,971
Net cash generated from / (used in) investing activities		(312,908,764)	(3,539,029)
CASH FLOW FROM FINANCING ACTIVITIES			
Advance received against issuance of shares		451,410,996	-
Repayment of long term financing - secured		(44,731,782)	-
(Repayment) Receipt of short term borrowings- unsecured		(56,511,295)	21,002,353
Net cash generated from / (used in) financing activities		350,167,919	21,002,353
Net (decrease)/increase in cash and cash equivalents during the year		6,438,450	(306,957)
Cash and cash equivalents at beginning of the year		66,999	373,956
Cash and cash equivalents at the end of the year	15	6,505,449	66,999

The annexed notes 01 to 38 form an integral part of these financial statements.

* Last year's figures have been restated as detailed in note 5 & 6 and the relevant notes.

Chief Executive *Director*

DOST STEELS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	*Revenue Reserve*	*Shareholders' Equity*
	Issued, subscribed and paid up	*Accumulated losses*	
	Rupees		
Balance as at June 30, 2014 as previously reported	674,645,000	(368,955,773)	305,689,227
Effect of change in accounting policy (Refer Note 5)	-	33,033	33,033
Effect of rectification of error (Refer Note 6)		(3,638,295)	(3,638,295)
Balance as at June 30, 2014 - restated	674,645,000	(372,561,035)	302,083,965
Total comprehensive loss for the year - restated	-	(98,744,821)	(98,744,821)
Balance as at June 30, 2015 - restated	674,645,000	(471,305,856)	203,339,144
Total comprehensive loss for the year	-	(29,688,112)	(29,688,112)
Balance as at June 30, 2016	**674,645,000**	**(500,993,968)**	**173,651,032**

The annexed notes 01 to 38 form an integral part of these financial statements.

Chief Executive

Director

1 LEGAL STATUS AND NATURE OF BUSINESS

Dost Steels Limited (the Company) was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984 (The Ordinance). 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 registered office of the Company is situated at 101, Chapal Plaza, Hasrat Mohani Road, Karachi 74000.

The principal business of the Company include manufacturing of steel, direct reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron and special alloy steel in different forms.

2 GOING CONCERN ASSUMPTION

The Company has incurred a net loss of Rs.30.113 million (2015 : Rs.99.199 million) and its accumulated losses are Rs.500.994 million (2015:Rs.471.306 million) . Its current liabilities exceeds its current assets by Rs.115 million (2015 : Rs.451 million).

Further, the Company is still maintaining a positive relationship with the lead agent of syndicated loan and has also given a mandate to Invest Capital Markets Limited to make adequate plans and take necessary actions that are required for commencement of Company's commercial operations. Therefore the company expects that adequate inflows will be generated in the future years which will wipe out these losses. Due to strong chances of success of these plans, 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

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.

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 informa

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 receivables***

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

- ***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 profit & loss account 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 4.14)

- **Change in accounting estimate**

  During the year the management has changed method applied for calculating depreciation of additions in and disposals from Property, plant & equipment charged to profit & loss account from yearly basis to monthly basis.

  The company has accounted for change in estimate in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. Therefore the change is accounted for prospectively by changing method applied for calculating depreciation of additions in and disposals from Property, plant & equipment.

  The effect of change in estimate is that the current year's loss before taxation has decreased by Rs. 419,864/- and in the future amount of profit/loss will be affected to the extent of difference in future periods.

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:**

- IFRS 7 - Financial Instruments: Disclosures (Amended)
- IFRS 10 - Consolidated Financial Statements (Amended)
- IFRS 11 - Joint Arrangements (Amended)
- IFRS 12 - Disclosure of Interests in Other Entities (Amended)
- IFRS 13 - Fair Value Measurement (Amended)
- IAS 27 - Separate Financial Statements (Amended)
- IAS 28 - Investments in Associates and Joint Ventures
- IAS 36 - Impairment of Assets (Amended)

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 1 - First time adoption of International Financial Reporting Standards - (Amendments applicable from annual periods beginning on or after 1 January 2013) - Not notified by SECP.
- IFRS 2 - Share-based Payments - (Amendments applicable from annual periods beginning on or after 1 January 2018)
- IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations (Amendments applicable from annual periods beginning on or after 1 January 2016)

