



***METROPOLITAN STEEL
CORPORATION LTD.***

QUARTERLY REPORT 2019
FOR THE QUARTER ENDED SEPTEMBER 30, 2019



COMPANY PROFILE

Board of Directors

Mr. Mehmood Ali Mehkri	Chairman
Mr. Muhammad Umar Mehkari	Chief Executive
Mrs. Sara Mehmood Mehkri	Director
Mr. Abdul Rafay	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

Plot No: HE 1/2 Landhi Industrial Area
Karachi.



MSC METROPOLITAN STEEL CORPORATION LIMITED

DIRECTORS REPORT FOR THE QUARTER ENDED 30TH SEPTEMBER 2019

The directors of the company are pleased to present to you their report of financial statements of the company for the quarter ended 30th September, 2019.

Your company suffered a gross loss of 4.164 million mainly because of depreciation charge on our building, plant and machinery amounting to rupees 3.380 million.

We have been commenced production of our quality products as follows:-

Spring Wire
Wire ropes
High tensile wires
Hot Dip and electro-plated wires
ACSR wires
Galvanized wires
MS wires

Within the coming quarters we will be reducing our losses and maximizing our revenue with all possible outcomes for the benefit of our shareholders.

Financial Results September 30th 2019 (Un-audited):-

The Financial Results are as under

Rs. In '000'

	30 th September, 2019	30 th June, 2019
Loss before taxation	(4,829)	(18,513)
Taxation	-	(111)
Loss after taxation	(4,829)	(18,624)
Accumulated profit brought forward	856	14,120
Accumulated loss carried forward	(3,973)	856
Loss per share	(0.16)	(0.60)

General

The Management is grateful to the officers, staff and workers of the company who's dedicated and sincere efforts are making the targets achievable.


Mohamad Umer Mehkari
Chief Executive



**BALANCE SHEET
AS AT 30th SEPTEMBER, 2019**

		<i>Quarter ended 30-Sep-19 (Unaudited)</i>	<i>30-Jun-19 2019 (Audited)</i>
	<i>Note</i>	<i>-----Rupees in 000-----</i>	
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	5	602,527	605,111
Long term deposits		3,209	3,209
		605,736	608,320
Current assets			
Stores, spares and loose tools		13,185	13,185
Stock-in-trade		22,953	14,202
Trade debts		47,078	47,298
Claims recoverable		81,184	81,184
Advances		200	200
Short term investment		23,279	23,705
Short term deposits		-	7,288
Tax refunds due from government-net		6,806	6,882
Interest receivable		252	62
Cash and bank balances	8	759	2,581
		195,695	196,587
Total assets		801,431	804,907

EQUITY AND LIABILITIES

Share capital and reserve

Authorised capital

50,000,000 Ordinary shares of Rs. 10 each		500,000	500,000
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**MSC METROPOLITAN STEEL CORPORATION LIMITED**

Issued, subscribed and paid-up capital	309,776	309,776
Capital Reserve		
Revaluation surplus on property plant and equipment	332,340	332,340
	332,340	332,340
Revenue Reserve		
General reserves	80,500	80,500
Un appropriated profit / (accumulated losses)	(3,973)	856
	76,527	81,356
Shareholder's equity	718,643	723,472
Non-current liabilities		
Deferred liability	32,997	32,997
	32,997	32,997
Current liabilities		
Trade and other payables	14,742	18,373
Mark-up accrued	3,745	3,745
Short term borrowings	8,693	3,709
Unclaimed dividends	1,273	1,273
Current portion of long term loan	21,338	21,338
	49,791	48,438
Total equity and liabilities	801,431	804,907
The annexed notes form an integral part of financial statements	-	-



Mehmood Ali Mehkari
Chairman



Mohamad Umer Mehkari
Chief Executive



***PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2019***

	<i>Note</i>	<i>Three Month Ended Sep - 19 -----Rupees in '000'-----</i>	<i>Three Month Ended Sep - 18</i>
Sales - net	6	1,034	1,331
Cost of sales		<u>(5,197)</u>	<u>(5,565)</u>
Gross loss		(4,164)	(4,234)
Administrative expenses		<u>(994)</u>	<u>(1,522)</u>
Selling expenses		<u>(4)</u>	<u>(4)</u>
Operating loss		(5,162)	(5,760)
Finance cost		-	-
Other income		<u>333</u>	<u>3,134</u>
Loss before taxation		(4,829)	(2,626)
Taxation		-	-
Loss after taxation		(4,829)	(2,626)
Loss per share - basic and diluted		<u>(0.16)</u>	<u>(0.08)</u>

