



***METROPOLITAN STEEL  
CORPORATION LTD.***

**ANNUAL REPORT 2018**



## **VISION**

BE A MARKET LEADER IN STEEL INDUSTRY THROUGH  
DIVERSIFICATION, PROFESSIONALISM OPTIMUM USE OF  
RESOURCES & ENSURING STAKE HOLDERS INTEREST

## **MISSION**

METROPOLITAN STEEL CORPORATION LIMITED IS COMMITTED TO: BE  
ETHICAL IN ITS PRACTICES

PRODUCE TO THE HIGHEST QUALITY STANDARDS

FULFILL AND EXCEED THE QUALITY EXPECTATIONS OF OUR CUSTOMERS

OPERATE THROUGH TEAM WORK

EXCEL THROUGH CONTINUOUS IMPROVEMENT

RETAIN OUR POSITION AS MARKET LEADER

CONFORM WITH ENVIRONMENTAL PROTECTION STANDARDS

ENSURE A FAIR RETURN TO SHAREHOLDERS

FULFILL SOCIAL RESPONSIBILITIES



## COMPANY PROFILE

### Board of Directors

Mr. Mehmood Ali Mehkri	Chairman
Mr. Muhammad Umar Mehkari	Chief Executive
Mrs. Sara Mehmood Mehkri	Director
Mr. Muhammad Shakir	Director
Mrs. Saba Mehkari Farooqui	Director
Mrs. Uzma Mehmood Ali Mehkri	Director
Mrs. Sofia Zakaria	Director

### Audit Committee

Mrs. Saba Mehkari Farooqui	Member
Mr. Mehmood Ali Mehkri	Member

### Company Secretary

Mr. Abul Mojahid

### Chief Accountant

### Auditors

**REANDA HAROON ZAKARIA & COMPANY**  
Chartered Accountant

Registered/ Head Office

706-Progressive Plaza, Beaumont Road  
Karachi.



**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 63<sup>rd</sup> Annual General Meetings of the Company will be held on Saturday October 27, 2018 at 09:30 a.m. at the Company factory premises on plot No. HE-1/2, adjacent Nagaria Textile Mill, Landhi Industrial Area, Karachi to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the minutes of the 62<sup>nd</sup> Annual General Meeting held on October 31, 2017.
2. To receive and adopt the audited accounts of the Company for the year ended June 30, 2018 with the Auditors' and Directors' Report thereon;
3. To appoint auditors for the year ending June 30, 2019 and fix their remuneration. The present auditors M/s. Haroon Zakaria & Co. Chartered Accounts retire and being eligible offer themselves for re-appointment;
4. Any other business with the permission of the chair.

Karachi: 07-10-2018

By Order of the Board  
Abul Mojahid  
Company Secretary

**NOTES**

1. The share transfer books of the Company will remain closed from 21-10-2018 to 27-10-2018 (both days inclusive)
2. A member entitled to attend and vote may appoint any other member as his /her proxy.
3. The instrument appointing proxy must be received at the Registered Office of the company duly stamped and signed not later than 48 hours before the meeting.
4. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular I of January 26, 2000 issued by the Securities Exchange Commission of Pakistan.

**A. For Attending the Meeting:**

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his /her identity by showing his /her original National Identity Card NIC or original passport at the time of attending the meeting.
- ii. In case of corporate entity the Board of Directors resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B. For Appointing Proxy:**

- i. In case of individuals the account holder or sub account holder and or the person whose securities are in group account and their registration details are upload as per the Regulations, shall submit the proxy form as per the above requirement
  - ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form
  - iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his original NIC passport at the time of the meeting
  - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
5. Members are requested to notify any change in their addresses.



## ***DIRECTORS' REPORT***

*In the name of Allah the Most Merciful and the Most Benevolent*

The directors of your company are pleased to present the Annual report and the audited financial statements for the year ended June 30, 2018 together with the auditor's report thereon.

### ***OPERATING AND FINANCIAL RESULTS***

The Comparative financial results of the company are summarized below:-

	<b><i>June 30, 2018</i></b>	<b><i>June 30 2017</i></b>
	<b><i>— (Rupees in '000) —</i></b>	
Sales-Net	<b>55,287</b>	-
Cost of sales	<b>(86,858)</b>	(29,970)
Gross loss	<b>(31,571)</b>	(29,970)
Administrative Expenses	<b>(8,631)</b>	(4,772)
Selling Expenses	<b>(37)</b>	(210)
Operating loss	<b>(40,239)</b>	(34,952)
Finance Cost	<b>(11)</b>	(19)
Other operating expenses	<b>(24,736)</b>	(10,517)
Other Income	<b>45,091</b>	13,796
Profit / (loss) before Taxation	<b>(19,895)</b>	(31,692)
Taxation	<b>2,983</b>	-
Profit / (loss) after taxation	<b>(16,912)</b>	(31,692)
Earnings / (Loss) per share - basic and diluted	<b>(0.55)</b>	(1.02)

In 2018 your company has made sales amounting to Rs. 55 million as your company imported various long product at competitive prices and dispatched into the local market.

Your company suffered a gross loss of 31.571 million mainly because of depreciation charge on our building and plant and machinery amounting to 31.056 million. In the year 2018 your company had to incur capital expenditure on the modernization of plant and machinery, expansion of furnaces enhancement of a load of K-Electric and installation of SUI gas lines and substation as per company requirement.



Presently MSCL with a specialized sales force and engineers is ready to commence production by the end of the year 2018, your company's management is in negotiations with various Islamic banks for a facility of 90 days LC credit for initial procurement of 3 months raw material amounting to 220 million but because of uncertainty in Pak rupees dollar and increase in industrial gas prices the company has not made procurement arrangements as of to date.

The management is hopeful to provide the best quality products in the market at competitive prices, and because of our diversity in products we are likely to achieve profitability at a very early stage.

### ***RESPONSE TO MODIFICATION OF AUDITORS REPORT***

The auditors have mentioned their opinion in the auditor's report for the year ended June 30, 2018. With respect to modifications in the current year's auditor's report, our response is as follows

i) The auditors have qualified trade debts, claims recoverable, advances to supplier, accrued liabilities, advances from customers, unclaimed dividends, markup accrued on finance lease, liabilities against assets subject to finance lease and other income. The management is pursuing to search these records and hoping that these qualification will not occur in next year.

ii) As regards the auditors emphasis regarding the appointment of Chief Financial Officer. The board has decided to appoint Chief Financial Officer after Company's production and setup well versed finance department. For this reason, we have started recruiting qualified individuals. This will surely help us to remove any deficiency with respect to maintenance of proper books of accounts.

iii) The existence of material uncertainty relating to going concern. However, in the view of the management, the company is a going concern and therefore the management has prepared the financial statements on going concern basis due to the following reasons.

a) The Company has revaluation surplus on property, plant and equipment amounting to Rs. 337.373million as of June 30, 2018.

b) The Company has plan to revive its business on its own land of 4.13 Acres by resuming production activities in the near future by various installing production plants. In this respect, the company has incurred capital expenditure of Rs. 15.112 million as of June 30, 2018.



- c) The Company has started operations through sale of its products to various projects, retailers and companies.
- d) Subsequent to the year end, gas and electricity connections were also installed by the relevant authorities.
- e) The Company has made long term investments for revenue generation and short term investments to meet the working capital requirements by disposing these investments when the production activities will be resumed.

#### ***AUDITORS***

The present Auditors M/s. Reanda Haroon Zakaria & Company, Chartered Accountants, retired and being eligible have offered themselves for reappointment. Audit committee has recommended the reappointment.

#### ***PATTERN OF SHARES HOLDING***

Pattern of shareholding as at June 30, 2018 required under the reporting framework is annexed.

#### ***KEY FINANCIAL AND OPERATING DATA***

Key financial and operating data for the last six years have been given separately.

#### ***FUTURE PROSPECTS***

The Board of directors and its management team are fully determined to move the Company from present situation of uncertainties and for this a strategic plan has been developed and you will see positive improvements in the foreseeable future as discussed above.

#### ***EARNING PER SHARE***

The loss per share of the company as at 2018 stood at (0.55) (2017) earning per share of (1.02)

#### ***STATEMENT ON CORPORATE AND FINANCIAL FRAME WORK***

The Directors of the Company are well aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Regulations of the stock exchange where the Company is listed. All necessary steps are being taken to ensure Good Corporate Governance in the Company as required by the Code.

- a) 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.



## **MSC METROPOLITAN STEEL CORPORATION LIMITED**

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- b) Proper books of account of the Company have been maintained in the manner required under the Companies Act 2017.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting and Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) There is no internal audit function in the Company.
- f) We have an Audit Committee and all of the members of which are amongst executive directors.
- g) The Company has neither declared dividend nor issued bonus shares for the current financial year because of operating losses incurred.
- h) There has been nothing outstanding against your company on account of taxes, duties, levies and other charges except for those which are being made in the normal course of business.
- i) Directors have not attended any training program during the year but will obtain the required certification within the stipulated time.
- j) There was no trading in shares of the Company by its directors, CEO, Company Secretary and their spouses and minor children.

### ***MEETINGS OF THE BOARD OF DIRECTORS***

During the year, three meetings of Board of directors were held. Attendance by each director is as follows.

<i>Name of Directors</i>	<i>No. of Meetings Attended</i>
1. Mr. Mehmood Ali Mehkri	6
2. Mr. Muhammad Shakir	6
3. Mrs. Sara Mehmood Mehkari	4
4. Mr. Muhammad Umar Mehkari	6
5. Mrs. Uzma Mehmood Ali Mehkri	5
6. Mrs. Sofia Zakaria	5
7. Mrs. Saba Mehkari Farooqui	3
8. Mr. Mushtaq Ahmad	1



***MEETINGS OF THE AUDIT COMMITTEE***

During the year four meetings of Audit Committee were held. Attendance by each director is as follows.

<b><i>Name of Directors</i></b>	<b><i>No. of Meetings Attended</i></b>
Mrs. Saba Mehkari Farooqui	4
Mr. Mehmood Ali Mehkri	4

***ACKNOWLEDGEMENT***

Your Directors are pleased to record their appreciation for the continued dedications, commitment and loyalty of the employees of your company.

Your Directors are also thankful to all stakeholders for the loyalty they have shown during our difficult period.

Your directors also appreciate the assistance and continued support of the various Government Departments, Bankers, Customers and Shareholders.

For and On behalf of the Board

**Mehmood Ali Mehkri**  
**Chairman**

**Karachi:**



**Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017**

For the year Ended June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following  
Male                                    3  
Female                                    4
2. The composition of Board is as follows.