  IFRS 7 - Financial Instruments: Disclosures (Amendments applicable from annual periods beginning on or after 1 January 2016)
- IFRS 9 - Financial Instruments: Classification and Measurement (Amendments applicable from annual periods beginning on or after 1 January 2018) - Not notified by SECP.
- IFRS 10 - Consolidated Financial Statements (Amendments applicable from annual periods beginning on or after 1 January 2016)
- IFRS 11 - Joint Arrangements (Amendments applicable from annual periods beginning on or after 1 January 2016)
- IFRS 12 - Disclosure of Interests in Other Entities (Amendments applicable from annual periods beginning on or after 1 January 2016)
- IFRS 14 - Regulatory Deferral Accounts - (Applicable for annual periods beginning on or after 1 January 2016) - Not notified by SECP.
- IFRS 15 - Revenue from Contracts with Customers - (Applicable for annual periods beginning on or after 1 January 2018) - Not notified by SECP.
- IFRS 16 - Leases - (Applicable for annual periods beginning on or after 1 January 2019) - Not notified by SECP.
- IAS 1 - Presentation of Financial Statements (Amendments applicable from annual periods beginning on or after 1 January 2016).
- IAS 7 - Statement of Cash Flows (Amendments applicable from annual periods beginning on or after 1 January 2017).
- IAS 12 - Income Taxes (Amendments applicable from annual periods beginning on or after 1 January 2017).
- IAS 16- Property, Plant and Equipment (Amendments applicable from annual periods beginning on or after 1 January 2016).
- IAS 19- Employee Benefits (Amendments applicable for annual periods beginning on or after 1 January 2016).
- IAS 27 - Separate Financial Statements (Amendments applicable for annual periods beginning on or after 1 January 2016).
- IAS 28 - Investment in Associates (Amendments applicable for annual periods beginning on or after 1 January 2016).
- IAS 34 - Interim Financial Reporting (Amendments applicable for annual periods beginning on or after 1 January 2016).
- IAS 38 - Intangible Assets (Amendments applicable from annual periods beginning on or after 1 January 2016).
- IAS 39 - Financial Instruments: Recognition and Measurement (Amendments applicable from annual periods beginning on or after 1 January 2018 - Not notified by SECP.)
- IAS 41 - Agriculture - (Amended) - (effective for annual periods beginning on or after 1 January 2016

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant ,equipment and depreciation.

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 income by applying reducing balance method at the rates 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 income as and when incurred. Major renewals and improvements are capitalized.

Gain/ loss on disposal of fixed assets are recognized in the profit and loss account.

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.

4.2 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 instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

4.3 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.

4.4 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.

4.5 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 balance sheet 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 balance sheet 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.

4.6 Provisions

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

4.7 *Revenue Recognition*

Interest income is recorded on accrual basis using effective interest rate.

4.8 *Financial Instruments*

All the financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

4.9 *Off-Setting of Financial Assets And Financial Liabilities*

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet 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.

4.10 *Impairment*

The carrying amounts of the company's assets are reviewed at each balance sheet 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 asset is in excess of its recoverable amount, impairment loss is recognised as an expense to the extent carrying amount exceed the recoverable amount.

4.11 *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.

4.12 *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 balance sheet date.

4.13 *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 profit & loss account when incurred.

4.14 *Staff retirement benefit*

Defined Benefit Plan

The Company operates a non-funded gratuity scheme for all its contractual employees subject to completion of a prescribed qualifying period of service. Provision is made annually to cover the obligations under the scheme on the basis of actuarial recommendation. Actuarial valuation of the scheme is undertaken at appropriate regular intervals and the latest valuation was carried out on 30 June 2016 using the "Projected Unit Credit Method". 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.

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 profit & loss account 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.

Previously provision of gratuity was made in the financial statements on the basis of last drawn salary and length of service of employees meeting eligibility criteria to cover the obligation in respect of current and past service cost. (Refer note 5 for effect of retrospective change in accounting policy).

5 *CHANGE IN ACCOUNTING POLICY*

During the year the Company has adopted IAS 19 - 'Employee Benefits' (revised). The Company has changed its accounting policy in respect of recognition of actuarial gains and losses, past service costs and expected return on plan assets, whereby with effect from current year, the Company has recognised gratuity payable on the basis of actuarial recommendation. Previously provision of Gratuity was made on the basis of last drawn salary and length of service of employees meeting eligibility criteria as per company's policy.

The change has been accounted for in accordance with IAS 8 -'Accounting Policies, Change in Accounting Estimates and Errors' and IAS 1-'Presentation of Financial Statements' (Revised). The Company has applied the change in accounting policy retrospectively and has presented balance sheet as at the beginning of the earliest comparative period i.e., 1 July 2014.

Impact on these financial statements of this change is summarized below as of July 1, 2014, June 30, 2015 and June 30, 2016 and for the year then ended:

	30 June 2016 Rupees	30 June 2015 Rupees	01 July 2014 Rupees
Impact on Balance Sheet - accumulated			
Increase/ (Decrease) in Deferred Liabilities-Gratuity	(78,840)	73,997	(33,033)
Increase/ (Decrease) in accumulated loss	78,840	(73,997)	33,033
Impact on Profit & Loss Account			
Increase/(Decrease) in Administrative Expenses -Salaries and other benefits	272,442	561,620	-
Impact on Other Comprehensive Income			
Increase in other comprehensive income	425,279	454,590	-
Impact on Loss per share			
Increase/ (Decrease) in loss per share	0.01	0.01	

6 *RECTIFICATION OF ERROR*

The company had not charged depreciation in accordance with IAS-16 - 'Property, Plant and Equipment' in the last five years, i.e. 2011 to 2015.

