



Dost Steels Limited

**ANNUAL REPORT 2014**

**The Next Generation Steel**

# **C O N T E N T S**

Vision / Mission and Corporate Strategies

Company Information

Notice of Annual General Meeting

Directors' Report to the Share Holders

Statement of Ethics & Business Practices

Statement of Compliance with the Code of Corporate Governance

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

Auditors' Report to the Members

Balance Sheets

Profit & Loss Accounts

Statement of Comprehensive Income

Cash Flow Statement

Statement of Changes in Equity

Notes to the Accounts

Pattern of Shareholdings

Information as required under the Code of Corporate Governance

Proxy Form

## **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 INFORMATION**

### **Board of Directors**

Mr. Jamal Iftakhar	Chief Executive Officer
Mr. Zahid Iftakhar	Director
Mr. Faisal Zahid	Director
Mr. Bilal Jamal	Director
Mr. Saad Zahid	Director
Mr. Mustafa Jamal	Director
Mr. Afzal Shehzad	Director

### **Legal Advisor**

Mr. Zahoor Shah  
Advocate High Court  
Suit # 509, 5<sup>th</sup> Floor,  
Panorama Centre No. 2,  
Raja Ghazanfar Ali Road  
Saddar, Karachi

### **Shares Registrar**

M/s. Your Secretary (Pvt.) Ltd.,  
Suit no. 1020, 10<sup>th</sup> Floor,  
Uni Plaza, I. I. Chundrigar Road,  
Karachi-74200.  
Ph: 92 021-32428842, 32416957  
Fax: 92 021-32427790  
E mail: ysecr@hotmail.com

### **Audit Committee**

Mr. Faisal Zahid	Chairman of Committee
Mr. Bilal Jamal	Member
Mr. Saad Zahid	Member
Mr. Zahid Iftakhar	Company Secretary

### **Chief Financial Officer**

Mr. Sajid Ahmed Ashrafi

### **Company Secretary**

Mr. Zahid Iftakhar

### **Bankers**

Faysal Bank Limited  
National Bank of Pakistan  
Askari Commercial Bank Limited  
NIB Bank Limited  
Bank of Khayber  
Pak Kuwait Investment Co. (Pvt) Ltd  
Faysal Bank Limited (RBS)  
Saudi pak Industrial & Agricultural  
Investment Co. Ltd.  
United Bank Limited

### **Auditors**

Haroon Zakaria & Company  
Chartered Accountants

### **Registered/Head Office**

101 Chapal Plaza,  
Hasrat Mohani Road,  
Karachi – 74000  
Ph # 021-32419820

### **Mills**

Bhai Pheru, 52 Km Lahore  
Multan Road

### **Web Presence**

[www.doststeels.com](http://www.doststeels.com)

# DOST STEELS LIMITED



## Notice of the 11<sup>th</sup> Annual General Meeting

NOTICE is hereby given that the 11<sup>th</sup> Annual General Meeting of the Shareholders of M/s. Dost Steels Limited, will be held on Monday, 27<sup>th</sup> October 2014 at 10:00 a.m. at Plot # 222, Sector - 39, Korangi Creek Industrial Area, Karachi-74900 to transact the following business:-

### **Ordinary Business**

1. To confirm the minutes of the last Annual General Meeting held on 28<sup>th</sup> October 2013.
2. To receive, consider and adopt the annual audited accounts of the Company together with the report of Directors and Auditors thereon for the year ended June 30, 2014.
3. To appoint Auditors of the Company for the year ending 30<sup>th</sup> June 2015 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

**By order of the Board**

**Zahid Iftakhar**  
Company Secretary

**Karachi**  
Dated: 3<sup>rd</sup> October 2014

### **NOTES:**

1. The Shares Transfer Books of the Company will remain close from 20-10-2014 to 27-10-2014 (both days inclusive)
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as a proxy to attend. Speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the company or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Register of the Company M/s. Your Secretary (Pvt.) Ltd., Suit no. 1020, 10<sup>th</sup> Floor, Uni Plaza, I. I. Chundrigar Road, Karachi-74200. Not less than 48 hours before the time of the Meeting.
4. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's Id number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting.
5. Shareholders are requested to notify the Company of the change in their address, if any, to our Share Registrar M/s. Your Secretary (Pvt.) Ltd.



## **DIRECTORS' REPORT TO THE SHARE HOLDERS**

### **DEAR MEMBERS ASSALAM-O-ALAIKUM**

On behalf of my colleagues on the Board, I welcome you to the 11<sup>th</sup> 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, 2014.

### **CHIEF EXECUTIVE'S MESSAGE**

The Board of Directors are pleased to announce that the revised restructuring and rehabilitation proposal presented to the Lenders (Note 12.) in their meeting held on 26<sup>th</sup> September 2014 has been accepted by a majority and the process of granting formal approvals in this regard is currently underway at the respective financial institutions. We are confident that the proposal in the current form shall be acceptable by all the lenders of the Company and shall be a corner stone for the company's revival. On receipt of appropriate restructuring approvals from the respective lenders the company shall move for the further issue of the Capital, subject to all the legal and corporate approvals. The company is also considering issuance of a hybrid Debt/Equity instrument to raise enough funding for the start of the commercial operations of the company as envisaged in the above mentioned restructuring and rehabilitation proposal.

Your directors are confident that subject to the approvals by the respective lenders and successful issuance of further Capital etc., the Company shall start its Commercial Operations in the foreseeable future.

### **AUDITORS' RESERVATIONS**

The auditors in their report to the members have expressed reservation about the Company's ability to continue as a going concern. The auditors maintain that since there has not been any material change from previous year, the financial statements for the year under review have been prepared on "going concern basis" and the reasons thereof have been more fully explained in Note No. 1 of the Notes to the financial statements.

Confirmations to five participants of syndicated loan and Murabaha finance facility from Faysal bank as well as four current accounts has not been responded. However there is no receipt or payment of Term Loan during the current financial year and outstanding balances of Term Loans by all the Syndicate Banks remain unchanged and as the Company is currently in litigation with some of the lenders therefore no confirmation is expected to be received till the issues are sorted out with them.