<b>Category</b>	<b>Names</b>
<b>Non-Executive Directors</b>	Mrs. Saba Mehkari Farooqui Mrs. Uzma Mehmood Ali Mehkari Mr. Mohammed Shakir Mrs. Sofia Zakaria Mr. Mehmood Ali Mehkari
<b>Executive Directors</b>	Mrs. Sara Mehmood Mehkari Mr. Muhammad Umer Mehkari

There are no independent directors on the board.

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company.
4. 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.
5. 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.



6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and the Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. The Board has not arranged Directors' Training Program for any of its Directors. The Directors will be trained within the prescribed time period. All the Directors on the Board are fully conversant with their duties and responsibilities.
10. The Board has only approved appointment of Company Secretary, including his remuneration and terms and conditions of employment. Further, CFO has resigned in the financial year ending June 30, 2016 and his successor was not appointed till the issuance of this statement.
11. The financial statements of the Company were duly endorsed by the CEO before approval of the Board.
12. The board has formed audit committee comprising of two members given below:
  - a. Mr. Mehmood Ali Mehkari - Chairman
  - b. Mrs. Saba Mehkari Farooqui - Member
13. The terms of reference of the audit committee have not been determined by the Board.
14. The frequency of meetings of the audit committee: quarterly
15. The Company is in the process of establishing an internal audit function and therefore, no Head of Internal Audit has been appointed till the year end.



16. 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 and registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

**Mehmood Ali Mehkari**  
**Chairman**

**Mohamad Umer Mehkari**  
**Chief Executive**



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## P. Key Financial & Operating Data

This has been summarised for the following six years.

	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14	Jun-13	Jun-12
Sales Revenue	52,287	-	62,758	70,191	282,422	771,881	754,258
Cost of Sales	80,668	24,870	136,732	161,727	317,906	398,685	680,264
Gross Profit(Loss)	(28,381)	(24,870)	(73,974)	(91,536)	(35,484)	(326,804)	(66,006)
Other Income	45,001	13,796	146,620	50,068	13,134	5,163	461
Total	16,626	(11,074)	71,626	(41,468)	(22,350)	(321,641)	(65,545)
Operating Expenses	16,068	14,852	6,834	116,751	140,356	1121,864	152,051
Operating Profit(Loss)	558	(25,906)	64,792	(168,219)	(162,706)	(1443,505)	(217,596)
Financial Expenses	(11)	156	12	196,152	159,205	(26,927)	130,052
Total	547	(25,750)	64,804	(168,067)	(162,501)	(1470,432)	(87,544)
Other charges	(24,756)	(19,517)	(25,654)	(50,071)	(13,334)	(285)	(2,558)
Profit/Loss before taxation	(19,889)	(45,267)	39,150	(218,138)	(275,802)	(1470,717)	(90,092)
Dividend	-	-	-	-	-	-	-
Taxation	2,862	-	(4,787)	3,768	2,807	(1,720)	(7,643)
Net profit/Loss for the year after taxation	(17,027)	(45,267)	34,363	(214,370)	(273,000)	(1472,437)	(97,735)
Accumulated profit/losses brought forward	23,118	51,286	(1,100,486)	(864,207)	(683,261)	(628,588)	(402,000)
Adjustments	7,914	3,712	1,104,280	71,387	12,343	61,185	1,847
Accumulated profit/losses carried forward	31,032	55,000	3,283	(792,813)	(670,917)	(567,353)	(399,153)

	Jun-18	Jun-17	Jun-16	Jun-15	Jun-14	Jun-13	Jun-12
Share Capital	309,776	309,776	309,776	309,776	309,776	309,776	309,776
Reserves	80,506	80,500	66,590	30,506	80,500	66,590	80,500
Unappropriated profit/loss	16,120	23,118	38,322	(1,703,488)	(964,227)	(883,281)	(325,072)
Unrealised gain	327	-	-	-	850	482	264
Surplus on Revaluation of Fixed Assets	337,373	355,493	357,881	1,347,242	1,386,873	1,387,141	1,436,830
Shareholders' Equity	742,096	768,887	752,569	634,136	738,999	744,769	732,338
Long Term Loans	-	-	-	497,480	586,812	-	31,308
Long term liability	-	-	-	62,748	51,355	-	17,986
Deferred Liability	35,167	38,820	43,772	57,748	68,838	77,581	13,710
Long term & deferred liability	35,167	38,820	43,772	635,228	648,165	77,581	51,994
Total Equity & Liability	777,263	807,707	796,341	1,272,138	1,389,961	822,350	794,332

### REPRESENTED BY

Fixed assets	572,004	486,893	546,681	1,719,077	1,731,630	1,708,669	1,834,514
Current Assets	207,624	320,810	249,660	430,608	434,398	498,689	680,266
Current liabilities	(71,776)	(121,427)	(124,880)	(876,867)	(789,022)	(1,328,347)	(1,131,965)
Other non-current assets	9,404	-	-	-	2,865	2,826	2,518
Total Assets	717,256	686,276	671,461	1,272,818	1,389,861	873,837	1,385,333

**To the members of Metropolitan Steel Corporation Limited**

**REVIEW REPORT ON THE STATEMENT OF COMPLIANCE  
CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE  
GOVERNANCE) REGULATIONS, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Metropolitan Steel Corporation Limited** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

<u>S. No</u>	<u>Description</u>	<u>Regulation Reference</u>
i.	Review of overall business risks have not been undertaken by the Board of Directors (the Board) on annual basis.	10(2)
ii.	There are no adequate systems and controls in place for identification and redress of grievances arising from unethical practices.	10(3)(iii)
iii.	A system of sound internal control is not established.	10(3)(iv)
iv.	The Board has not maintained a complete record of significant policies along with their date of approval or updating.	10(4)
v.	The chairman of the Board has not issued letters to newly appointed directors setting out their role, obligations, powers and responsibilities in accordance with the Act and Company's Articles of Association, their remuneration and entitlement.	10(5)
vi.	Notice of the Board meeting held on November 21, 2017 was not circulated at least seven days before the meeting.	11
vii.	The details of related party transactions were not placed before the Audit Committee of the Company and the Board for their review and approval.	15(1) and (2)
viii.	Due to non-availability of information, we are unable to ensure whether the Company Secretary holds the qualification as specified under the relevant regulations by the Commission.	25
ix.	Due to non-availability of required information, we are unable to ensure that the minutes of audit committee meetings were circulated in the specified manner.	28(4)

Based on our review, except for the above instances of non compliances, 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 Regulations as applicable to the Company for the year ended June 30, 2018.

Further we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph references, where it is stated in the Statement of Compliance:

<u>S. No</u>	<u>Reference</u>	<u>Description</u>
i	Paragraph 1	There is no independent Director on the Board.
ii	Paragraph 9	The company has not arranged any directors' training programs for its newly appointed directors within one year from the date of their appointment i.e. September 11, 2017 as required under regulation no. 20(2) of the Regulations.
iii	Paragraph 10	The Board has not appointed CFO and Head of Internal Audit of the Company as required under regulation 21 of the Regulations.
iv	Paragraph 11	The financial statements (quarterly / half-yearly / annual) were not duly endorsed by the CFO as required under regulation no. 26 of the Regulations.
v	Paragraph 12	The Company has not complied with requirements of regulation no. 28(1) of the Regulations for composition of Audit Committee as it does not comprise of three members, none of its members is an independent Director and the audit committee has not appointed its secretary. Further, the Board has not formed Human Resource and Remuneration Committee as required under regulation no. 29 of the Regulations.
vi	Paragraph 13	The Board have not determined the terms of reference of the audit committee as required under regulation no. 28(3) of the Regulations.
vii	Paragraph 15	There is no internal audit function in the company as required under regulation no. 32 of the Regulations.

*Reanda Haroon Zakaria & Co*  
Chartered Accountants

Engagement Partner  
Mohammad Iqbal

Karachi  
Dated: 06 OCT 2018

## INDEPENDENT AUDITORS' REPORT

*To the members of Metropolitan Steel Corporation Limited*  
*Report on the Audit of the Financial Statements*  
*Qualified Opinion*

We have audited the annexed financial statements of **Metropolitan Steel Corporation Limited (the Company)**, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit except for the matters stated in the *Basis for Qualified Opinion* section of our report.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

***Basis for Qualified Opinion***

We were unable to substantiate trade debts, claims recoverable, advances to suppliers, accrued liabilities, advances from customers, unclaimed dividends, mark up accrued on finance lease, liabilities against assets subject to finance lease and other income amounting to Rs. 19.551 million, Rs. 81.184 million, Rs. 3.085 million, Rs. 31.581 million, Rs. 1.583 million, Rs. 1.273 million, Rs. 3.745 million, Rs. 21.338 million and Rs. 34.848 million respectively due to non-availability of records and being old in nature. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

*Material Uncertainty relating to Going Concern*

We draw attention to Note 1.3 to the accompanying financial statements, which indicates that the Company has incurred gross loss of Rs. 31,571 (2017: Rs.29,970) million and has incurred after tax loss amounting to Rs. 16,912 (2017: Rs. 31,692) million reducing unappropriated profit to Rs. 14,120 (2017: Rs. 23,118) million. These conditions along with other matters set forth in note 1.3, indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Emphasis of Matter*

We draw attention to the fact that the accompanying financial statements are not authenticated by the Chief Financial Officer as required by the Companies Act, 2017 because the same was not appointed till the date of authorization of the accompanying financial statements. Our opinion is not modified in respect of this matter.

*Key Audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Basis for Qualified Opinion* section and *Material Uncertainty relating to Going Concern* section we have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key Audit Matters</i>	<i>How the matter was addressed in our audit</i>
<b>1. Preparation of financial statements under the Companies Act, 2017</b>	
<p>(Refer note 3 to the accompanying financial statements)</p> <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June, 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In the case of the Company, specific additional disclosures and changes to the existing disclosures have been included in note 3 to the financial statements.</p> <p>Further, the Company has also changed its accounting policies relating to presentation and measurement of revaluation surplus on property, plant and equipment as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policies has been disclosed in note 4.2 to the financial statements.</p> <p>The aforementioned changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.</p>	<p>Our audit procedures to address the matter included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act.</li> <li>• We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.</li> <li>• We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.</li> <li>• In respect of the change in accounting policies for the measurement and presentation of revaluation surplus on property, plant and equipment as referred to note 4.2 to the financial statements, we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company.</li> </ul>

<i>Key Audit Matters</i>	<i>How the matter was addressed in our audit</i>
<b>2. Valuation of stock in trade</b>	
<p>(Refer note 8 to the accompanying financial statements)</p> <p>Inventory forms a significant part of the Company's assets. Inventory comprises of raw material which is stated at lower of cost and estimated net realizable value.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost involves significant management judgment and estimation.</p>	<p>Our audit procedures to assess the valuation of stock in trade, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Physical observation of inventory counts</li> <li>• Obtaining an understanding of controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;</li> <li>• Obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices and future costs necessary to make the sales and their basis; and</li> <li>• Comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.</li> <li>• We also reviewed the related disclosures in accordance with the applicable financial reporting standards.</li> </ul>

***Information Other than the Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Board of Directors for the Financial Statements*

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

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

***Report on Other Legal and Regulatory Requirements***

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

- a) except for the matters described in the Basis for Qualified Opinion section of our report, proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the matters described in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Mohammad Iqbal**.