The rectification of error has been accounted for in accordance with IAS 8 -'Accounting Policies, Change in Accounting Estimates and Errors' and IAS 1-'Presentation of Financial Statements' (Revised). The Company has rectified the error and has presented balance sheet as at the beginning of the earliest comparative period affected i.e., 1 July 2014.

Impact on these financial statements of this rectification is summarized below as of July 1, 2014 and June 30, 2015 and for the year then ended:

	30 June 2015 Rupees	01 July 2014 Rupees
Impact on Balance Sheet - accumulated		
Increase/ (Decrease) in Property, plant and equipment	(4,191,548)	(3,638,295)
(Increase)/ Decrease in accumulated loss	(4,191,548)	(3,638,295)
Impact on Profit & Loss Account		
Increase/(Decrease) in Administrative Expenses - Depreciation	553,253	-
Impact on Loss per share		
Increase/ (Decrease) in loss per share	0.01	

7 PROPERTY, PLANT AND EQUIPMENT

	Note	2016 Rupees	2015 Rupees
Operating assets	7.1	**163,678,810**	160,491,013
Capital work-in-progress	7.2	**2,245,868,668**	1,863,873,969
		2,409,547,478	2,024,364,982

7.1 Operating Assets

Particulars	**	OWNED						
		Free hold land	Furniture & fittings	Vehicles	Office Equipments	Electric Equipments	Computers Equipments	Total
		Rupees						
Year ended June 30, 2016								
Opening net book value		157,876,220	820,387	311,711	25,376	1,309,222	148,097	160,491,013
Additions		-	798,270	1,662,000	199,350	643,892	675,810	3,979,322
Revaluation		-	-	-	-	-	-	-
Depreciation charged		-	(147,127)	(311,641)	(11,282)	(212,500)	(108,975)	(791,525)
Net book value as at June 30, 2016		**157,876,220**	**1,471,530**	**1,662,070**	**213,444**	**1,740,614**	**714,932**	**163,678,810**
As at June 30, 2016								
Cost		157,876,220	3,654,099	5,601,035	316,602	4,701,202	3,017,258	175,166,416
Accumulated depreciation		-	2,182,569	3,938,965	103,158	2,960,588	2,302,326	11,487,606
		157,876,220	**1,471,530**	**1,662,070**	**213,444**	**1,740,614**	**714,932**	**163,678,810**
Year ended June 30, 2015								
Opening net book value - (Restated)	*	157,876,220	965,161	547,462	29,854	1,540,261	211,567	161,170,525
Additions		-	-	-	-		-	-
Revaluation		-	-	-	-	-	-	-
Depreciation charged - (Restated)	*	-	(144,774)	(109,492)	(4,478)	(231,039)	(63,470)	(553,253)
Disposal		-	-	(126,259)	-	-	-	(126,259)
Net book value as at June 30, 2015 - (Restated)	*	157,876,220	820,387	311,711	25,376	1,309,222	148,097	160,491,013
As at June 30, 2015								
Cost		157,876,220	2,855,829	3,939,035	117,252	4,057,310	2,341,448	171,187,094
Accumulated depreciation - (Restated)	*	-	2,035,442	3,627,324	91,876	2,748,088	2,193,351	10,696,081
		157,876,220	820,387	311,711	25,376	1,309,222	148,097	160,491,013
Rate of Depreciation		-	15%	20%	15%	15%	30%	

* Refer note 6.

** Due to typographical error land was disclosed as leasehold property in the last audited financial statements.

		Note	2016 Rupees	2015 Rupees Restated
7.2	***Capital work in progress***			
	Land development			
	Opening balance		**13,212,712**	13,212,712
	Additions		**1,101,718**	-
	Transfer to operating assets		**-**	-
	Closing balance		**14,314,430**	13,212,712
	Civil works			
	Opening balance		**207,083,362**	207,083,362
	Additions		**2,148,181**	-
	Transfer to operating assets			-
	Closing balance		**209,231,543**	207,083,362
	Plant and machinery			
	Opening balance		**1,219,142,419**	1,214,104,419
	Additions		**306,786,134**	5,038,000
	Transfer to operating assets		**-**	-
	Closing balance		**1,525,928,553**	1,219,142,419
	Unallocated borrowing costs	7.2.1		
	Opening balance		**424,435,476**	424,435,476
	Additions		**71,958,666**	-
	Transfer to operating assets		**-**	-
	Closing balance		**496,394,142**	424,435,476
			2,245,868,668	1,863,873,969

7.2.1 Markup of Rs. 71,958,666/- (2015: Nil) is capitalized in aggregate at the markup rate of 8 % and 1 year KIBOR + 3% p.a. (2015: Nil)

8 LONG TERM SECURITY DEPOSITS

		Note	2016	2015
	Against utilities	8.1	**13,980,345**	15,150,345
	Against rent		**280,000**	-
	Others		**60,000**	96,000
			14,320,345	15,246,345
8.1	Against utilities		**15,150,345**	16,320,345
	Less: Current portion		**(1,170,000)**	(1,170,000)
			13,980,345	15,150,345

8.1.1 This includes security deposit against Gas of Rs 3.51 million (2015: Rs. 4.68 million) repayable in 10 years having mark-up @ 1.5 % (2014: 1.5%) per anum.