As manufacturing operations have not commenced and Fixed Assets are not being used, therefore depreciation has not been charged in these financial statements.

### **DEFAULT IN PAYMENT OF DEBTS**

The Company is in default of all of its Debt Obligation caused due to reason beyond its control, one of the basic causes being the international markets turmoil of 2008, which happened at a very critical stage of your company's life. As explained above the lenders are in the process of granting formal approval to the proposed rehabilitation and restructuring plan and your board of directors is confident of a positive outcome in the ongoing financial year.

Pakistan Kuwait Investment Company (Private) Limited (the lender) has claimed for recovery of Rs.122.197 million. The lender has advanced the loan as a part of consortium syndicate as discussed in note 12.2. The management is confident the suit is likely to be rejected as the lender has filed a suit without the approval of agent of the consortium syndicate as required under the finance agreement.

A suit has been filed against the Company by one of the trade creditors of the Company in High Court of Sindh for recovery of Rs. 18.996 million. In addition to this, the said creditor has also filed a petition of winding up against the Company on account of aforesaid unpaid debt. Both of these suits are at the stage of hearing therefore the probable outcome of the suit or related liability is not determinable at this stage. Hence no provision is made in these financial statements.

The suit has been filed against the Company by Faysal Bank Limited for recovery of Rs.1,287,947,181 with the mark up at the applicable rate along with the recovery of agency fees of Rs.11,642,353. Suits are at the stage of hearing therefore the probable outcome of the suit or related liability is not determinable at this stage.

The Resolution of all the above mentioned litigations (excepting that of a creditor as mentioned above) is an integral part of the proposed rehabilitation process for which efforts are currently underway. The Directors are confident that these shall be amicably resolved during the ongoing financial year subject to the approval of the restructuring and rehabilitation proposal as discussed above.

### **EARNING/(LOSS) PER SHARE**

The basic and diluted (Loss) per share on June 30, 2014 was Rs.(0.19) as compared to Rs.(0.09) on June 30, 2013.

### **AUDITORS**

The auditors Haroon Zakaria & Co., Chartered Accountants, retire and offered themselves for reappointment. The Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

### **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 in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- 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 is annexed in this report.
- Information about taxes and levies is given in the notes to the accounts.

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

<b>Name of Directors</b>	<b>No. of meetings attended</b>
Mr. Jamal Iftakhar	04
Mr. Zahid Iftakhar	04
Mr. Faisal Zahid	04
Mr. Bilal Jamal	04
Mr. Saad Zahid	04
Mr. Mustafa Jamal	04
Mr. Afzal Shehzad	04

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

### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately trade in the shares of the company was carried out by CEO, CFO, Company Secretary, their spouses and minor children except those that have been duly reported as per the law except following:

<b><u>Name of Director</u></b>	<b><u>Shares Sold</u></b>
Mr. Jamal Iftakhar	Nil
Mr. Zahid Iftakhar	Nil
Mr. Faisal Zahid	Nil
Mr. Bilal Jamal	Nil
Mr. Saad Zahid	Nil
Mr. Mustafa Jamal	Nil
Mr. Afzal Shehzad	Nil

### **FINANCIAL STATEMENTS**

The financial statements of the company have been duly audited and approved by the auditors of the Company, Haroor Zakaria & Co., Chartered Accountants and their report is attached with the financial statements. There is 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**

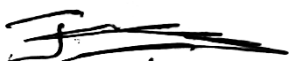
The Company encourages Social Action Programs under its policy of Corporate Social Responsibility (CSR) which includes the provision of basic health facilities, promotion/education of underprivileged children and students, spending for under privileged classes. These plan will be implemented as soon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

### **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.

On behalf of the Board of Directors



**Jamal Iftakhar**

Chief Executive

Karachi: 29<sup>th</sup> September 2014



## **Statement of Ethics and Business Practices**

Dost Steels Limited is engaged in the manufacturing of hot rolled high tensile, reinforcement bars (rebars) and allied products with the object to achieve sustainable productivity, profitability and high standard of safety, occupational health and environmental care. The company solemnly believes in the application of business ethics as have been embodied in this documents.

All employees are bound by the following ethical obligations, and each agrees that he or she will:

- The Company discloses the Code of Ethic and Business Practices in Company's Annual Report and also that the Code is maintained on the website as well.
- Perform his or her duties in an honest and ethical manner.
- Refrain from engaging in any activity or having a personal interest that presents an actual or apparent conflict of interest.
- Take all necessary actions to ensure full, fair, accurate, timely and understandable disclosure in report and documents that the Company files with or submits to government agencies and in other public communications.
- Comply with all applicable laws, rules and regulations of federal, provincial and local governments.
- Proactively promote and be an example of ethical behavior in the work environment.
- Will not support any political party nor contribute to the funds of groups whose activities promote party interest.
- It is important that all disclosure in reports and documents that the Company files with Securities and Exchange Commission of Pakistan, Stock Exchanges, Federal and Provincial Government, Autonomous Bodies and in other General Public communications, fair, accurate, timely and understandable.
- Company assets both tangible and intangible are to be used only for legitimate business purposes of the Company and by authorized employees. Make best use of Company's equipment, system and technological methods in order to have fast and reliable communication and strong MIS system in accordance with Company's guidelines.
- Conduct Company's business with integrity and endeavor to deal honestly with the customers, suppliers, competitors, and employees under the laws prevailing in the country.
- All confidential information concerning the Company is the property of the Company and must be protected. Confidential information includes the company's trade secrets, business trends and projections, information about financial performance, new product or marketing plans, manufacturing processes, information about potential acquisitions, divestitures and investment, significant personnel changes, existing and potential major contracts, orders, suppliers, customers or finance sources and any other material information which directly relates with share price senivity of the company.

- Agrees that Company is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias, and is merit, and excellence oriented. It believes in providing its employees safe and healthy working environment, and in maintaining good channels of communications.
- Agrees that Company strives to serve best interest of its shareholders to provide consistent growth and a fair rate of return on their investment, to maintain our position and reputation as a leading company, to protect shareholders investment and to provide full and timely information. By conducting our business in accordance with the principles of fairness, decency and integrity set forth here, we help to build shareholder value.
- By accepting employment with the company, each is now accountable for compliance with these standards of conduct and with all laws and regulations of the Company.