  
Reanda Haroon Zakaria & Company  
Chartered Accountants

Place: Karachi  
Dated 08 OCT 2018



# MSC METROPOLITAN STEEL CORPORATION LIMITED

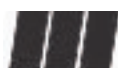
## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

ASSETS	Note	2018	2017	2016
		---- Rupees in '000' ----		
		(Restated)	(Restated)	
<b>Non-current assets</b>				
Property, plant and equipment	5	572,004	496,893	548,681
Long term investments	6	9,434	-	-
		<b>581,438</b>	<b>496,893</b>	<b>548,681</b>
<b>Current assets</b>				
Stores, spare parts and loose tools	7	13,185	13,185	13,185
Stock-in-trade	8	65,248	138,018	138,018
Trade debts	9	56,734	44,106	44,392
Claims recoverable	10	81,184	81,184	81,184
Advances	11	5,214	31,030	33,409
Deposits	12	50	2,680	2,680
Tax refunds due from Government	13	7,317	16,172	15,985
Short term investment	14	37,879	-	-
Cash and bank balances	15	813	5,975	333
		<b>267,624</b>	<b>332,350</b>	<b>329,186</b>
<b>Total assets</b>		<b>849,062</b>	<b>829,243</b>	<b>877,867</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
<b>Authorized capital</b>				
50,000,000 Ordinary shares of Rs. 10 each		500,000	500,000	500,000
Issued, subscribed and paid-up capital	16	309,776	309,776	309,776
<b>Capital Reserves</b>				
Revaluation surplus on property, plant and equipment	17	337,373	255,493	257,861
Unrealized gain on remeasurement of available for sale investments		327	-	-
		<b>337,700</b>	<b>255,493</b>	<b>257,861</b>
<b>Revenue Reserves</b>				
General reserve		80,500	80,500	80,500
Unappropriated profit		14,120	23,118	51,098
		<b>94,620</b>	<b>103,618</b>	<b>131,598</b>
<b>Shareholder's equity</b>		<b>742,096</b>	<b>668,887</b>	<b>699,235</b>
<b>Non-current liabilities</b>				
Deferred liabilities	18	35,187	38,929	43,772
<b>Current liabilities</b>				
Trade and other payables	19	43,324	82,996	96,429
Mark-up accrued	20	3,745	3,745	3,745
Short term borrowing	21	2,099	12,075	12,075
Unclaimed dividends		1,273	1,273	1,273
Overdue portion of liabilities against assets subject to finance lease	22	21,338	21,338	21,338
		<b>71,779</b>	<b>121,427</b>	<b>134,860</b>
<b>Contingencies and commitments</b>	23			
<b>Total equity and liabilities</b>		<b>849,062</b>	<b>829,243</b>	<b>877,867</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
Chief Executive

  
Director



# MSC METROPOLITAN STEEL CORPORATION LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPERHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	
Note	---- Rupees in '000' ----		
Sales - net	24	55,287	-
Cost of sales	25	(86,858)	(29,970)
<b>Gross loss</b>		(31,571)	(29,970)
Administrative expenses	26	(8,631)	(4,772)
Selling and distribution costs	27	(37)	(210)
		(8,668)	(4,982)
<b>Operating loss</b>		(40,239)	(34,952)
Finance cost - bank charges		(11)	(19)
Other charges	28	(24,736)	(10,517)
Other income	29	45,091	13,796
<b>Loss before taxation</b>		(19,895)	(31,692)
Taxation - net	30	2,983	-
<b>Loss after taxation</b>		(16,912)	(31,692)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation surplus on property, plant and equipment - net		89,356	-
Deferred tax thereon - net		(853)	-
		88,503	
Effect of change in tax rate on balance of surplus on revaluation of property, plant and equipment		1,291	1,344
		89,794	1,344
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>			
Unrealized gain on remeasurement of available for sale investments		461	-
Deferred tax thereon		(134)	-
		327	-
Other comprehensive income for the year - net of tax		90,121	1,344
<b>Total comprehensive income / (loss) for the year</b>		73,209	(30,348)
<b>Loss per share - basic and diluted</b>	31	(0.55)	(1.02)

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
Chief Executive

  
Director



# MSC METROPOLITAN STEEL CORPORATION LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Capital Reserve		Revenue Reserves *		Total	
	Share Capital	Unrealized gain on remeasurement of available for sale investments	Revaluation surplus on property, plant and equipment	General Reserve		Unappropriated profit
-----Rupees in '000 -----						
<b>Balance as at June 30, 2016 - as originally reported</b>	309,776	-	257,861	80,500	35,322	683,459
Correction of prior period error - note 13.1	-	-	-	-	15,776	15,776
<b>Balance as at June 30, 2016 - Restated</b>	309,776	-	257,861	80,500	51,098	699,235
<b>Total Comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(31,692)	(31,692)
Other comprehensive income	-	-	1,344	-	-	1,344
	-	-	1,344	-	(31,692)	(30,348)
Transfer from revaluation surplus on property, plant and equipment to unappropriated profit on account of incremental depreciation - net (note 17)	-	-	(3,712)	-	3,712	-
<b>Balance as at June 30, 2017 - Restated</b>	309,776	-	255,493	80,500	23,118	668,887
<b>Total Comprehensive income for the year</b>						
Loss for the period	-	-	-	-	(16,912)	(16,912)
Other comprehensive income	-	327	89,794	-	-	90,121
	-	327	89,794	-	(16,912)	73,209
Transfer from revaluation surplus on property, plant and equipment to unappropriated profit on account of incremental depreciation - net (note 17)	-	-	(7,914)	-	7,914	-
<b>Balance as at June 30, 2018</b>	309,776	327	337,373	80,500	14,120	742,096

\* Revenue reserves can be utilized for meeting any contingencies and for distribution of profit by way of dividend.

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director



# MSC METROPOLITAN STEEL CORPORATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
<i>Note</i>	<i>---- Rupees in '000'----</i>	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated from / (used in) operations after working capital changes	32 <b>58,948</b>	(16,651)
Gratuity paid	18 <b>(206)</b>	(1,908)
Finance cost - bank charges paid	<b>(11)</b>	(8)
Taxes paid - net	<b>(98)</b>	(187)
<b>Net cash generated from / (used in) operating activities</b>	<b>58,633</b>	<b>(18,754)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	<b>(7,725)</b>	(18,656)
Long term investments made	6 <b>(8,973)</b>	-
Short term investments made	14 <b>(56,015)</b>	-
Proceeds from disposal of short term investments	<b>18,894</b>	-
Proceeds from disposal of property, plant and equipment	<b>-</b>	43,052
<b>Net cash (used in) / generated from investing activities</b>	<b>(53,819)</b>	<b>24,396</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of short term borrowing - net	21 <b>(9,976)</b>	-
<b>Net cash used in financing activities</b>	<b>(9,976)</b>	-
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(5,162)</b>	<b>5,642</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>5,975</b>	<b>333</b>
<b>Cash and cash equivalent at the end of the year</b>	33 <b>813</b>	<b>5,975</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
Chief Executive

  
Director



## **MSC METROPOLITAN STEEL CORPORATION LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

#### **1 LEGAL STATUS AND OPERATIONS**

**1.1** Metropolitan Steel Corporation Limited (the Company) was incorporated on August 24, 1955 as a public limited company. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company is a manufacturer of steel products such as torsteel, ribbed bars, wire rods, bailing hoops, mild and special steel wires, transmission towers and cold profiles. The registered office of the Company is situated at 706, Progressive Plaza Beaumont Road, Karachi.

The trading of Company's shares has been suspended by Pakistan Stock Exchange Limited on December 09, 2013 on account of non-holding of Annual General Meeting and non payment of outstanding annual listing fee.

During the current financial year, the trading in the shares of the Company has been resumed as disclosed in note 26.3 to the financial statements.

**1.2** The geographical location and addresses of business units are as under:

<b>Location</b>	<b>Address</b>
Sales Office	706, Progressive Plaza Beaumont Road, Karachi
Manufacturing facility	Landhi Industrial Area, Plot # HE:1/2

**1.3** During the current year, the Company has incurred gross loss of Rs. 31.571 (2017 : Rs. 29.970 ) million and has incurred after tax loss amounting to Rs. 16.912 (2017 : Rs. 31.692) million reducing the unappropriated profit to Rs. 14.120 (2017: 23.118 *restated*) million. With respect to business cycle of the Company, production activities have completely been shut down in previous years.

These conditions along with other matters set forth indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

However, the management of the Company has prepared these financial statements on going concern basis due to the following reasons:

- a)** The Company has revaluation surplus on property, plant and equipment amounting to Rs. 337.373 (2017: 255.493) million as of the reporting date.
- b)** Further, the Company has plan to revive its business on its own land of 4.13 Acres by resuming production activities in the foreseeable future by installing production plants namely Cold Profile, Mild Steel Wire and Special Steel Wire. In this respect, the company has incurred capital expenditure of Rs. 15.112 million till the reporting date. Subsequent to the year end, Sui Gas and Electricity connections were approved and provided by the relevant authorities.
- c)** Moreover, the Company has started operations through sale of its products to various projects, retailers and companies. The prices of Company's products are competitive and the management is of the view that the Company will generate sufficient revenues in the subsequent years that will be used to complete the civil works related to installation of above mentioned wire plants and procurement of materials.



- d) The company has made long term investments amounting to Rs. 8.973 million during the year for revenue generation and has short term investments amounting to Rs. 37.879 million to meet working capital requirements by disposing them once the production activities will be resumed.

## **2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS**

Following is the summary of significant transactions and events that have affected the Company's financial position and performance:

- a) Adoption of Companies Act, 2017 - note 3.
- b) Revaluation surplus on property, plant and equipment - note 4.2 & 17.
- c) Long term investments made during the year - note 6.
- d) Write down of stock in trade to net realizable value - note 8.
- e) Short term investments made during the year - note 14.