9 DEFERRED TAX ASSETS

	Note	2016	2015
Taxable / (deductible) temporary differences due to:			
Accelerated accounting depriciation		**(309,797)**	(337,182)
Provision for gratuity		**(571,436)**	(208,414)
Assessed tax losses		**(61,834,820)**	(50,131,543)
		(62,716,053)	(50,677,139)
Unrecognized deferred tax asset	9.1	**62,716,053**	50,677,139
		-	-

9.1 Deferred tax asset has not been recognized on the ground that sufficient taxable profits are not expected in foreseeable future against which the asset could be utilized.

		Note	2016 Rupees	2015 Rupees

10 ADVANCES

	Note	2016 Rupees	2015 Rupees
Advances - considered good by the management			
To employees		**43,000**	-
For supplies/services	10.1	**2,852,415**	6,455,250
		2,895,415	6,455,250

10.1 Credit balances of Rs Nil (2015: Rs. 2.7 million) has been reclassified to trade and other payables for the better presentation.

11 SHORT TERM PREPAYMENTS

		2016 Rupees	2015 Rupees
Prepaid rent		**881,500**	
Underwriter Commission		**2,565,000**	-
		3,446,500	-

12 INTEREST ACCRUED

		2016 Rupees	2015 Rupees
Interest accrued on			
- security deposits		**26,252**	34,812
- bank deposits account		**495,368**	-
		521,620	34,812

13 OTHER RECEIVABLE

	Note	2016 Rupees	2015 Rupees
Considered good			
Other receivable	**13.1**	-	740,070
		-	740,070
Considered doubtful			
Receivable against trading		**506,560**	506,560
Provision against doubtful receivable		**(506,560)**	(506,560)
		-	-
		-	740,070

13.1 It represents short term loan to Dost Sons Cotton Mills (Private) Limited , an associated company.

14 TAX REFUND DUE FROM GOVERNMENT

		2016 Rupees	2015 Rupees
Income tax refundable		**915,923**	736,175

15 CASH AND BANK BALANCES

		2016 Rupees	2015 Rupees
Cash in hand		**41,842**	11,476
Cash at banks:			
- current account		**6,328,328**	34,990
- deposit accounts		**135,279**	20,533
		6,463,607	**55,523**
		6,505,449	**66,999**

16 ISSUED, SUBSCRIBED AND PAIDUP CAPITAL

	Note	2016 Rupees	2015 Rupees
67,464,500 Ordinary shares of Rs.10 each fully paid in cash	16.1	**674,645,000**	674,645,000

16.1 The shareholders are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

	Note	2016 Rupees	2015 Rupees

17 ADVANCE FOR ISSUANCE OF SHARES-UNSECURED

From Crescent Star Insurance Limited		421,779,066	-
From directors		264,824,120	-
		686,603,186	-

The Company has obtained advance against issuance of shares from the Crescent Star Insurance Limited (CSIL) and advance from directors of the company which will be adjusted against shares in capital of the company. The deposit is un-secured and interest free.

18 LONG TERM FINANCING - SECURED

Term Finance - Restructured Facilities

From banking companies and financial institutions

Opening balance		931,308,237	931,308,237
Service charges accrued during the year		201,390	-
		931,509,627	931,308,237
Paid during the year		(44,933,172)	-
		886,576,455	931,308,237
Less: Current portion		(51,233,030)	(93,120,000)
Less: Overdue portion		(3,642,308)	-
		(54,875,338)	(93,120,000)
	18.1	831,701,117	838,188,237

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, 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 non-commissioning of the project, 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. Pak Kuwait is expected to sign this agreements in the next quarter.

Terms of rescheduled and restructured agreement are as follows:

a) For the repayment of the unpaid markup refer note 19, 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 anum. 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)

b) The Mark-up rate effective from the date of Commissioning is 3 Month KIBOR payable in quarterly arrears.

c) The principal repayment is made in 41 quarterly installments 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.

19 MARKUP ACCRUED - LONG TERM FINANCING

On secured loans Refer note 18	614,940,264	546,235,608

	Note	2016 Rupees	2015 Rupees
20 DEFERRED LIABILITIES			
Staff gratuity (As determined in Actuarial valuation)		1,873,561	705,556

20.1 Movement in net defined benefit obligation recognized in balance sheet:

Opening balance	705,556	553,141
Provision for the year	1,168,005	152,415
	1,873,561	705,556
Less: Payments made during the year	-	-
	1,873,561	705,556

20.2 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 is undertaken at appropriate regular intervals and the latest valuation was carried out at 30 June 2016, using the "Projected Unit Credit Method" (Refer note 5 for restatement of figures). The relevant information in the actuarial report is given in the following sub notes. The amount recognized in balance sheet represents the present value of the defined benefit obligation as on 30 June 2016 according to the amended IAS-19 "Employees Benefits".