## **DOST STEELS LIMITED**

### **Statement of Compliance with the Code of Corporate Governance**

**Name of Company: Dost Steels Limited**

**Year Ended: June 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI listing regulation of Karachi 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:

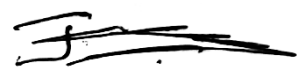
1. The Company encourages representation of independent non-executive directors and directors representing minority interests on the Board of Directors. At present the Board includes:

<b>Category</b>	<b>Names</b>
Executive Directors	Jamal Iftakhar
	Zahid Iftakhar
Non-Executive Directors	Faisal Zahid
	Bilal Jamal
	Saad Zahid
	Mustafa Jamal
Independent Directors	Afzal Shehzad

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Finance Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy has occurred during the period ended June 30, 2014.
5. The company has not developed "Code of Conduct" due to non commencement of production.
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 duly executed and decisions on material transactions, including appointment and determination of remuneration and terms and conditions or 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 appropriately recorded and circulated. The minutes of the meetings were appropriately recorded and circulated.

9. The directors at the Board are adequately trained to perform their duties and have been provided in-house presentation to acquaint them on their roles and responsibilities under the requirements of CCG. During this financial year, none of the director has attended any training program of Corporate Governance due to their busy schedule. However, Company has planned the same for the coming year.
10. The Board had approved appointment of CFO and Company Secretary and head of internal audit including their remuneration and terms and conditions of employment.
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.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the Committee is non executives 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 framed and advised to the Committee for compliance.
17. HR and Remuneration Committee will be setup soon.
18. The Board has setup 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 program of the Institute of Chartered Accountants of Pakistan (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 Association of Accountants (IFAC) guidelines on code of ethics as adopted by 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 participants at once through stock exchange, if any.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board of Directors



**Jamal Iftakhar**  
**Chief Executive Officer**

Karachi

Dated 29<sup>th</sup> September 2014



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **DOST STEELS LIMITED** ("the Company") to comply with the Listing Regulation No. 35 of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As 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's 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.

Further, Sub- Regulation (x) of Listing Regulation No. 35 notified by The Karachi Stock Exchange Limited requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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 of Corporate Governance as applicable to the Company the year ended June 30, 2014.

We draw attention to note 5, 9 and 17 of the annexed Statement of Compliance which highlights that code of conduct has not developed, none of the directors has attended any training program of Corporate Governance and HR and Remuneration committee has not been setup. Our conclusion is not qualified in respect of these matters.

*Haroon Zakaria & Co.*  
Haroon Zakaria & Company  
Chartered Accountants

Place: Karachi  
Date: 29 SEP 2014



# HAROON ZAKARIA & COMPANY

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Dost Steels Limited** as at June 30, 2014 and related profit and 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 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.

Except as discussed in paragraph (b), (c), (d), (e) & (g) below, 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 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:

- (a) As explained in note 1 to the financial statements, the Company has prepared the annexed financial statements on the going concern basis assumption. However, as on June 30, 2014, the Company has accumulated losses of Rs. 101.949 million and its current liabilities exceeded its current assets by Rs. 1,468.059 million. During the year, the Company has incurred a net loss of Rs. 12.976 million. Further, the Company has failed to discharge the overdue portion of its long term loans from banking companies amounting to Rs. 931.308 million.

In addition to above, the Company has failed to commence its commercial production due to liquidity crises and funding is not being made by syndicated banks. The Company is defendant in various law suits as explained in note 15.1.1 to 15.1.3.

These events indicate existence of material uncertainties that may cast significant doubt on the company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. Consequently necessary adjustments and classification as to the recorded assets and liabilities have not been made in these financial statements.

- (b) The Company has not charged mark up on its borrowings during the year owing to limitation as explained in note 12.4 of the annexed financial statements and currently we could not determine its impact on the financial statements.
- (c) Confirmations to five participants of syndicated loan and Murabaha finance facility from Faysal bank as well as four current accounts remained unresponded; therefore relevant facts relating to these balances could not be substantiated.

Member of



Room 211, 2nd Floor, Progressive Plaza,  
Plot No. 5 - CL -10, Civil Lines Quarter,  
Beaumont Road, Near Dawood Center,  
Karachi - 75530 PAKISTAN.

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Fax : +92 21 35674745  
E-Mail : info@hzco.com.pk  
URL : http://www.hzco.com.pk



- (d) We did not receive any response to our confirmations sent to the trade creditors stated at Rs.18.89 million and were unable to satisfy ourselves by alternative means.
- (e) Advance to suppliers of Rs. 5.755 million remained unsubstantiated.
- (f) The Company has not charged depreciation of Rs.0.684 million during the year on property, plant and equipment. Had the depreciation been charged in these financial statements net loss for the year and accumulated losses of the Company would have been increased by the same amount.
- (g) Legal advisors confirmations are not received and accordingly we could not substantiate the litigation against the Company.
- (h) In our opinion except as stated above, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (i) In our opinion;
- (i) Except as stated above, the balance sheet and profit and 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 accounts and are further in accordance with accounting policies consistently applied;
- (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;
- (j) Owing to the significance of the matters stated in paragraph (a) to (g) above and possible adjustments that may required but are not determined due to above stated matters, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year ended with the approved accounting standards as applicable in Pakistan, and do not give information required by the Companies Ordinance, 1984, in the manner so required.
- (k) In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVII of 1980).