## **3 BASIS OF PREPARATION**

### **3.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in nomenclature of primary statements and change in respect of presentation and measurement of revaluation surplus on property, plant and equipment (note 17). Further, the disclosure requirements contained in the Fourth Schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRSs disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (note 5.4), additional disclosure requirements for related parties (note 35).

### **3.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for:

- long term (available for sale) and short term (held for trading) investments are stated at the fair values;
- leasehold land, buildings on leasehold land and plant and machinery which have been classified under property, plant and equipment and are stated at revalued amounts; and
- stock in trade which have been stated at net realizable value.



These financial statements have been prepared under the accrual basis of accounting except for the cash flow information.

### **3.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded off to the nearest thousand rupees.

### **3.4 Significant accounting judgments, estimates and assumptions**

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

The areas where assumptions and estimates are significant to the Company's financial statements or where judgment is exercised in application of accounting policies are as follows:

- a)* Property, plant and equipment carried at revalued amounts
- b)* Impairment of assets
- c)* Useful lives of depreciable assets
- d)* Recognition of financial assets
- e)* Provision for slow moving stores, spare parts and loose tools
- f)* Provision for slow moving stock in trade
- g)* Recognition of current tax and deferred tax
- h)* Accrued liabilities

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

### **3.5 Amendments to standards that are effective for the year ended June 30, 2018**

The following amendments to accounting standards are effective for the year ended June 30, 2018. These amendments 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 certain additional disclosures:

*Effective for period  
beginning on or after*

IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
IAS 12 'Income Taxes' - Amendments with respect to recognition of deferred tax assets for unrealized losses	January 1, 2017

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

**3.6 Amendments to standards and IFRS interpretations that are not yet effective**

The following amendments to accounting standards and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments 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 certain additional disclosures:

*Effective from accounting  
period beginning on or  
after*

IFRS 2 'Share-based Payment' - Amendments with respect to clarification on the classification and measurement of share-based payment transactions	January 1, 2018
IFRS 4 'Insurance Contracts': Applying IFRS 9 with IFRS 4	January 1, 2018
IFRS 9 'Financial Instruments'	January 1, 2018
IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Amendments with respect to sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS 15 'Revenue From Contracts With Customers'	January 1, 2018
IFRS 16 'Leases'	January 1, 2019
IAS 19 'Employee Benefits': Amendments with respect to plan amendments, curtailments or settlements	January 1, 2019
IAS 28 'Investments in Associates and Joint Ventures': Amendment with respect to long-term interests in associates and joint ventures	January 1, 2019
IAS 40 'Investment Property': Amendments with respect to clarification on transfers of property to or from investment property	January 01, 2018 Earlier application is permitted.
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018 Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual period beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 - First Time Adoption of International Financial Reporting Standards

IFRS 14 - Regulatory Deferral Accounts

IFRS 17 - Insurance Contracts

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

##### **4.1 Property, plant and equipment and depreciation**

###### **a) Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for leasehold land which is stated at revalued amount and buildings on leasehold land and plant and machinery which are stated at revalued amount less accumulated depreciation and accumulated impairment losses. Cost of property, plant and equipment comprises the acquisition cost and directly attributable cost of bringing the assets to its working condition.

Depreciation is charged to income applying the reducing balance method, using the rates stated in note 5.1. Depreciation on addition is charged from the month the asset is available for use, whilst no depreciation is charged in the month in which the asset is disposed off.

The assets' residual values, and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount at the reporting date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is charged to profit or loss.



***b) Leased assets***

The Company accounts for property, plant and equipment acquired under finance leases by recording the assets and the related liability. These assets are stated at lower of present value of the minimum lease payments or the fair value of assets acquired on lease. Finance costs are allocated to periods during the lease term so as to provide a constant periodic rate of return on the remaining balance of the liability.

Depreciation is charged to income applying the reducing balance method at the rates mentioned in note 5.1.

***c) Capital work-in-progress***

Capital work-in-progress is stated at cost less impairment losses, if any and consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to relevant category of operating fixed assets when they are available for intended use.

***4.2 Revaluation surplus on property, plant and equipment***

Revaluation surplus is recorded in other comprehensive income and accumulated to the Revaluation surplus on property, plant and equipment in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus on property, plant and equipment.

An annual transfer from the revaluation surplus on property, plant and equipment to unappropriated profit is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation on the asset's original cost. Upon disposal, any surplus relating to the particular asset being sold is transferred to unappropriated profit.

During the year, the Company has changed its accounting policy for presentation and measurement of revaluation surplus on property, plant and equipment, due to adoption of the Companies Act, 2017 (the Act), which became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018. The change in the accounting policy has been applied retrospectively and comparative information have been restated in accordance with the requirement of International Accounting Standard (IAS) – 16 "Property, Plant and Equipment" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Due to the above change in accounting policy, the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., July 01, 2016, and related notes in accordance with requirement of IAS 1 – Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the revaluation surplus on property, plant and equipment would have been shown as a separate line item (below equity in the statement of financial position) amounting to Rs. 255.493 million and Rs. 257.861 million for the year ended 30 June 2017 and 2016 respectively.

***4.3 Financial instruments***

***4.3.1 Financial assets***

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized at trade date i.e. the date on which the Company commits to purchase or sell the asset.



Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using effective interest rate method.

The fair values of quoted investments are based on current prices.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

***a) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

***b) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

***c) Available for sale financial assets***

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the reporting date. Available for sale financial assets are classified as long term investments in the statement of financial position.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in "other comprehensive income" are included in the profit or loss as gains and losses on disposal of long term investments. Dividends on available for sale equity instruments are recognized in the profit or loss when the Company's right to receive payments is established.

**4.3.2 Financial liabilities**

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.



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

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and also intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

#### **4.3.4 Impairment**

##### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Any impairment losses arising on financial assets including financial assets carried at amortized cost are recognized in statement of profit or loss and other comprehensive income.

##### **Non-financial assets**

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

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss and other comprehensive income.

#### **4.4 Stores, spare parts and loose tools**

These are valued at lower of cost or net realizable value which is determined principally on weighted average cost method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items based on parameters set by the management.

Net realizable value is determined on the basis of estimated selling price in the ordinary course of business determined by independent valuer. Provision is made for slow moving and obsolete items based on parameters set by the management.

#### **4.5 Stock-in-trade**

Stock of raw materials except those in-transit and finished goods are valued at lower of average cost or net realizable value. Average cost in relation to finished goods represents prime costs and appropriate portion of manufacturing expenses.

Items-in-transit are stated at cost comprising invoice values plus other charges paid thereon till the reporting date.



Net realizable value is determined on the basis of estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses. Provision is made for slow moving and obsolete items based on parameters set by the management.

**4.6 Trade debts**

These are measured at original invoice amount less an estimate for doubtful receivable balances based on the review of all outstanding amounts at the year end. Debts are written off when identified as irrecoverable.

**4.7 Provisions**

A provision is recognized in the reporting date when the Company has a legal or constructive obligation as a result of a past event, 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 obligation.

**4.8 Trade and other payables**

Liabilities for trade and other payables are measured at cost which is the fair value of the consideration to be paid in future for goods and services.

**4.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, and bank balances.

**4.10 Taxation**

**a) Current**

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

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemptions available, if any, or minimum tax on turnover or Alternate Corporate Tax (ACT), whichever is higher.

**b) Deferred**

Deferred tax is provided for, using the balance sheet method, providing the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. 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 at the reporting date. Deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available and credits can be utilized.



**4.11 Revenue recognition**

- Revenue from Sale of goods are recorded on dispatch of goods to customers.
- Profit on bank deposits are accounted for on an accrual basis.
- Gain on disposal of fixed assets is recognized on transfer of title to the buyer.
- Other income is recognized on the occurrence of transaction.

**4.12 Borrowings**

These are recorded at the proceeds received net of transaction cost.

**4.13 Earning per share**

The Company presents basic and diluted earnings/ loss per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.



# MSC METROPOLITAN STEEL CORPORATION LIMITED

## 5 PROPERTY, PLANT AND EQUIPMENT

	Note	2018	2017
Operating fixed assets			
Capital work in progress - civil works			
	5.1	556,892	489,416
	5.2	15,112	7,477
		<u>572,004</u>	<u>496,893</u>

### 5.1 Operating fixed assets

Particulars	Owned					Leased			Total
	Buildings on leasehold land	Plant and machinery	Equipment	Furniture, fixtures and fittings	Vehicles	Computers	Vehicles		
Year ended June 30, 2017									
Opening net book value	165,200	125,305	255,373	861	224	242	70	1,006	548,281
Additions	11,500	-	-	-	-	-	79	-	11,579
Disposal	-	-	(49,518)	-	-	-	-	-	(49,518)
Revalued amount	-	-	7,267	-	-	-	-	-	7,267
Depreciation	-	-	(42,251)	-	-	-	-	-	(42,251)
Depreciation charged	-	(12,531)	(15,227)	(12.9)	(3.4)	(4.8)	(23)	(201)	(28,193)
Net book value at June 30, 2017	176,700	112,774	197,895	732	190	194	126	805	489,416
Year ended June 30, 2018									
Additions	-	-	90	-	-	-	-	-	90
Revaluation surplus / (deficit)	95,880	(8,969)	11,910	-	-	-	-	-	98,821
Depreciation charged	-	(11,278)	(19,793)	(110)	(2.9)	(3.9)	(25)	(161)	(31,435)
Net book value at June 30, 2018	272,580	92,527	190,102	622	161	155	101	644	556,892
At June 30, 2017									
Cost / revalued amount *	176,700	137,404	239,113	3,843	3,457	4,035	1,185	4,604	570,341
Accumulated depreciation	-	(24,630)	(41,218)	(3,111)	(3,267)	(3,841)	(1,059)	(3,799)	(80,925)
Net book value	176,700	112,774	197,895	732	190	194	126	805	489,416
At June 30, 2018									
Cost / revalued amount *	272,580	128,435	248,668	3,843	3,457	4,035	1,185	4,604	666,897
Accumulated depreciation	-	(35,908)	(58,566)	(3,221)	(3,296)	(3,880)	(1,054)	(3,968)	(109,915)
Net book value	272,580	92,527	190,102	622	161	155	101	644	556,892
Rate of depreciation %	-	10%	10%	15%	15%	20%	20%	20%	20%



		2018	2017
	Note	---- Rupees in '000' ----	
5.2 Capital work in progress - civil works			
Opening		7,477	400
Additions during the year		7,635	7,077
	5.2.1	<u>15,112</u>	<u>7,477</u>

5.2.1 Represents expenditure incurred by the company in respect of construction of buildings on leasehold land.

5.3 The depreciation charge has been allocated as follows:

Cost of sales	25	31,056	27,853
Administrative expenses	26	342	307
Selling and distribution costs	27	37	33
		<u>31,435</u>	<u>28,193</u>

5.4 Particulars of immovable property (i.e. leasehold land and buildings thereon) in the name of the Company are as follows:

Location	Total Area (Acres)	* Covered Area (Acres)
Landhi Industrial Area, Plot # HE:1/2	4.13	1.35

\* This covered area includes multi storey buildings.