20.3 The amounts recognized in the balance sheet are as follows:

Present value of defined benefit obligations at the end of the year		1,873,561	705,556
Present value of defined benefit obligation as at beginning of the year		705,556	553,141
Defined benefit cost included in P & L	20.5	1,593,284	607,005
Total re-measurements included in OCI	20.7	(425,279)	(454,590)
Benefits paid during the year		-	-
Present value of defined benefit obligation as at end of the year		1,873,561	705,556

20.4 Reconciliation of Defined Benefit Obligation is as follows:

Present value of defined benefit obligation at the beginning of the year	705,556	553,141
Current Service Cost	1,524,492	533,713
Interest expense	68,792	73,292
Benefits paid during the year	-	-
Benefits due but not paid	-	-
Actuarial (gains) / losses from effect of experience adjustments	(425,279)	(454,590)
Present value of defined benefit obligation as at end of the year	1,873,561	705,556

20.5 Amount charged to profit and loss account during the year:

-Current Service Cost	1,524,492	533,713
-Interest expense	68,792	73,292
Defined benefit cost included in Profit & Loss	1,593,284	607,005

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

Administrative expenses	1,593,284	607,005
	1,593,284	607,005

20.7 Amount charged to other comprehensive income during the year:

-Experience adjustments	425,279	454,590
Total re-measurements charged to other comprehensive income	425,279	454,590

	Note	2016 Rupees	2015 Rupees

20.8 Actuarial assumptions used for valuation of the defined benefit obligation are as under:

	2016	2015
Weighted - average assumptions used to determine defined benefit obligations		
Discount rate	**7.25%**	9.75%
Rate of salary increase	**6.25%**	8.75%
Weighted - average assumptions to determine defined benefit cost		
Discount rate	**9.75%**	13.25%
Rate of salary increase	**8.75%**	12.25%

20.9 The following demographic assumptions were used in valuing the liabilities and benefits under

Morality	SLIC (2001-05) Individual Life Ultimate Morality Table with one year setback
Disability	N.A.
Withdrawal	Up to age 40 : 10% , 41 and above : 7%
Retirement age	60 years

20.10 Year end Sensitivity Analysis on defined benefit obligation:

	2016	2015
Current DBO	**1,873,561**	705,556
1% Increase in Discount rate	**1,787,439**	669,998
1% Decrease in Discount rate	**1,965,192**	746,079
1% Increase in Salary Increase Rate	**1,969,792**	747,924
1% Decrease in Salary Increase Rate	**1,776,423**	667,734

21 TRADE & OTHER PAYABLES

	2016	2015
Creditors	**11,096,479**	23,801,686
Accrued liabilities	**3,736,563**	2,152,307
Gratuity payable	**3,891,341**	3,874,163
Income tax deducted at source	**11,261,610**	2,208
	29,985,993	29,830,364

22 SHORT TERM BORROWINGS - UNSECURED

	Note	2016	2015
Interest Free			
Overdrawn bank balance	22.1	-	205,357
Loan from directors and sponsors		**45,692,239**	323,222,992
		45,692,239	323,428,349
Interest bearing			
Crescent Star Insurance Limited	22.2	-	13,967,375
		45,692,239	337,395,724

22.1 Overdrawn bank balance of Rs. Nil (2015: 205,375) has been reclassified from trade and other payables for the better presentation.

22.2 Loan from Crescent Star Insurance Limited carries rate of mark of 12 Months KIBOR+ 3% p.a. (2015: 12 Months KIBOR+ 3% p.a..).

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The company is not exposed to any contingent liability at the balance sheet date, in view of agreement in respect of syndicated loan - Note 18.

In the preceding 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 respectively filed by Faysal bank and others and Pakistan Kuwait Investment Company (Private) Limited.

23.2 Commitments

	2016	2015
Capital commitments	**50,928,010**	50,015,000
Non-capital commitments	**9,826,569**	-

		Note	2016 Rupees	2015 Rupees
24	***ADMINISTRATIVE EXPENSES***			
	Salaries and other benefits *	24.1	**5,893,504**	7,377,958
	Utilities		**675,721**	1,290,420
	Rent, rates and taxes		**1,108,636**	685,230
	Printing and stationery		**185,771**	32,123
	Vehicle running and maintenance		**1,409,063**	796,025
	Shares transfer expenses		**265,733**	172,592
	Telephone, postage and couriers		**611,198**	318,689
	Auditors' remuneration	24.3	**430,000**	241,400
	Legal and professional charges		**6,425,000**	5,310,000
	Entertainment expenses		**1,195,712**	482,572
	Mess Expenses		**1,075,802**	-
	Repairs and maintenance		**221,993**	255,375
	Traveling and conveyance		**1,850,901**	1,027,499
	Advertising expenses		**135,340**	43,232
	Fees and subscription		**8,279,388**	528,398
	Depreciation *		**791,525**	553,253
	General expenses		**119,733**	4,755,772
			30,675,020	23,870,538

24.1 Salaries and other benefits include Rs. 1,593,284/- (2015 Restated: Rs. 607,005/-) in respect of gratuity. (Refer note 20).