*f. Haroon Zakaria SCA*  
Haroon Zakaria & Company  
Chartered Accountants

Engagement Partner:  
Farhan Ahmed Memon

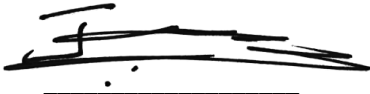
Place: Karachi  
Dated: 29 SEP 2014



**DOST STEELS LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2014**

	<i>Note</i>	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	4	2,023,644,789	2,022,402,209
Long term deposits	5	17,696,345	19,333,345
Deferred tax asset	6	-	-
		<b>2,041,341,134</b>	<b>2,041,735,554</b>
<b>Current Assets</b>			
Advances	7	5,755,209	4,632,607
Tax refund due from government	8	680,865	581,995
Other receivable	9	43,514	52,217
Cash and bank balances	10	373,956	958,709
		<b>6,853,544</b>	<b>6,225,528</b>
<b>Total Assets</b>		<b>2,048,194,678</b>	<b>2,047,961,082</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Share Capital and Reserves</b>			
<b>Authorized Share Capital</b>			
70,000,000 Ordinary shares of Rs. 10 each		<b>700,000,000</b>	<b>700,000,000</b>
Issued, subscribed and paid up capital	11	<b>674,645,000</b>	674,645,000
Reserves		<b>(101,949,688)</b>	(88,972,813)
<b>Shareholders' Equity</b>		<b>572,695,312</b>	<b>585,672,187</b>
<b>Non-Current Liabilities</b>			
Provision for gratuity		<b>586,174</b>	4,745,486
<b>Current Liabilities</b>			
Current and overdue portion of long term loans	12	<b>931,308,237</b>	931,308,237
Short term borrowings	13	<b>316,393,371</b>	285,638,955
Trade and other payables	14	<b>227,211,584</b>	240,596,217
		<b>1,474,913,192</b>	<b>1,457,543,409</b>
<b>Contingencies and Commitments</b>	15	-	-
<b>Total Equity and Liabilities</b>		<b>2,048,194,678</b>	<b>2,047,961,082</b>

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

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

**DOST STEELS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<i>Note</i>	<b>2014</b> <i>Rupees</i>	<b>2013</b> <i>Rupees</i>
Administrative expenses	16	<b>(13,034,238)</b>	(6,804,367)
Finance cost		<b>(34,080)</b>	(13,787)
Loss on disposal		<b>(6,420)</b>	-
Other operating income	17	<b>97,863</b>	624,553
<b>Loss before taxation</b>		<b>(12,976,875)</b>	(6,193,601)
Taxation	18	-	-
<b>Loss after taxation</b>		<b>(12,976,875)</b>	(6,193,601)
<b>Loss per share</b>	19	<b>(0.19)</b>	(0.09)

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



*Chief Executive*

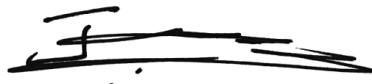


*Director*

**DOST STEELS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
Loss for the year	<b>(12,976,875)</b>	(6,193,601)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b><u>(12,976,875)</u></b>	<b><u>(6,193,601)</u></b>

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

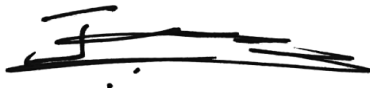
  
\_\_\_\_\_  
*Chief Executive*

  
\_\_\_\_\_  
*Director*

**DOST STEELS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<i>Particulars</i>	<i>Share Capital</i>	<i>Revenue Reserve</i>	<i>Shareholders' Equity</i>
	<i>Issued, subscribed and paid up</i>	<i>Accumulated loss</i>	
	----- <i>Rupees</i> -----		
<b>Balance as at June 30, 2012</b>	674,645,000	(82,779,212)	591,865,788
Total comprehensive loss	-	(6,193,601)	(6,193,601)
<b>Balance as at June 30, 2013</b>	674,645,000	(88,972,813)	585,672,187
Total comprehensive loss	-	(12,976,875)	(12,976,875)
<b>Balance as at June 30, 2014</b>	<b>674,645,000</b>	<b>(101,949,688)</b>	<b>572,695,312</b>

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

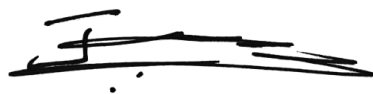
  
 \_\_\_\_\_  
*Chief Executive*

  
 \_\_\_\_\_  
*Director*

**DOST STEELS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<i>2014</i>	<i>2013</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(12,976,875)	(6,193,601)
<b>Adjustment for:</b>		
Loss on Disposal	6,420	-
Provision for gratuity	-	(3,923)
Operating loss before working capital changes	(12,970,455)	(6,197,524)
<b>(Increase) / Decrease in operating assets:</b>		
Advances	(1,122,602)	(3,661,827)
Other receivable	8,703	6,351
	(1,113,899)	(3,655,476)
<b>Increase / (Decrease) in current liabilities:</b>		
Trade and other payables	(13,384,633)	(6,258,773)
Cash used in operations	(27,468,987)	(16,111,773)
Long term security deposits- net	1,637,000	1,170,000
Gratuity paid	(4,159,312)	-
Taxes paid	(98,870)	(67,822)
<b>Net cash used in operating activities</b>	(30,090,169)	(15,009,595)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditures made during the year	(1,439,000)	(2,860,625)
Proceeds from disposal of fixed asset	190,000	-
<b>Net cash used in investing activities</b>	(1,249,000)	(2,860,625)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds of short term financing	30,754,416	18,300,174
<b>Net cash generated from financing activities</b>	30,754,416	18,300,174
<b>Net (decrease) / increase in cash and cash equivalents</b>	(584,753)	429,954
<b>Cash and cash equivalents at beginning of the year</b>	958,709	528,755
<b>Cash and cash equivalents at end of the year</b>	373,956	958,709

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

  
 \_\_\_\_\_  
 Chief Executive

  
 \_\_\_\_\_  
 Director

**DOST STEELS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**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 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.

The Company has incurred a net loss of Rs.12.976 (2013 : Rs.6.194) million and its accumulated losses are Rs.101.949 (2013 : Rs.88.973) million. Its current liabilities exceeds its current assets by Rs.1,468.06 (2013 : Rs.1,451.31) million. Further, the Company has insufficient funds to repay its overdue liabilities, owed to banking companies amounting to Rs.931.308 (2013 : Rs.931.308) million.

Further, the Company is defendant in a law suit filed by one of the trade creditors of the Company during the year for winding up as the Company is unable to discharge its outstanding balance as well as the Company has failed to commence its commercial production to date. Due to these factors material uncertainty arises which may create doubts regarding the Company's ability to continue as going concern and accordingly the Company may not be able to realize its assets and discharge its liabilities at the stated amounts.