5.5 On June 30, 2018, the company carried out valuation of its leasehold land, buildings on leasehold land and plant and machinery by an independent valuer, who has determined forced sale value of leasehold land, buildings on leasehold land and plant and machinery is Rs. 218 million, Rs. 74 million and Rs. 152 million respectively. The fair values were determined with reference to market based evidence, based on active market prices and relevant inquiries and information as considered necessary.

5.6 The carrying amount of the assets as at the year end, if the assets had been carried at historical cost, would have been as follows:

Particulars	Owned			Total
	Leasehold land	Building on leasehold land	Plant and machinery	
	----- Rupees (000) -----			
<b>At June 30, 2018</b>				
Cost	11,565	8,323	243,410	263,298
Accumulated depreciation	-	(7,136)	(103,654)	(110,790)
<b>Net book value</b>	<u>11,565</u>	<u>1,187</u>	<u>139,756</u>	<u>152,508</u>
<b>At June 30, 2017</b>				
Cost	11,565	8,323	243,329	263,217
Accumulated depreciation	-	(6,921)	(88,134)	(95,055)
<b>Net book value</b>	<u>11,565</u>	<u>1,402</u>	<u>155,195</u>	<u>168,162</u>
<b>Rate of depreciation %</b>	<u>-</u>	<u>10%</u>	<u>10%</u>	



		2018	2017
		---- Rupees in '000'----	
<b>6 LONG TERM INVESTMENTS</b>			
<i>Available for sale - in quoted shares at fair value</i>			
		8,973	-
	Fauji Fertilizer Limited		
	Unrealized gain on remeasurement	461	-
		<u>9,434</u>	<u>-</u>
6.1			
	2018	2017	
	<i>Number of Shares</i>		
6.1	<u>95,400</u>	<u>-</u>	Fauji Fertilizer Limited @ Rs. 98.89
		<u>9,434</u>	<u>-</u>

**7 STORES, SPARE PARTS AND LOOSE TOOLS**

	Stores	18,481	18,481
	Spare parts	25,384	25,384
	Loose tools	286	286
		<u>44,151</u>	<u>44,151</u>
	Less: Provision for slow-moving items and obsolescence	<u>(30,966)</u>	<u>(30,966)</u>
7.1		<u>13,185</u>	<u>13,185</u>

7.1 During the current year, the company carried out valuation of its stores, spare parts and loose tools from an independent valuer who has determined the net realizable value of Rs. 15.102 million. The fair values were determined with reference to present prevalent market value of similar type of assets, having same age, condition and technology. The prevalent prices have been confirmed from the local market and importers to arrive at the present value.

		2018	2017
		---- Rupees in '000'----	
<b>8 STOCK-IN-TRADE</b>			
<i>Raw materials</i>			
	- in hand	85,330	115,583
	- in transit	-	22,435
		<u>85,330</u>	<u>138,018</u>
	Less: Provision for write down of stock to net realizable value	<u>(20,082)</u>	<u>-</u>
8.1		<u>65,248</u>	<u>138,018</u>

8.1 On June 30, 2018, the company carried out valuation of its stock-in-trade from an independent valuer who has determined the net realizable value of Rs. 65.248 million. Accordingly, the management has made provision for write down to net realizable value amounting to Rs. 20.082 million. The fair values were determined with reference to present prevalent market value of similar type of assets, having same age, condition and technology. The prevalent prices have been confirmed from the local market and importers to arrive at the present value.



	<i>Note</i>	<i>2018</i> ---- Rupees in '000' ----	<i>2017</i>
<b>9 TRADE DEBTS</b>			
Considered good	9.1	56,734	44,106
Considered doubtful		-	-
		<u>56,734</u>	<u>44,106</u>
Less: Provision for doubtful debts		-	-
		<u>56,734</u>	<u>44,106</u>

**9.1** This amount includes receivable in respect of tower plant amounting to Rs. 24.555 (2017: Rs. 24.555) million supplied to Multan Electric Power Company Limited and Rs. 19.551 (2017: Rs. 19.551) million receivable from WAPDA, which were challenged by the Company in the Honorable High Court of Sindh. The decision in these law suits has not been rendered till the issuance of these financial statements. Based on legal advice, the management is confident that the final outcome of these cases will be decided in favour of the Company, accordingly, no provision has been made against these receivables.

	<i>Note</i>	<i>2018</i> ---- Rupees in '000' ----	<i>2017</i>
<b>9.2 The aging analysis of these trade receivables</b>			
Upto 1 months		-	-
1 to 6 months		12,628	-
6 to 12 months		-	-
More than 12 months		44,106	44,106
		<u>56,734</u>	<u>44,106</u>

**10 CLAIMS RECOVERABLE**

Considered good		199,994	199,994
Considered doubtful		(118,810)	(118,810)
	10.1	<u>81,184</u>	<u>81,184</u>

**10.1** This amount represents recoverable in respect of excise duty aggregating Rs. 81.184 million paid by the Company on billets supplied by Pakistan Steel Mills Corporation (Private) Limited during the period commencing 1989-90 to 1991-92 pursuant to SRO 732 (1)/89, which was challenged (suit no 745/1992) by the Company in the Honourable High Court of Sindh during 1992. The said suit was dismissed by the single Judge bench of Honourable Court of Sindh on June 01, 2016. The company has made appeal (HCA/308/2016) against the decision before the Honourable High Court of Sindh, which is pending till the issuance of these financial statements. Based on the legal advice, the management of the company is confident that the final outcome of the case will be decided in favour of the Company. Accordingly, the Company has not made any provision in these financial statements.

	Note	2018 ---- Rupees in '000' ----	2017
<b>11 ADVANCES</b>			
<i>Considered good</i>			
<i>Advances</i>			
- suppliers		3,085	30,830
- against transfer of land		1,929	-
- others		200	200
		<u>5,214</u>	<u>31,030</u>

#### 12 DEPOSITS

<i>Deposits</i>			
With CDC		50	50
Margin against letters of guarantee		-	2,630
		<u>50</u>	<u>2,680</u>

	June 30, 2018	June 30, 2017 <i>Restated</i>	June 30, 2016 <i>Restated</i>
Note	<i>(Rupees in '000')</i>		

#### 13 TAX REFUNDS DUE FROM GOVERNMENT

Income tax refundable		-	396	209
Sales tax refundable	13.1	7,317	15,776	15,776
		<u>7,317</u>	<u>16,172</u>	<u>15,985</u>

##### 13.1 Correction of Prior period error

During the current year, the management submitted sales tax return for the month of December 2017. As per the submitted return, accumulated sales tax credit amounting to Rs. 15.776 million was available but erroneously charged out as a component of purchase of raw material instead of recognizing tax refunds due from government in the form of input sales tax. The error is rectified retrospectively by rectifying the opening retained earnings of earliest period reported and debiting tax refunds due from government. The effects of above changes have been summarized below:

	As originally reported in June 30, 2016	Effect of prior period error	As Restated June 30, 2016
----- Rupees (000) -----			
<i>Restatement in Statement of Financial position</i>			
Tax refunds due from government	-	15,776	15,776
<i>Restatement in Statement of Changes in Equity</i>			
Unappropriated profit	35,322	15,776	51,098



# MSC METROPOLITAN STEEL CORPORATION LIMITED

## 14 SHORT TERM INVESTMENT

2018      2017  
---- Rupees in '000'----

At fair value through profit or loss - in quoted securities 37,879      -

Name of investee	As at 1 July, 2017	Invested during the year	Sales / redemptions during the year	As at 30 June, 2018	Average cost as at 30 June, 2018	Unrealized gain as at 30 June, 2018	Fair value as at 30 June, 2018
----- Rs. in 000 -----							
Mudrabaha certificates (Meezan Bank )	-	15,000	(15,000)	-	-	-	-
Al-Meezan Investment Management Limited	-	3,515	(3,515)	-	-	-	-
Al-Ameen Islamic Cash Funds	-	37,500	-	37,500	37,500	379	37,879
	<u>-</u>	<u>56,015</u>	<u>(18,515)</u>	<u>37,500</u>	<u>37,500</u>	<u>379</u>	<u>37,879</u>

## 15 CASH AND BANK BALANCES

2018      2017  
Note ---- Rupees in '000'----

Cash in hand	13	5
Cash at bank - in PLS account	<u>800</u>	<u>5,970</u>
	15.1	<u>813</u> <u>5,975</u>

15.1 These carry markup at the rate ranging between 2.25% to 2.5% per annum (2017: 2% to 2.5% per annum). The deposits are placed with bank under islamic banking arrangements.

## 16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		Note	2018	2017
Number of shares				---- Rupees in '000'----	
		<b>Ordinary shares of Rs. 10 each</b>			
6,134,773	6,134,773	fully paid in cash		61,348	61,348
23,040,700	23,040,700	for consideration other than cash	16.1	230,407	230,407
1,802,081	1,802,081	issued as fully paid bonus shares		18,021	18,021
<u>30,977,554</u>	<u>30,977,554</u>			<u>309,776</u>	<u>309,776</u>

16.1 These shares were originally issued to National Bank of Pakistan (formerly National Development Financial Corporation), United Bank Limited and Habib Bank Limited against amount payable by the Company. Subsequently, Chairman of the Company purchased shares from these banks having face value amounting to Rs. 228 million.