* **24.2** Refer note 5 & 6.

24.3 ***Auditors' remuneration***

	2016 Rupees	2015 Rupees
Audit fee	**315,000**	185,400
Interim review fees and other certifications	**105,000**	51,000
Out of pocket expenses	**10,000**	5,000
	430,000	**241,400**

25 ***FINANCE COST***

	2016 Rupees	2015 Rupees
Markup expenses	-	75,379,503
Bank charges and commission	**109,056**	33,380
	109,056	75,412,883

26 ***OTHER OPERATING INCOME***

	2016 Rupees	2015 Rupees
Income from financial assets		
Interest on security deposits	**61,640**	79,047
Profit on Bank Deposit Accounts	**605,759**	1,222
	667,399	80,269
Income from non financial assets		
Miscellaneous income	**3,286**	-
	3,286	-
	670,685	**80,269**

27 TAXATION

	Note	2016 Rupees	2015 Rupees
Current		-	-
Deferred		-	-
		-	-

27.1 Tax charge reconciliation

Reconciliation between tax expense and accounting profit has not been made because the Company has incurred tax loss during the year and turnover tax under section 113 is not applicable to the Company as the commercial production has not commenced during the year.

27.2 Returns for the tax year up to 2015 have been filed, which are deemed to be assessment order under provisions of the Income Tax Ordinance, 2001 however the FBR has power to re-assess any of the five preceding tax years.

28 LOSS PER SHARE

		2016	2015
Loss attributable to ordinary shareholders	Rupees	**(30,113,391)**	(99,199,411)
Weighted average number of ordinary shares in issue		**67,464,500**	67,464,500
Loss per share - basic and diluted	Rupees	**(0.45)**	(1.47)

	2016 Rupees	2015 Rupees

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

29.1 Financial Instrument by Category

	2016 Rupees	2015 Rupees
Loans and receivables at amortized cost		
Long term security deposits	**15,490,345**	16,416,345
Advances	**43,000**	-
Interest accrued	**521,620**	34,812
Other receivable	-	740,070
Cash and bank balances	**6,505,449**	66,999
	22,560,414	17,258,226
Financial liabilities at amortized cost		
Advance for issuance of shares-unsecured	**686,603,186**	-
Long term financing - secured	**831,701,117**	838,188,237
Markup accrued on secured loans	**614,940,264**	546,235,608
Trade & other payables	**18,724,383**	29,828,156
Short term borrowings - unsecured	**45,692,239**	337,395,724
Current and overdue portion of long term borrowings	**54,875,338**	93,120,000
	2,252,536,527	**1,844,767,725**

29.2 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. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to a single customer.

Out of the total financial assets of Rs. 22,560,414/- (2015: Rs.17,258,226/-), the financial assets which are subject to credit risk amounted to Rs.22,518,572/- (2015: Rs.17,246,750).

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

	2016 Rupees	*2015 Rupees*
Long term security deposits	**15,490,345**	**16,416,345**
Advances	**43,000**	**-**
Interest accrued	**521,620**	**34,812**
Other receivable	-	**740,070**
Bank balances	**6,463,607**	**55,523**
	22,518,572	**17,246,750**

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

Bank	***Rating agency***	***Rating***		**Balances Rupees 30-June-2016**	**Balances Rupees 30-June-2015**
		Short term	***Long term***		
Summit Bank Limited	JCR-VIS	A-1	A-	6,160	6,160
Askari Bank Limited	JCR-VIS	A-1+	AA	4,565	4,565
Faysal Bank Limited	JCR-VIS	A-1+	AA	129,786	28,800
National Bank of Pakistan	JCR-VIS	A-1+	AAA	5,850	5,850
Silk Bank Limited	JCR-VIS	A-2	A-	34,590	-
United Bank Limited	JCR-VIS	A-1+	AAA	6,282,656	10,148
				6,463,607	**55,523**

b) Liquidity Risk

Liquidity / cash flow risk reflects the Company's inability of raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix. The Company is in process of negotiating with the lenders for rescheduling of long term loans. Further, the Company is working with syndicate consortium to arrange for working capital need to commence commercial production.