However, the Company is still maintaining a positive relationship with the lead agent of syndicated loan. Further, the Company 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.

**2 BASIS OF PREPARATION**

**2.1 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.

**2.2 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.

### **2.3 Basis of Measurement**

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

### **2.4 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**

These are estimated by multiplying years of service with last drawn salary which will be different at each reporting date.

### **2.5 Standards, amendments and interpretations which became effective during the year**

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

**2.6. New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are only effective for annual 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:

<i>Standards or interpretations</i>	<i>Effective Date (accounting periods beginning on or after)</i>
IFRS 2 Share-based Payments (Amendments)	July 1, 2014
IFRS 3 Business Combinations (Amendments)	July 1, 2014
IFRS 8 Operating Segments (Amendments)	July 1, 2014
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
IAS 16 Property, Plant and Equipment (Amendments)	July 1, 2014 & January 1, 2016
IAS 19 Employee benefits (Amendments)	July 1, 2014
IAS 24 Related party disclosures (Amendments)	July 1, 2014
IAS 32 Financial instruments: Presentation (Amendments)	January 1, 2014
IAS 36 Impairment of assets (Amendments)	January 1, 2014
IAS 38 Intangible Assets (Amendments)	July 1, 2014 & January 1, 2016
IAS 39 Financial instruments: Recognition and measurement	January 1, 2014
IAS 40 investment Property (Amendments)	July 1, 2014
IAS 41 Agriculture (Amendments)	January 1, 2016
IFRIC 21	January 1, 2014

The Company expect that the adoption of the above standards and interpretation will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB (International Accounting Standards Board). Such improvements are generally effective for accounting periods beginning on or after June 30, 2014. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.



<i>Standards or interpretation</i>	<i>(effective for annual periods beginning on or after)</i>
IFRS 1 First time adoption of International Financial Reporting Standards	July 01, 2009
IFRS 9 Financial Instruments	January 01, 2015
IFRS 10 Consolidated Financial Statements	January 01, 2013
IFRS 11 Joint Arrangements	January 01, 2013
IFRS 12 Disclosure of Interests in Entities	January 01, 2013
IFRS 13 Fair Value Measurement	January 01, 2013

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Property, plant ,equipment and depreciation.**

These are internally 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. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in the relevant note.

Full year's depreciation is charged on the assets acquired during the year, whereas, no depreciation is charged in the year of 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.

#### **3.2 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.

#### **3.3 Long term loans**

These are carried at their nominal values.

#### **3.4 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.

### **3.5 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 balance sheet 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.

### **3.6 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.

### **3.7 Revenue Recognition**

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

### **3.8 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.

### **3.10 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.

### **3.11 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.

### **3.12 Related Party Transactions**

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

### ***3.13 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.

### ***3.14 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.

### ***3.15 Staff retirement benefit***

#### ***Defined Benefit Plan***

The Company has introduced an unfunded gratuity scheme for its permanent employees. Provisions are made in the financial statements to cover the obligation in respect of current and past service cost.

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Operating assets	4.1	<b>164,808,820</b>	164,466,240
Capital work-in-progress	4.3	<b>1,858,835,969</b>	1,857,935,969
		<b><u>2,023,644,789</u></b>	<b><u>2,022,402,209</u></b>

##### 4.1 Operating Assets

Particulars	OWNED						Total
	Freehold land	Furniture & fittings	Electric Equipments	Computers equipments Rupees	Office equipments	Vehicles	
<b>Year ended June 30, 2014</b>							
Opening net book value	157,876,220	1,848,943	2,136,490	807,448	57,191	1,739,948	164,466,240
Additions	-	-	500,000	-	-	39,000	539,000
Transfers	-	-	-	-	-	(196,420)	(196,420)
<b>Net book value as at June 30, 2014</b>	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,636,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,543,528</b>	<b>164,808,820</b>
<b>As at June 30, 2014</b>							
Cost	157,876,220	2,855,829	4,057,310	2,341,448	117,252	4,290,035	171,538,094
Accumulated depreciation	-	1,006,886	1,420,820	1,534,000	60,061	2,707,507	6,729,274
	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,636,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,582,528</b>	<b>164,808,820</b>
<b>Year ended June 30, 2013</b>							
Opening net book value	157,876,220	1,848,943	2,136,490	807,448	57,191	1,739,948	164,466,240
Additions	-	-	-	-	-	-	-
<b>Net book value as at June 30, 2013</b>	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,136,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,739,948</b>	<b>164,466,240</b>
<b>As at June 30, 2013</b>							
Cost	157,876,220	2,855,829	3,557,310	2,341,448	117,252	4,730,575	171,478,634
Accumulated depreciation	-	1,006,886	1,420,820	1,534,000	60,061	2,990,627	7,012,394
	<b>157,876,220</b>	<b>1,848,943</b>	<b>2,136,490</b>	<b>807,448</b>	<b>57,191</b>	<b>1,739,948</b>	<b>164,466,240</b>
Rate of Depreciation	-	15%	15%	30%	15%	20%	

4.2 No depreciation has been charged as the commercial production has not yet commenced.

	<i>Note</i>	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>4.3 Capital work in progress</b>			
Land development		<b>13,212,712</b>	13,212,712
Civil works		<b>207,083,362</b>	207,083,362
Plant and machinery		<b>1,214,104,419</b>	1,213,204,419
Unallocated borrowing costs		<b>424,435,476</b>	424,435,476
		<b><u>1,858,835,969</u></b>	<b><u>1,857,935,969</u></b>

## 5 LONG TERM DEPOSITS

Against utilities	5.1	<b>17,490,345</b>	18,660,345
Against rent		<b>110,000</b>	587,000
Others		<b>96,000</b>	86,000
		<b><u>17,696,345</u></b>	<b><u>19,333,345</u></b>

5.1 This security deposit against Gas of Rs.5.85 million (2013 : Rs.7.02 million) repayable in 10 years having mark-up of 1.5% (2013 : 1.5%) per annum.