## MSC METROPOLITAN STEEL CORPORATION LIMITED

16.2 The holding of related party / major shareholder of the Company holding ordinary shares as at June 30, 2018 are as follows:

	2018	2017	2018	2017
	---- %age holding----		---- Rupees in '000'----	
Mehmood Ali Mehkri	75%	75%	232,980	232,980

17 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT	Note	2018	2017
		---- Rupees in '000'----	
<b>Balance as at 01 July,</b>		294,216	299,519
Revaluation surplus during the year - net		89,356	-
		383,572	299,519
Transferred to unappropriated profit in respect of incremental depreciation - net of deferred tax		(7,914)	(3,712)
Related deferred tax liability		(3,232)	(1,591)
		(11,146)	(5,303)
<b>Balance as at June 30,</b>		372,426	294,216
<b>Related deferred tax liability</b>	17.1	(35,053)	(38,723)
<b>Balance as at 30 June - net of deferred tax</b>	17.2 & 17.3	337,373	255,493

### 17.1 Movement in deferred tax liability

<b>Balance as at 01 July,</b>	38,723	41,658
Effect of change in tax rate	(1,291)	(1,344)
Effect of revaluation surplus on property, plant and equipment - net	853	-
Transferred to unappropriated profit in respect of incremental depreciation	(3,232)	(1,591)
<b>Balance as at June 30,</b>	35,053	38,723

17.2 The revaluation surplus on property, plant and equipment is a capital reserve as it is not available for distribution to the shareholders of the company in accordance with provisions of the Companies Act, 2017.

17.3 The history of revaluation surplus on property, plant and equipment is given as follows:

Name of independent valuers	Valuation basis	Date of revaluation surplus	-- Rupees in '000'--
M/s. Zafar Iqbal & Company	Market values of assets	June 30, 2018	11,910
Credit & Commerce Consultants (Pvt.) Ltd	Market values of assets	June 30, 2018	86,911
M/s. Iqbal.A.Nanji & Company	Market values of assets	June 26, 2015	10,017
M/s. Saleh Saleem & Associates	Market values of assets	Jan 5, 2012	337,902
M/s. Iqbal. A. Nanji & Company	Market values of assets	June 30, 2007	599,280
M/s. Iqbal. A. Nanji & Company and M/s Akhbari & Jawed Associates	Market values of assets	June 30, 2004	254,084
M/s. Iqbal. A. Nanji & Company	Replacement values of assets	June 30, 2000	267,345
M/s. Zahid Zabeer & Associates	Market values of assets	June 30, 1990	240,037



	<i>Note</i>	<i>2018</i>	<i>2017</i>
		<i>--- Rupees in '000' ---</i>	
<b>18 DEFERRED LIABILITIES</b>			
Deferred tax liability	18.1	35,187	38,723
Gratuity	18.2	-	206
		<u>35,187</u>	<u>38,929</u>
<b>18.1 Deferred tax liability</b>			
<i>Deductible temporary differences</i>			
Provisions for stores, spare parts and loose tools		(8,980)	(9,290)
Provisions for claims recoverable		(34,455)	(35,643)
Staff gratuity		-	(62)
Liabilities against assets subject to finance lease		(6,188)	(6,402)
Tax losses	18.1.1	(313,592)	(359,372)
Minimum tax impact	18.1.1	(4,744)	(11,272)
		<u>(367,959)</u>	<u>(422,041)</u>
<i>Taxable temporary differences</i>			
Accelerated tax depreciation		65,263	57,703
Deferred tax asset		(302,696)	(364,338)
Deferred tax asset not recognized	18.1.2	302,696	364,338
		<u>-</u>	<u>-</u>
<i>Taxable temporary differences</i>			
Revaluation surplus on property, plant and equipment	17	35,053	38,723
Unrealized gain on remeasurement of investment available for sale		134	-
		<u>35,187</u>	<u>38,723</u>

**18.1.1 Breakup of unused tax losses and tax credits is as follows:**

<i>Normal business losses</i>	<i>Expiry Date</i>		
Tax year 2012	June, 30 2018	-	116,554
Tax year 2013	June, 30 2019	184,558	184,558
Tax year 2014	June, 30 2020	70,201	70,201
Tax year 2015	June, 30 2021	141,680	141,680
<i>Unabsorbed tax depreciation</i>	Indefinite	684,913	684,913
<i>Tax credits</i>			
Minimum tax 2012	June, 30 2018	-	6,528
Minimum tax 2013	June, 30 2019	1,720	1,720
Minimum tax 2014	June, 30 2020	3,024	3,024

**18.1.2** Deferred tax asset as at June 30, 2018 to the extent of Rs 302.696 (June 2017: Rs 364.338) million has not been recognized as the Company does not expect to generate sufficient taxable profits in foreseeable future against which such benefits can be utilized.



# MSC METROPOLITAN STEEL CORPORATION LIMITED

	2018	2017
	---- Rupees in '000' ----	
<b>18.2 Gratuity</b>		
Balance as at July 01	206	2,114
Payments made during the year	(206)	(1,908)
Balance as at June 30	<u>          -</u>	<u>          206</u>

**18.2.1** Since total strength of permanent employees, by law, do not qualify for entitlement of any retirement benefits therefore the Company has not recorded current year's provision in these financial statements.

	2018	2017
	---- Rupees in '000' ----	
<b>19 TRADE AND OTHER PAYABLES</b>		
	<i>Note</i>	
Trade creditors	1,100	9,863
Accrued Liabilities	19.1 35,494	38,887
Advances from customers	1,583	2,483
Payable to employees' Provident Fund	-	674
Sales tax payable	19.2 -	24,465
Income tax payable	98	-
Payable to EoBI	4,331	4,850
Bank overdraft	-	17
Others	718	1,777
	<u>43,324</u>	<u>82,996</u>

**19.1** Includes Director remuneration payable amounting to Rs. 3.1 million (2017: Rs. 1.5) .

**19.2** The amount has been written back as the management consider it no more payable

	2018	2017
	---- Rupees in '000' ----	
<b>20 MARK-UP ACCRUED</b>		
- on liabilities against assets subject to finance lease	<u>3,745</u>	<u>3,745</u>
<b>21 SHORT TERM BORROWING</b>		
From Director - unsecured	<u>2,099</u>	<u>12,075</u>

**21.1** Represents interest free loan obtained from Director of the Company to meet the working capital requirements and is payable on demand. During the current year, considering the financial constraints of the Company, the director has decided to voluntarily waive the loan amounting to Rs. 9.209 million.

	2018	2017
	---- Rupees in '000' ----	
<b>22 OVERDUE PORTION OF LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
	<i>Note</i>	
Over due portion of liabilities against assets subject to finance lease	22.1 <u>21,338</u>	<u>21,338</u>

**22.1** Liabilities against assets subject to finance lease represent liabilities for vehicles acquired under finance lease agreements. Financing rates ranging from 14% to 22 % (2016: 14% to 22 %) per annum have been used as discounting factors.

The amounts of the future lease payments and the periods in which these payments will become due are as follows:

	2018			2017		
	Minimum lease payments	Financial charges allocated to future periods	Principal	Minimum lease payments	Financial charges allocated to future periods	Principal
	----- Rupees in '000' -----					
Up to one year	21,338	-	21,338	21,338	-	21,338

**23 CONTINGENCIES AND COMMITMENTS****23.1 Contingencies**

**23.1.1** The Company has filed various appeals in respect of demands made by the Central Excise and Sales Tax Department amounting to Rs. 2.799 million (2016: Rs. 2.799 million) with respect to sales tax and central excise duty for the years 1990 to 1997. These were heard by the relevant authority and pending a final decision in this regard, no provision has been made there-against in these financial statements.

**23.1.2** Claims of Rs. 1.81 (2017: Rs. 1.81) million together with interest thereon have been filed against the Company and a former associated undertaking for recovery of a bank loan advanced to that undertaking. The Company has not accepted this claim.

**23.2 Commitments**

There were no commitments binding on the company as of the reporting date.

**24 SALES - NET**

Gross sales	64,686	-
Less: Sales tax	(9,399)	-
	<u>55,287</u>	<u>-</u>

**25 COST OF SALES****Cost of iron angles sold**

Opening stock	138,018	138,018
Write down of stock in trade to net realizable value	(20,082)	-
Closing stock	8 (65,248)	(138,018)
	<u>52,688</u>	<u>-</u>
Factory overheads	25.1 34,170	29,970
	<u>86,858</u>	<u>29,970</u>

**25.1 Factory overheads**

Salaries and wages	1,716	927
Loading charges	438	175
Fuel and power	18	106
Repairs and maintenance	889	130
Depreciation	5.3 31,056	27,853
Postage, telegrams and telephone	-	11
Printing and stationery	41	7
Security charges	12	761
	<u>34,170</u>	<u>29,970</u>

**MSC METROPOLITAN STEEL CORPORATION LIMITED**

	2018	2017
<i>Note</i>	---- Rupees in '000'----	
<b>26 ADMINISTRATIVE EXPENSES</b>		
Salaries	1,518	1,457
Directors remuneration	1,800	-
Repairs and maintenance	75	15
Depreciation	5.3 342	307
Traveling and conveyance	351	193
Entertainment	19	54
Postage, telegrams and telephone	2	32
Printing and stationary	281	272
Donations	26.1 63	20
Auditors' remuneration	26.2 751	550
Rent, rates and taxes	368	427
Legal and professional charges	723	801
Penalties	26.3 448	-
Fees and subscription	26.4 974	-
Utilities	672	491
Other	244	153
	<u>8,631</u>	<u>4,772</u>

26.1 None of the Directors or their spouses have any interest in the donees' fund.

**26.2 Auditors' remuneration**

Annual audit	500	425
Review of Code of Corporate Governance	80	80
Review of condensed interim financial statements	126	-
Out of pocket expenses	45	45
	<u>751</u>	<u>550</u>

**26.3 Penalties**

During the current year, trading of the shares of the Company has been resumed at Pakistan Stock Exchange Limited on payment of Rs 0.448 million as full and final settlement against the total penalty of Rs. 18.560 million imposed by the Pakistan Stock Exchange Limited for non holding of annual general meeting and non payment of annual listing fees for previous years.

**26.4**

Represents annual listing fees for previous years paid during the year to Pakistan Stock Exchange Limited.

	2018	2017
<i>Note</i>	---- Rupees in '000'----	
<b>27 SELLING AND DISTRIBUTION COSTS</b>		
Salaries, wages and other benefits	-	177
Depreciation	5.3 37	33
	<u>37</u>	<u>210</u>



## MSC METROPOLITAN STEEL CORPORATION LIMITED

### 28 OTHER CHARGES

Custom clearance dues		-	4,037
EOBI claims		-	6,480
Reversal of liabilities written back	28.1	2,000	-
Write down of stock in trade to net realizable value	8.1	20,082	-
Guarantee margin written off	28.2	2,630	-
Other		24	-
		<u>24,736</u>	<u>10,517</u>

28.1 Represents payment against reversal of liability written back in the financial year 2015 made during the year to Quetta Electric Supply Company against purchase of DIC towers in previous years.