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

	2016				
	Carrying amount	*Contractual cash flows*	**Six Months or less**	*Six to twelve months*	*More than one year*
	---------- Rupees ----------				
Non-derivative financial liabilities					
Advance for issuance of shares-unsecured	**686,603,186**	-	-	-	-
Long term financing - secured	**831,701,117**	**831,701,117**	-	-	**831,701,117**
Markup accrued on secured loans	**614,940,264**	**614,940,264**	-	-	**614,940,264**
Trade & other payables	**18,724,383**	**18,724,383**	-	**18,724,383**	-
Short term borrowings - unsecured	**45,692,239**	**45,692,239**	-	**45,692,239**	-
Current and overdue portion of long term borrowings	**54,875,338**	**54,875,338**	**50,217,790**	**4,657,548**	-
	2,252,536,527	**1,565,933,341**	**50,217,790**	**69,074,170**	**1,446,641,381**

	2015				
	Carrying amount	*Contractual cash flows*	Six Months or less	*Six to twelve months*	*More than one year*
	---------- *Rupees* ----------				
Non-derivative financial liabilities					
Long term financing - secured	838,188,237	838,188,237	-	-	838,188,237
Markup accrued on secured loans	546,235,608	546,235,608	-	-	546,235,608
Trade & other payables	29,828,156	29,828,156	-	29,828,156	-
Short term borrowings - unsecured	337,395,724	337,395,724	-	337,395,724	-
Current and overdue portion of long term borrowings	93,120,000	93,120,000	-	93,120,000	-
	1,844,767,725	1,844,767,725	-	460,343,880	1,384,423,845

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.

Currently the Company is not exposed to any currency risk because the company is not dealing in any foreign currency transactions.

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 balance sheet date the interest rate profile of the Company's interest-bearing financial instruments are: -

	2016 Rate	2015 Rate
Financial asset		
Fixed rate - Long term security deposit	**1.5%**	1.5%
Financial liabilities		
Variable rate - Long term loans	**8%**	8%

Interest rate risk cash flow sensitivity

Since the Company is in phase of construction and errection, therefore all borrowing cost shall be capitalized as given under *IAS-23 Borrowing costs*, therefore, any change in interest rates at the reporting date would not be sensitive to profit and loss account and equity.

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 balance sheet) less cash and cash equivalents. Equity comprises of share capital, reserves and retained earnings.

The net debt-to-equity ratios at 30 June 2016 and at 30 June 2015 are as follows:

	2016 Rupees	2015 Rupees
Total debts	**932,268,694**	1,268,703,961
Less: Cash and bank balances	**(6,505,449)**	(66,999)
Net debt	**925,763,245**	1,268,636,962
Total equity	**173,651,032**	203,339,144
Net debt-to-equity (Times)	**5.33**	**6.24**

Fair value of financial assets and liabilities

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

30 *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.

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

	2016	*2015*
	Rupees	*Rupees*
Relationship		
Associated undertakings:		
Nature of transaction		
Receipt / (payment) of advance	**740,070**	**(740,070)**
Relationship		
Key management personnel:		
Nature of transaction		
Short term loan directors/sponsors - Unsecured/Interest free		
(Paid to) / Received from directors/sponsors	**(42,338,563)**	6,829,621
Transferred to share deposit money account	**(235,192,190)**	-
Advance for issuance of shares-unsecured		
Transferred from short term loan account	**235,192,190**	-
Received during the year	**29,631,930**	-
	264,824,120	-

The outstanding balance payable to directors is disclosed in note 17 and 22 , amount due to associated undertakings in note 13 and Remuneration paid to chief executive and directors is disclosed in note 31 of the financial statements.

31 *REMUNERATION AND OTHER BENEFITS TO CEO / DIRECTORS AND EXECUTIVES*

No amount has been charged in the financial statements for the year (2015: Nil) for managerial remuneration or meeting fee etc., including all benefits to Chief Executive and Directors of the company.

32 *OPERATING SEGMENT*

These financial statements have been prepared on the basis of a single reportable segment and currently operations are not commenced.

33 INSTALLED CAPACITY

As the plant has not been completely installed to start production, therefore installed capacity could not be determined.

34 NUMBER OF EMPLOYEES

	2016	2015
Number of employees as at 30 June	66	45
Average number of employees during the year ended 30 June	60	45

35 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.

36 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end the Company offered right issue comprising of 248,269,360 shares of Rs. 10 each at a price of Rs.4.50 per share, i.e. at a discount of Rs. 5.50 per share. Existing shareholders have been offered 3.68 shares for every share held on the cut off date.

37 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.

37 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 09/11/2016 by the board of directors of the company.

38 GENERAL

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

Chief Executive

Director

Pattern of holding of the shares held by the Shareholders of Dost Steels Limited as at June 30, 2016

	<---- HAVING SHARES ---->			
NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
179	1	100	4164	0.0062
7428	101	500	3701705	5.4869
1004	501	1000	999013	1.4808
1163	1001	5000	3188860	4.7267
197	5001	10000	1618367	2.3988
71	10001	15000	916295	1.3582
42	15001	20000	770140	1.1415
27	20001	25000	638688	0.9467
19	25001	30000	546000	0.8093
12	30001	35000	402000	0.5959
8	35001	40000	310130	0.4597
1	40001	45000	44000	0.0652
19	45001	50000	929000	1.3770
5	50001	55000	261500	0.3876
5	55001	60000	300000	0.4447
5	60001	65000	318500	0.4721
6	65001	70000	407500	0.6040
3	75001	80000	233000	0.3454
1	80001	85000	85000	0.1260
3	85001	90000	264000	0.3913
2	90001	95000	185000	0.2742
6	95001	100000	600000	0.8894
1	105001	110000	110000	0.1630
1	110001	115000	113000	0.1675
2	140001	145000	287137	0.4256
2	145001	150000	293000	0.4343
1	150001	155000	151000	0.2238
1	155001	160000	160000	0.2372
1	165001	170000	169500	0.2512
1	170001	175000	174500	0.2587
2	175001	180000	358150	0.5309
1	195001	200000	200000	0.2965
1	205001	210000	207000	0.3068