	<i>Note</i>	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>6 DEFERRED TAX ASSET</b>			
<b>(Taxable) / deductible temporary differences due to:</b>			
Accelerated accounting depreciation		<b>829,337</b>	(878,603)
Provision for gratuity		<b>199,299</b>	1,660,920
Assessed tax losses		<b>31,772,048</b>	27,311,068
		<b><u>32,800,684</u></b>	<b><u>28,093,385</u></b>
Unrecognized deferred tax asset	6.1	<b><u>(32,800,684)</u></b>	<b><u>(28,093,385)</u></b>
		<b><u>-</u></b>	<b><u>-</u></b>

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

	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>7 ADVANCES</b>		
<b>Considered good</b>		
To staff	-	155,000
For supplies	<b>5,755,209</b>	4,477,607
	<b><u>5,755,209</u></b>	<b><u>4,632,607</u></b>

## 8 TAX REFUND DUE FROM GOVERNMENT

Income tax refundable	<b><u>680,865</u></b>	<b><u>581,995</u></b>
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	<i>Note</i>	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>9 OTHER RECEIVABLE</b>			
<b>Considered good</b>			
Mark up receivable		43,514	52,217
<b>Considered doubtful</b>			
Receivable against trading		506,560	506,560
Provision against doubtful receivable		(506,560)	(506,560)
		-	-
		43,514	52,217

#### 10 CASH AND BANK BALANCES

Cash in hand	89,569	1,941
Cash at banks - in current account	284,386	956,768
	373,956	958,709

#### 11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

67,464,500 Ordinary shares of Rs.10 each fully paid in cash	11.1	674,645,000	674,645,000
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**11.1** 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.

	<i>Note</i>	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>12 CURRENT AND OVERDUE PORTION OF LONG TERM LOANS</b>			
<b>Secured - from banking companies</b>			
Faysal Bank Limited	12.1	143,948,806	143,948,806
Syndicate loan	12.2	737,359,431	737,359,431
Saudi Pak Industrial and Agricultural Investment Company Limited	12.3	50,000,000	50,000,000
		931,308,237	931,308,237
Current portion		-	-
Overdue portion		931,308,237	931,308,237
		931,308,237	931,308,237
		-	-

- 12.1** The Company has arranged a Murabaha Finance facility aggregating to Rs. 150 million from Faysal Bank Limited for setting up the project and repayment of letter of credit facility. The facility is secured against first pari passu charge by way of mortgage of movable and immovable properties of the Company, personal guarantees of sponsors and demand promissory note in favor of the Faysal Bank Limited. The facility is repayable in 8 semi-annual installments of Rs.18.75 million commencing from after two years grace period from the final drawdown date being a date not later then 31st July 2006 or any later date as may be mutually agreed. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis.
- 12.2** The Company has arranged an aggregate finance facility of Rs. 775 million from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited, Bank of Khyber, Pakistan Kuwait Investment Company (Private) Limited and Faysal Bank Limited (former name The Royal Bank of Scotland Limited) as syndicate loan, whereby Faysal Bank Limited is acting as agent of the syndicate. The loan is secured against first pari passu charge by way of mortgage over the mortgaged property of the Company, first pari passu charge over the hypothecated assets of the Company, personal guarantees of sponsors and demand promissory note in favor of the syndicate. The facility is repayable in 9 semi-annual installments of Rs.86.111 million commencing after two years grace period from the final drawdown date being a date not later then 31st July 2006. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis.
- 12.3** The Company has arranged finance facility of Rs.50 million from Saudi Pak Industrial and Agricultural Investment Company Limited. The loan is secured against First Equitable Mortgage on all immovable assets of the Company plus 25% margin. The loan is repayable in 9 semi annual installments of Rs. 5.56 million commencing from December 2008.
- 12.4** The company is not paying its obligation towards financial institution owing to non commencement of production. As per financial Institutions (Recovery of Finances) Ordinance, 2001 the markup on default period is to be charged on cost of fund of lending banks which are not available with management and therefore accrual of markup has not been made

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
<b>13 SHORT TERM BORROWINGS</b>			
<i>- Unsecured - interest free</i>			
Loan from related parties		-	53,127,391
Loan from directors		<b>316,393,371</b>	232,511,564
		<b>316,393,371</b>	285,638,955

#### **14 TRADE AND OTHER PAYABLES**

Trade creditors		<b>18,890,816</b>	35,641,759
Accrued expenses	14.1	<b>204,430,247</b>	204,939,540
With holding tax payable		<b>16,358</b>	14,918
Gratuity Payable		<b>3,874,163</b>	-
		<b>227,211,584</b>	240,596,217

- 14.1** This includes accrued mark up amounting to Rs.203.85 (2013: Rs.203.85) million.

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

**15.1.1** Two suits are 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 Limited. Currently outcome could not be determined with certainty.

**15.1.2** The suit has been filed by an ex-employee of the Company for recovery of his advances amounting to Rs.504,723 and currently its status could not be determined.

**15.1.3** The suit has been filed against the Company by one of the trade creditors of the Company in High Court of Sindh for recovery of Rs.18,995,630 as against Rs.13,929,375 appearing in financial statements. In addition to this, the said creditor has also filed a petition of winding up against the Company on account of aforesaid unpaid debt. Both the suits are at the stage of hearing therefore the probable outcome of the suit or related liability is not determinable at this stage.

### 15.2 Commitment

There are no commitments outstanding at the year end.