28.2 Represents bank guarantee margin written off during the year.

### 29 OTHER INCOME

Note 2018 2017  
---- Rupees in '000'----

#### Income from financial assets

Profit on pls accounts		47	127
Gain on sale of short term investment		181	-
Unrealized gain on short term investment		379	-
Dividend		171	-
		<u>778</u>	<u>127</u>

#### Income from other than financial assets

Liabilities written back	29.1	34,848	-
Reversal of provision for doubtful debts		-	12,790
Gain on disposal of fixed assets - net		-	801
Reversal of impairment on plant and machinery	29.2	9,465	-
Miscellaneous income		-	78
		<u>44,313</u>	<u>13,669</u>
		<u>45,091</u>	<u>13,796</u>

29.1 Includes sales tax payable amounting to Rs. 24,465 million written back during the year.

29.2 Represents reversal of impairment on plant and machinery, recorded in the financial year 2016, due to revaluation surplus arising in the current year amounting to Rs. 11.91 million.

### 30 TAXATION - NET

2018 2017  
---- Rupees in '000'----

Current tax		553	-
Deferred tax		(3,536)	-
		<u>(2,983)</u>	<u>-</u>

### 31 LOSS PER SHARE - BASIC AND DILUTED

Loss for the year		<u>(16,912)</u>	<u>(31,692)</u>
		-----Number of shares-----	
Weighted average number of shares		<u>30,977,554</u>	<u>30,977,554</u>
Loss per share - rupees		<u>(0.55)</u>	<u>(1.02)</u>

There is no dilutive effect on basic loss per share of the Company.



# MSC METROPOLITAN STEEL CORPORATION LIMITED

	Note	2018 ----- Rupees in '000'-----	2017
<b>32 CASH USED IN OPERATIONS AFTER WORKING CAPITAL CHANGES</b>			
Loss before taxation		(19,895)	(31,692)
<b>Adjustments for:</b>			
Depreciation	5.3	31,435	28,193
Finance cost - bank charges		11	19
Gain on disposal of property, plant and equipment	29	-	(801)
Unrealized gain on short term investment		(379)	-
Write down of stock in trade to net realizable value		20,082	-
Reversal of impairment on plant and machinery		(9,465)	-
Liabilities written back	29	(34,848)	-
Guarantee margin written off		2,630	-
<b>Cash used in operations before working capital changes</b>		<b>(10,429)</b>	<b>(4,281)</b>
Working capital changes	32.1	69,377	(12,370)
<b>Cash generated from / (used in) operations after working capital changes</b>		<b>58,948</b>	<b>(16,651)</b>

### 32.1 Working capital changes

#### (Increase) / decrease in current assets

Stock-in-trade	52,688	-
Trade debts	(12,628)	286
Advances	25,816	2,379
Sales tax refundable	8,459	-
	<u>74,335</u>	<u>2,665</u>

#### Decrease in current liabilities

Trade and other payables	(4,958)	(15,035)
	<u>69,377</u>	<u>(12,370)</u>

### 33 CASH AND CASH EQUIVALENTS

Cash in hand		13	5
Cash at bank - in PLS account		800	5,970
	15	<u>813</u>	<u>5,975</u>

### 34 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration provided to the Chief Executive Officer, Directors and Executives of the Company were as follows:

	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000'-----					
Managerial remuneration	1,800	-	-	-	-	-
Number of persons	1	1	-	-	-	-


**35 TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise directors and key management personnel. Amounts due to / from related parties are shown under respective note to the financial statements. Details of remuneration of chief executive, directors and executives of the Company are disclosed in note 35. Transactions with the related parties during the year are as follows:-

	<i>Note</i>	<i>2018</i> ---- Rupees in '000' ----	<i>2017</i>
<b><i>Key management personnel</i></b>			
<b><i>Omer Mehkri</i></b>			
Short term borrowing obtained during the year		<u>1,420</u>	-
Short term borrowing repaid during the year		<u>2,187</u>	-
Short term borrowing waived during the year		<u>9,209</u>	-

**36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**
***Financial instrument by category***
***Financial assets***
***- Available for sale***

Long term investment in quoted shares at fair value	6	9,434	-
---	---	-------	---

***- Fair value through profit and loss***

Short term investment in quoted securities	14	37,879	-
--	----	--------	---

***- Loans and receivables at amortized cost***

Trade debts	9	56,734	44,106
-------------	---	--------	--------

Deposits	12	-	2,630
----------	----	---	-------

Cash and bank balances	15	813	5,975
------------------------	----	-----	-------

		<u>104,860</u>	<u>52,711</u>
--	--	----------------	---------------

***Financial liabilities***
***- at amortized cost***

Over due portion of liabilities against assets subject to finance lease	22	21,338	21,338
---	----	--------	--------

Short term borrowing	21	2,099	12,075
----------------------	----	-------	--------

Unclaimed dividends		1,273	1,273
---------------------	--	-------	-------

Markup accrued on short term borrowings		3,745	3,745
---	--	-------	-------

Trade and other payables	19	41,643	56,048
--------------------------	----	--------	--------

		<u>70,098</u>	<u>94,479</u>
--	--	---------------	---------------

**36.1 Financial risk management**

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk and concentration of credit risk
- Liquidity risk
- Market risk



**36.2 Credit risk and concentration of credit risk**

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any.

The carrying amount of financial assets represents the maximum exposure to credit risk before any provisions at the reporting date as specified below:

	<i>Note</i>	<i>2018</i> ---- Rupees in '000'----	<i>2017</i>
Trade debts	9	56,734	44,106
Deposits	12	-	2,630
Balances with banks	15	800	5,970
		<u>57,534</u>	<u>52,706</u>

The Company does not hold any collateral against the above balances. General provision is made for doubtful amounts according to the Company's policy. The provision is written off when the Company expects that it cannot recover the balance due.

Apart from above, the Company considers the amount to be fully recoverable.

**Concentration of credit risk**

The Company's major sales are with government companies in energy sector, which is a concentration and a credit risk. However, the Company has established policies and procedures for timely recovery of trade debts. With respect to parties other than government companies, the Company mitigates its exposure and credit risk by applying credit limits to its customers.

	<i>Note</i>	<i>2018</i> ---- Rupees in '000'----	<i>2017</i>
<i>The age analysis of gross trade receivables is as follows:</i>			
Up to 1 year		12,628	-
1 - 2 years		-	-
3 years and above		44,106	44,106
	9.1	<u>56,734</u>	<u>44,106</u>



The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	<i>Rating</i>		<i>Rating agency</i>	<i>2018</i>	<i>2017</i>
	<i>Short term</i>	<i>Long term</i>		<i>---- Rupees in '000'----</i>	
First Women Bank Limited	A2	A-	PACRA	-	1
Bank Al-Habib Limited	A1+	AA+	PACRA	-	19
MCB Bank Limited	A1+	AAA	PACRA	-	1
United Bank Limited	A-1+	AAA	JCR-VIS	23	5,925
Meezan Bank Limited	A-1+	AA+	JCR-VIS	798	16
Summit Bank Limited	A-1	A-	JCR-VIS	-	2
Allied Bank Limited	A1+	AAA	PACRA	-	5
				<b>821</b>	<b>5,969</b>

The credit quality of Company's Investment at fair value through profit or loss can be assessed with reference to external credit ratings as follows:

	<i>Rating</i>		<i>Rating agency</i>	<i>2018</i>	<i>2017</i>
	<i>Short term</i>	<i>Long term</i>		<i>---- Rupees in '000'----</i>	
Al-Ameen Islamic Cash Funds	-	AA(f)	JCR-VIS	<b>37,879</b>	-

### 36.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of the financial liabilities:



		2018				
		Carrying Amount	Contractual cash flows	Up to one year	More than one year but not less than five year	More than five year
		----- Rupees in 000 -----				
<i>Financial liabilities at amortized cost</i>						
	Trade and other payables	41,643	41,643	41,643	-	-
	Mark-up accrued	3,745	3,745	3,745	-	-
	Short-term borrowing	2,099	2,099	2,099	-	-
	Unclaimed dividend	1,273	1,273	1,273	-	-
	Over due portion of liabilities against assets subject to finance lease	21,338	21,338	21,338	-	-
		<b>70,098</b>	<b>70,098</b>	<b>70,098</b>	<b>-</b>	<b>-</b>
		-----				
		2017				
		Carrying Amount	Contractual cash flows	Up to one year	More than one year but not less than five year	More than five year
		----- Rupees in 000 -----				
<i>Financial liabilities at amortized cost</i>						
	Long term loan	-	-	-	-	-
	Trade and other payables	56,048	56,048	56,048	-	-
	Mark-up accrued	3,745	3,745	3,745	-	-
	Short-term borrowings	12,075	12,075	12,075	-	-
	Unclaimed dividend	1,273	1,273	1,273	-	-
	Over due portion of liabilities against assets subject to finance lease	21,338	21,338	21,338	-	-
		<b>94,479</b>	<b>94,479</b>	<b>94,479</b>	<b>-</b>	<b>-</b>

### 36.4 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to interest rate risk only.

### 36.5 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings and liabilities against assets subject to finance lease. At the reporting date the interest rate profile of the Company's mark-up bearing financial instruments is as follows:

	2018	2017
	<i>Carrying amount</i>	
	<i>----- Rupees in '000' -----</i>	
<i>Variable rate instruments</i>		
Financial assets	800	5,970
Financial liabilities	<u>(21,338)</u>	<u>(21,338)</u>
	<u>(20,538)</u>	<u>(15,368)</u>

### 36.6 Sensitivity analysis

#### *Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss.

#### *Cash flow sensitivity for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2017.

	<i>Profit and loss</i>		<i>Equity</i>	
	<i>100 bp increase</i>	<i>100 bp decrease</i>	<i>100 bp increase</i>	<i>100 bp decrease</i>
	<i>----- Rupees -----</i>			
<i>As at June 30, 2018</i>				
<i>Cash flow sensitivity - variable rate instruments</i>	205	(205)	-	205
<i>As at June 30, 2017</i>				
<i>instruments</i>	213	(213)	-	213

### 36.7 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to this risk.

### 36.8 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is exposed to price risk with respect to equity investment. Investments are monitored through continuous trend prevailing in the market for which an investment committee has been setup to take appropriate decision.