NO. OF SHAREHOLDERS	<---- HAVING SHARES ----> From	To		SHARES HELD	PERCENTAGE
1	220001	225000		221500	0.3283
1	245001	250000		250000	0.3706
1	285001	290000		287500	0.4262
1	295001	300000		300000	0.4447
1	395001	400000		400000	0.5929
1	410001	415000		412500	0.6114
1	430001	435000		432000	0.6403
1	470001	475000		472000	0.6996
1	560001	565000		561500	0.8323
1	865001	870000		868251	1.2870
1	1295001	1300000		1300000	1.9269
2	1410001	1415000		2828000	4.1918
1	1995001	2000000		2000000	2.9645
1	2890001	2895000		2890500	4.2845
1	2985001	2990000		2986043	4.4261
1	3420001	3425000		3424484	5.0760
1	5540001	5545000		5544688	8.2187
1	23335001	23340000		23339385	34.5951
10239			Company Total	67464500	100.0000

DOST STEELS LIMITED
CATEGORY OF SHAREHOLDERS
AS ON JUNE 30, 2016

Particulrs	No of Folio	Balance Share	Percentage
SPONSORS, DIRECTORS, CEO AND CHILDREN	12	18075115	26.7920
BANKS, DFI AND NBFI	2	23348385	34.6084
INSURANCE COMPANIES	2	22683	0.0336
GENERAL PUBLIC (LOCAL)	10134	22253012	32.9848
GENERAL PUBLIC (FOREIGN)	62	1536257	2.2771
OTHERS	26	2179048	3.2299
FOREIGN COMPANIES	1	50000	0.0741
Company Total	10239	67464500	100.0000

DOST STEELS LIMITED

INFORMATION AS REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE

AS ON JUNE 30, 2016

CATEGORY OF SHAREHOLDERS	*NUMBER OF SHAREHOL DERS*	*NUMBER OF SHARES HELD*	*% percentage*
Associated Companies, Undertaking and Related Parties	0	0	0
Investment Companies	**1**	**9,000**	**0.01%**
Directly			
Mr. Jamal Iftakhar	1	1,414,500	2.10%
Mr. Zahid Iftakhar	1	1,413,500	2.10%
Mr. Mustafa Jamal	1	2,890,500	4.28%
Mr. Faisal Zahid	1	100	0.00%
Mr. Bilal Jamal	1	100	0.00%
Mr. Afzal Shehzad	1	100	0.00%
Mr. Saad Zahid	1	1,100	0.00%
Mrs. Najma Jamal	1	2,986,043	4.43%
Mrs. Mona Zahid	1	400,000	0.59%
Mr. Raees Iftakhar	1	5,544,688	8.22%
Mrs. Naveeda Raees	1	3,424,484	5.08%
		18,075,115	
InDirectly*			
Mr. Jamal Iftakhar	1	7,150,961	10.60%
Mr. Zahid Iftakhar	1	6,253,203	9.27%
Mrs. Najma Jamal	1	4,400,000	6.52%
Mrs. Mona Zahid	1	5,535,221	8.20%
		23,339,385	
*Under a financing arrangement			
Sponsors, Directors Spouses and Minor Childern	**4**	**41,414,500**	**61.39%**
Executives	0	0	0
General Public (Local)	**10134**	**22,253,012**	**32.98%**
General Public (Foreign)	**62**	**1,536,257**	**2.28%**
Insurance Companies	**2**	**22,683**	**0.03%**
Foreign Companies	**1**	**50,000**	**0.07%**
Other	**26**	**2,179,048**	**3.23%**
		67,464,500	


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FORM OF PROXY

13th Annual General Meeting

I/We ______________________ of, ______________________ being a member of **DOST STEELS LIMITED** and holder of ______________________ Ordinary Shares, do hereby appoint Mr/Mrs/Mis ______________________ of ______________________ who is also a member of **DOST STEELS LIMITED,** vide Registered Folio No. ______________________ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 13th Annual General Meeting of the Company to be held on ________ at ______ a.m. at ____________________, Karachi and at any adjournment thereof

Signed this ______________________ day of ________________, 2016

Witness:

1. Signature: ______________________

   Name: ______________________

   CNIC No/Passport No.: ______________________

   Address: ______________________

   ____

Member's Signature

(Signature should agree with the specimen signature registered with the Company)

2. Signature ______________________

   Name ______________________

   CNIC No/Passport No. ______________________

   Address ______________________

   ____

Folio No. ______________________

CDC A/c No ______________________

Sub A/c. No. ______________________

No. of Shares held ______________________