## 16 ADMINISTRATIVE EXPENSES

	<i>Note</i>	<i>2014 Rupees</i>	<i>2013 Rupees</i>
Salaries and other benefits		<b>4,456,522</b>	3,217,516
Utilities		<b>1,548,279</b>	1,296,027
Rent, rates and taxes		<b>1,084,331</b>	756,623
Printing and stationery		<b>15,389</b>	21,944
Vehicle running and maintenance		<b>907,084</b>	443,414
Shares Transfer Expenses		<b>151,335</b>	149,081
Telephone, postage and couriers		<b>297,131</b>	183,200
Auditors' remuneration	16.2	<b>230,400</b>	220,000
Legal and professional charges		<b>1,773,540</b>	-
Entertainment expenses		<b>347,221</b>	90,977
Repairs and maintenance		<b>787,270</b>	-
Traveling and conveyance		<b>383,928</b>	96,262
Advertising expenses		<b>35,952</b>	14,820
Fees and subscription		<b>715,254</b>	255,701
Depreciation	4.2	-	-
General expenses		<b>300,602</b>	58,802
		<b>13,034,238</b>	6,804,367



	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>16.2 Auditors' Remuneration</b>		
Audit fee	185,400	175,000
Interim review fees and other certification	40,000	40,000
Out of pocket expenses	5,000	5,000
	<u>230,400</u>	<u>220,000</u>

## 17 OTHER OPERATING INCOME

### Income from financial assets

Interest on deposits	96,597	116,500
Return on bank deposits	1,266	1,145
Recovery of provision against doubtful receivables	-	506,908
	<u>97,863</u>	<u>624,553</u>

## 18 TAXATION

Current	-	-
Deferred	-	-
	<u>-</u>	<u>-</u>

### 18.1 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.

18.2 Returns for the tax year upto 2013 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.

	<i>2014</i>	<i>2013</i>
<b>19 LOSS PER SHARE</b>		
Loss attributable to ordinary shareholders	<i>Rupees</i> <u>(12,976,875)</u>	<u>(6,193,601)</u>
Weighted average number of ordinary shares in issue	<u>67,467,200</u>	<u>67,467,200</u>
Loss per share - basic and diluted	<i>Rupees</i> <u>(0.19)</u>	<u>(0.09)</u>

<i>2014</i>	<i>2013</i>
<i>Rupees</i>	<i>Rupees</i>

## 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 20.1 Financial Instrument by Category

#### Loans and receivables at amortized cost

Long term deposits	<b>17,696,345</b>	19,333,345
Advances	-	155,000
Other receivable	<b>43,514</b>	52,217
Cash and bank balances	<b>373,956</b>	958,709
	<b>18,113,815</b>	20,499,271

#### Financial liabilities at amortized cost

Current and overdue portion of long term loans	<b>931,308,237</b>	931,308,237
Short term borrowings	<b>316,393,371</b>	285,638,955
Trade and other payables	<b>227,211,584</b>	240,596,217
	<b>1,474,913,192</b>	1,457,543,409

### 20.1 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.

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

	<i>2014</i>	<i>2013</i>
	<i>Rupees</i>	<i>Rupees</i>
Long term deposits	<b>17,696,345</b>	19,333,345
Advances	-	155,000
Other receivable	<b>43,514</b>	52,217
Bank balances	<b>284,386</b>	956,768
	<b>18,024,245</b>	20,497,330

***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:

<b><i>Bank</i></b>	<b><i>Rating agency</i></b>	<b><i>Rating</i></b>	
		<b><i>Short term</i></b>	<b><i>Medium to Long Term</i></b>
Summit Bank Limited	JCR-VIS	A-3	A-
Askari Bank Limited	JCR-VIS	A-1 +	AA
Faysal Bank Limited	JCR-VIS	A-1 +	AA
National Bank of Pakistan	JCR-VIS	A-1 +	AAA
United Bank Limited	JCR-VIS	A-1+	AA+

***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: -

	<b><i>2014</i></b>			
	<b><i>Carrying amount</i></b>	<b><i>Contractual cash flows</i></b>	<b><i>With in one year</i></b>	<b><i>One year or above</i></b>
	<b><i>----- Rupees -----</i></b>			
<b><i>Non-derivative financial liabilities</i></b>	<b><i>931,308,237</i></b>	<b><i>(931,308,237)</i></b>	<b><i>(931,308,237)</i></b>	<b><i>-</i></b>
loans	<b><i>316,393,371</i></b>	<b><i>(316,393,371)</i></b>	<b><i>(316,393,371)</i></b>	<b><i>-</i></b>
Short term borrowings	<b><i>227,211,584</i></b>	<b><i>(227,211,584)</i></b>	<b><i>(227,211,584)</i></b>	<b><i>-</i></b>
Trade and other payables	<b><i>1,474,913,192</i></b>	<b><i>(1,474,913,192)</i></b>	<b><i>(1,474,913,192)</i></b>	<b><i>-</i></b>

	<b><i>2013</i></b>			
	<b><i>Carrying amount</i></b>	<b><i>Contractual cash flows</i></b>	<b><i>One year or less</i></b>	<b><i>One year to two years</i></b>
	<b><i>----- Rupees -----</i></b>			
<b><i>Non-derivative financial liabilities</i></b>	<b><i>931,308,237</i></b>	<b><i>(931,308,237)</i></b>	<b><i>(931,308,237)</i></b>	<b><i>-</i></b>
Long term loans	<b><i>285,638,955</i></b>	<b><i>(285,638,955)</i></b>	<b><i>(285,638,955)</i></b>	<b><i>-</i></b>
Short term borrowings	<b><i>240,596,217</i></b>	<b><i>(240,596,217)</i></b>	<b><i>(240,596,217)</i></b>	<b><i>-</i></b>
Trade and other payables	<b><i>1,457,543,409</i></b>	<b><i>(1,457,543,409)</i></b>	<b><i>(1,457,543,409)</i></b>	<b><i>-</i></b>

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: -

	<b>2014</b>	<b>2013</b>
	<b>Rate</b>	<b>Rate</b>
<b>Financial asset</b>		
Fixed rate - Long term security deposit	<b>1.5%</b>	1.5%
<b>Financial liabilities</b>		
Variable rate - Long term loans	<b>16.34% to 16.84%</b>	16.34% to 16.84%

**Interest rate risk cash flow sensitivity**

Since the Company is in phase of construction and erection, 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.