A 10% increase / decrease in share prices at year end would have increased / decreased the Company's profit in case of short term investments at fair value through profit or loss and increase / decrease in unrealized gain on remeasurement of available for sale investments through OCI as follows:

	<i>Profit and loss and OCI 10%</i>	
	<i>increase</i>	<i>(decrease)</i>
	<i>(Rupees in thousand)</i>	
<i>As at June 30, 2018</i>		
Investment at fair value through profit or loss	3,788	(3,788)
Available for sale investment	943	(943)
	<u>4,731</u>	<u>(4,731)</u>



## MSC METROPOLITAN STEEL CORPORATION LIMITED

As at June 30, 2017

Investment at fair value through profit or loss  
Available for sale investment

-	-
-	-
-	-

### 37 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial assets which are tradable in an open market are remeasured at the market prices prevailing on the reporting date. The carrying values of all other financial assets and liabilities reported in the financial statements approximate their fair value.

In accordance with the requirements of IFRS 13 Fair value measurement, the Company classifies its long term investments and short term investments in terms of following fair value hierarchy:

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2:** Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3:** Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs).

Details of the Company's property, plant and equipment in terms of fair value hierarchy, explained above, at June 30, 2018 is as follows:

	<b>2018</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>***** Rupees in thousand *****</b>		
<b>Assets measured at fair value</b>			
Long term investments	9,434	-	-
Short term investments	37,879	-	-
Operating fixed assets - Freehold Land	-	272,580	-
- Buildings on freehold land	-	92,527	-
- Plant and machinery	-	190,102	-
<b>Total</b>	<b>47,313</b>	<b>555,209</b>	<b>-</b>
	<b>2017</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>

*Assets measured at fair value*

	..... Rupees in thousand .....		
Long term investments	-	-	-
Short term investments	-	-	-
Operating fixed assets - Freehold Land	-	176,700	-
- Buildings on freehold land	-	112,774	-
- Plant and machinery	-	197,895	-
Total	-	487,369	-

<i>Capacity in tons on double shift basis</i>	<i>2018 Actual Production in tons</i>	<i>2017 Actual Production in tons</i>
---	---	---

**38 CAPACITIES AND PRODUCTION**

Transmission tower plant and fabrication shop	<b>10,000</b>	-	-
Wire rod and bar mill	<b>75,000</b>	-	-
Cold profile plant	<b>600</b>	-	-
Mild steel wires	<b>7,000</b>	-	-
Special steel wires	<b>9,000</b>	-	-
4th mill	<b>20,000</b>	-	-
Hoop mill	<b>25,000</b>	-	-

These capacities are relative to product mix. Larger the size and quantity for continuous run, larger the production and vice versa. The capacities are, however, retained on historical basis and are not necessarily attainable.

The short fall in capacity utilization is attributable to stoppage of production plants due to huge financial losses in previous periods.

**39 CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES**

The objective of the Company, when managing capital, is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

The Company monitors capital using a gearing ratio, which is net debt divided by total shareholder equity plus net debt. Net debt is calculated as total loans and borrowings from financial institution including any finance cost thereon, less cash and bank balances. The Company's strategy is to maintain leveraged gearing. The gearing ratios as at the reporting date are shown below:



# MSC METROPOLITAN STEEL CORPORATION LIMITED

		2018	2017
	<i>Note</i>	<i>----- Rupees in '000' -----</i>	
			<i>Restated</i>
Mark-up accrued		3,745	3,745
Book overdraft		-	17
Overdue portion of liabilities against assets subject to finance lease	22	<u>21,338</u>	<u>21,338</u>
<b>Total Debt</b>		<u>25,083</u>	<u>25,100</u>
Less: Cash and bank balances		<u>(813)</u>	<u>(5,975)</u>
Net debt	A	<u>24,270</u>	<u>19,125</u>
<b>Total Shareholders' equity - restated</b>		<u>94,620</u>	<u>103,618</u>
<b>Capital and equity</b>	B	<u>118,890</u>	<u>122,743</u>
<b>Gearing ratio</b>	(C-A/B)	<u>20.41%</u>	<u>15.58%</u>

## 40 NUMBER OF EMPLOYEES

	2018	2017
Total number of employees at the end of the year	<u>11</u>	<u>10</u>
Average number of employees during the year	<u>11</u>	<u>10</u>
Employees working in the Company's factory at the year end	<u>7</u>	<u>-</u>
Average employees working in the Company's factory during the year	<u>4</u>	<u>-</u>

## 41 GENERAL

The figures have been rounded off to the nearest thousand Rupee.

## 42 CORRESPONDING FIGURES

Comparative information has been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. Major reclassification during the year are as follows:

<i>Description</i>	<i>Reclassified from</i>	<i>Reclassified to</i>	<i>2018</i> <i>Rupees</i>
Unclaimed Dividend	Trade and other payables	Unclaimed Dividend (presented on face of statement of financial position)	<u>1,273</u>

## 43 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on **06 OCT 2018** by the Board of Directors of the Company.

  
Chief Executive

  
Director



**METROPOLITAN STEEL CORPORATION LTD.**  
**PATTERN OF SHAREHOLDINGS AS AT 30TH JUNE, 2018**

No. of Shareholders Total	Holding Shares		Grand Total
	From	To	
3090	1	100	41,386
336	101	500	82,714
74	501	1000	53,870
88	1001	5000	208,016
19	5001	10000	146,392
1	10001	15000	11,212
3	15001	20000	57,500
2	20001	25000	45,500
1	30001	35000	30,664
1	40001	45000	44,500
1	50001	55000	50,204
1	55001	60000	60,000
1	65001	70000	68,832
1	90001	95000	94,000
2	100001	105000	207,000
1	220001	225000	225,000
1	285001	290000	290,000
1	470001	475000	470,500
1	710001	715000	712,704
1	2260001	2265000	2,264,372
1	2510001	2515000	2,514,694
1	3325001	3330000	3,328,102
1	4160001	4165000	4,160,392
1	15805001	15810000	15,810,000
3630			30,977,554

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage of Shareholders
Individuals	3601	7,379,262	23.82%
Investment companies	2	2,853	0.01%
Insurance companies	2	3,312	0.01%
Joint Stock companies	15	179,529	0.58%
Financial institutions	6	110,646	0.36%
Mr. Mehmood Ali Mehkri (Chairman-mscl)	2	23,298,494	75.21%
Others	2	3,458	0.01%
	3,630	30,977,554	100.00%

Holding of Directors	Physical	CDC	Total
Mr. Mehmood Ali Mehkri	4,160,392	19,138,102	23,298,494
Mr. Mohammed Shakir	-	20,000	20,000
Mr. Muhammad Omar Mehkri	-	2,713	2,713
Mrs. Uzma Mehmood Ali Mehkri	-	20,000	20,000
<b>Holding 10% or more</b>			
Mr. Mehmood Ali Mehkri			23,298,494



# MSC METROPOLITAN STEEL CORPORATION LIMITED

## METROPOLITAN STEEL CORPORATION LTD. SHAREHOLDERS ANALYSIS AS ON June 30, 2018

S. NO.	Folio No.	Shareholders Category	No. of Shareholders	No. of Shares held	Total	Percentage
I-		<b>BANKS &amp; FINANCIAL INSTITUTIONS</b>				
1	331	Habib Bank Ltd.		500		
2	1041	United Bank Ltd.		11,212		
3	2437	Commerce Bank Ltd.		8,687		
4	1047	N.B.P Trustee Department	4	30,664	51,063	0.165%
1	6677	National Bank of Pakistan		50,204		
2	6677	National Bank of Pakistan	2	9,379	59,583	0.192%
II-		<b>INSURANCE COMPANIES</b>				
1	3652	State Life Ins. Corporation.		1,662		
2	337	New Jubilee Insurance Company Ltd.	2	1,650	3,312	0.011%
III-		<b>JOINT STOCK COMPANIES</b>				
1	1097	Share Trading Company Ltd.		1441		
2	6769	Naeem Securities (PVT) Ltd.	2	399	1,840	0.006%
1	6677	Central Depository Company of Pak. Ltd.		2,550		
2	6677	Taurus Securities (PVT) Ltd.		2,500		
3	6677	Yousuf yaqoob Kolia & Co. (PVT) Ltd.		10,000		
4	6677	Danson Securities (PVT) Ltd.		58		
5	6677	H.M. Investment (PVT) Ltd.		10		
6	6677	B & B Securities (Private) Ltd.		50		
7	6677	Highlink Capital (pvt) Ltd.		2,000		
8	6677	Mazhar Hussain Securities (PVT) Ltd.		500		
9	6677	Y.S. Securities (pvt) Ltd.		109		
10	6677	SAAO Capital (pvt) Ltd.		5,809		
11	6677	A.K.D. Securities (pvt) Ltd.		60,000		
12	6677	Creative Capital Securities(pvt) Ltd.		94,000		
13	6677	N.H. Sec. (PVT) Ltd.	13	103	177,689	0.574%
IV-		<b>INVESTMENT COMPANIES</b>				
1	1306	Amie Investment Ltd.		2,273		
2	2064	Fancies Investment Ltd.	2	580	2,853	0.009%
V-		<b>OTHERS</b>				
1	6677	Mr. Mehmood Ali Mehkri (Chairman-mscd)		19138102		
2	5555	Mr. Mehmood Ali Mehkri (Chairman-mscd)	2	4,160,392	23,298,494	75.211%
1	6677	Trustees Mohammad Amin (waqf) Estate		2,958		
2	6677	Trustee Khi-Sheraton Hotel	2	500	3,458	0.011%
			29		23,596,292	
		Total Other than Individual CDC	17		19,378,832	
		Total Individuals CDC	333		7,125,433	23.002%
			350		26,504,265	
		Total Other than Individual MSC	12		4,219,460	
		Total Individuals MSC	3268		253,829	0.819%
			3,280		4,473,289	
		<b>Total</b> →	3,630		30,977,554	100.000%



## PROXY FORM

I/We \_\_\_\_\_

\_\_\_\_\_ Folio No \_\_\_\_\_ being a member of

Metropolitan Steel Corporation Limited hereby appoint \_\_\_\_\_

Folio No \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_

(a member of the Company ) as my/our proxy to attend and vote for me/u s and on my /our behalf at the 63<sup>rd</sup> Annual General Meeting of the company to be held on October 27, 2018 at 09:30 pm and or at any adjournment thereof.

Signature day of \_\_\_\_\_

Revenue  
Stamp  
of Rs.5/-

Signature

N.B/: 1. Name may be written in Block letters and mention your ledger Folio No. and also the ledger folio No. of the Proxy holder.

2. Proxy may be given to person who is a member of the Corporation except in the case of Companies where the proxy may be given to any of its employees.

3. Proxies in order to be valid must be received by the Company not less than 48 hours before the meeting.



**Metropolitan Steel Corporation Limited.**  
**706 - Progressive Plaza,**  
**Beaumont Road, Karachi.**