Consistent with others in the industry, the Company monitors the capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>Total borrowings</b>		
Current and overdue portion of long term loans	<b>931,308,237</b>	931,308,237
Short term loans	<b>316,393,371</b>	285,638,955
	<b>1,247,701,608</b>	1,216,947,192
Less: Cash and bank balances	<b>(373,956)</b>	(958,709)
<b>Net debt</b>	<b>1,247,327,652</b>	1,215,988,483
Total equity	<b>572,695,312</b>	585,672,187
<b>Total capital</b>	<b>1,820,022,964</b>	1,801,660,670
<b>Gearing ratio</b>	<b>68.53%</b>	67.49%

***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.

**21 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: -

	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
<b>Entities over which directors have significant influence</b>		
Receipt of short term loan	-	8,432,174
<b>Loans from directors</b>		
Receipt of short term loan	<b>83,881,807</b>	9,868,000
Repayment of loan to related parties	<b>53,127,391</b>	-

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

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working executives of the Company is as follows: -

	<i>2014</i> <i>Rupees</i>	<i>2013</i> <i>Rupees</i>
Remuneration to Executives	-	-
Number of persons	-	-

22.1 The company is not providing any remuneration to its chief executive and directors.

22.2 None of the employees fall under the category of "Executives" as defined by the Companies Ordinance, 1984.

### 23 OPERATING SEGMENT

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

### 24 INSTALLED CAPACITY

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

### 25 NUMBER OF EMPLOYEES

Number of employees as at year end and average for the year

2014

2013

21

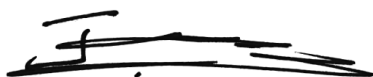
21

### 26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company 29 SEP 2014.

### 27 GENERAL

Figures have been rounded off to nearest rupee.



Chief Executive



Director

**Pattern of holding of the shares held by the Shareholders of Dost Steels Limited as at June 30, 2014**

<b>NO. OF SHAREHOLDER</b>	<b>SHAREHOLDINGS</b>		<b>NO. OF SHARES HELD</b>
130	1	100	3,641
8071	101	500	4,023,077
1127	501	1000	1,122,329
1367	1001	5000	3,550,301
235	5001	10000	1,867,434
86	10001	15000	1,073,726
34	15,001	20000	610,674
27	20,001	25000	635,279
25	25,001	30000	722,826
9	30,001	35000	295,000
11	35,001	40000	428,632
4	40,001	45000	174,500
12	45,001	50000	590,000
3	50,001	55000	154,200
5	55,001	60000	297,000
1	60,001	65000	65,000
1	65,001	70000	70,000
2	70,001	75000	149,500
1	75,001	80000	80,000
3	80,001	85000	252,500
1	85,001	90000	89,000
1	90,001	95000	91,000
3	95,001	100000	300,000
2	100,001	105000	207,600
1	105,001	110000	109,500
1	110,001	115000	115,000
1	125,001	136000	126,143
1	140,001	145000	144,137
3	145,001	150000	447,000
2	155,001	160000	317,000
1	170,001	175000	174,500
1	175,001	180000	178,150
1	180,001	185000	181,000
1	190,001	195000	192,500
1	325,001	330000	325,500
1	345,001	350000	349,000
1	350,001	355000	352,000
1	395,001	400000	400,000
1	460,001	465000	465,000
1	515,001	520000	520,000
1	795,001	800000	800,000
1	895,001	900000	900,000
1	1,050,001	1055000	1,051,251
2	1,410,001	1415000	2,828,000
1	2,450,001	2455000	2,450,500
1	2,890,001	2895000	2,890,500
1	2,985,001	2990000	2,986,043
1	3,420,001	3425000	3,424,484
1	5,540,001	5545000	5,544,688
1	23,335,001	23340000	23,339,385
<b>11191</b>			<b>67464500</b>

**DOST STEELS LIMITED**  
**CATEGORY OF SHAREHOLDERS**  
**AS ON 30TH JUNE, 2014**

<b>S. NO.</b>	<b>SHAREHOLDERS CATEGORY</b>	<b>NUMBER OF SHAREHOLDERS</b>	<b>NUMBER OF SHARES HELD</b>	<b>PERCENTAGE %</b>
1	Individuals	11154	67,192,270	99.60%
2	Joint Stock Companies	36	240,547	0.36%
3	Investment Companies	1	9,000	0.01%
4	Insurance Companies	2	21,683	0.03%
5	Others	1	1000	0.00%
<b>TOTAL</b>		<b>11194</b>	<b>67,464,500</b>	<b>100%</b>

**Information as required under the Code of Corporate Governance**

**as on 30<sup>th</sup> June 2014**

<b>Shareholders' Category</b>	<b>Number of Shareholders</b>	<b>Number of Shares held</b>	<b>Percentage</b>
<b>Associated Companies, Undertaking and Related Parties</b>	-	-	-
<b>Investment Companies</b>	1	9,000	0.01%
<b>Directly</b>			
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%
		<b>18,075,115</b>	
<b>InDirectly*</b>			
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%
		<b>23,339,385</b>	
*Under a financing arrangement			
<b>Sponsors, Directors Spouses and Minor Children</b>	4	<b>41,414,500</b>	61.3871%
<b>Executives</b>	-	-	-
<b>Public Sector Companies &amp; Corporation</b>	36	240,547	0.3566%
<b>Banks, DFIs, NBFIs, Insurance Companies, Modaraba &amp; Mutual Funds</b>	4	22,638	0.0336%

**Detail of purchase/sales of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children as on 30-06-2014.**

<u>Name</u>	<u>Dated</u>	<u>Purchase</u>	<u>Sales</u>	<u>Rate</u>
NIL	NIL	NIL	NIL	NIL



# FORM OF PROXY

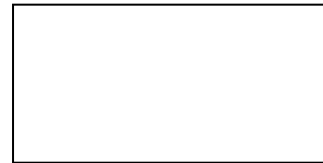
## 11<sup>th</sup> Annual General Meeting

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member of **DOST STEELS LIMITED** and holder of \_\_\_\_\_ Ordinary Shares, do hereby appoint Mr/Mrs/Miss \_\_\_\_\_ 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 11<sup>th</sup> Annual General Meeting of the Company to be held on 27<sup>th</sup> October 2014 at 10:00 a.m at Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900 and at any adjournment there of

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2014

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 \_\_\_\_\_  
Distinctive Nos. \_\_\_\_\_  
From \_\_\_\_\_ To \_\_\_\_\_