The annexed notes form an integral part of these financial statements


Mehmood Ali Mehkari
Chairman


Mohamad Umer Mehkari
Chief Executive



**STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30th, 2019**

	Capital Reserve		Revenue Reserve		Total	
	Share Capital	Unrealized gain on remeasurement of available for sale investment	Revaluation surplus on property, plant and equipment	General Reserve		Unappropriated profit
-----Rupees in '000'-----						
Balance as at July 1, 2018	309,776	327	337,373	80,500	14,120	742,096
Total Comprehensive loss for the year						
Loss for the year	-	-	-	-	(18,624)	(18,624)
Other comprehensive income		-	-		-	-
		-	-		(18,624)	(18,624)
Transfer to unappropriated profit on account of disposal of investment-at fair value through other comprehensive income	-	(327)	-	-	327	-
Transfer from revaluation surplus on property, plant and equipment to unappropriated profit on account of incremental depreciation.			(5,033)		5,033	-
Balance as at June 30, 2019	309,776	-	332,340	80,500	856	723,472
Balance as at July 1, 2019	309,776	-	332,340	80,500	856	723,472
Total Comprehensive loss for the year						
Loss for the period	-	-	-	-	(4,829)	(4,829)
	-	-	-	-	(4,829)	(4,829)
Balance as at Sep 30, 2019	309,776	327	332,340	80,500	(3,973)	718,643

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

Mehmoed Ali Mehkari
Chairman

Mohamad Umer Mehkari
Chief Executive



**CASH FLOWS STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED 30th SEPTEMBER, 2019**

Three Month *30-Jun-19*
Ended Sep - 19
(Audited)

Note -----Rupees in '000'-----

A. CASH FLOW FROM OPERATING ACTIVITIES

Cash used in operations after working capital changes	7	(1,703)	46,162
Staff retirement gratuity paid			-
Financial charges paid		-	(111)
Taxes paid		-	(6,005)
Net (cash used)/generated from operating activities		(1,703)	40,046

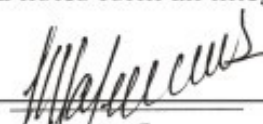
B. CASH FLOW FROM INVESTING ACTIVITIES

Capital expenditure incurred		(837)	(47,548)
Long and short term investments - net			5,381
Long term deposits made during the year		-	(3,159)
Profit received on savings accounts		-	105
Dividend received during the year			3,219
Net cash generated / (used in) investing activities		(837)	(42,002)

C. CASH FLOW FROM FINANCING ACTIVITIES

Repayment of liabilities against assets subject to finance leases		-	(713)
Receipts of short term borrowing		4,984	4,437
Net cash generated / (used in) financing activities		4,984	3,724
Net increase in cash and cash equivalents		2,444	1,768
Cash and cash equivalent at the beginning of the period		2,581	813
Cash and cash equivalent at the end of the period		5,025	2,581

The annexed notes form an integral part of these financial statements



Mehmoood Ali Mehkari
Chairman



Mohamad Umer Mehkari
Chief Executive



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

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 Landhi Industrial Area, Plot # HE:1/2, Karachi.

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

<i>Location</i>	<i>Address</i>
Registered office and Manufacturing facility	Landhi Industrial Area, Plot # HE:1/2

1.3 During the current year, the Company has incurred gross loss of Rs. 4.164 (2019: Rs. 32.788) Million and has incurred after tax loss amounting to Rs. 4.829 (2019: Rs. 18.624) Million reducing the unappropriated profit/(loss) to Rs. (3.973) (2019: Rs. 0.856) 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. 332.340 (2019: Rs. 333.340) 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. 50.703 (2019: Rs. 49.866) Million till the reporting date, opened Letter of Credit for the purpose of Import of Raw Material. Further, 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.



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) Company has started importing raw material and for this purpose the Company has obtained facilities from bank.
- b) Revival plan resulting in substantial investment in Capital Work in Progress.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the international Accounting Standard Boards (IASB) as notified under the Companies Act, 2017.
- Provision of and directives issued under the Companies Act, 2017.

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

3.2 Basis of measurement

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

- long and short term 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.

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 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 July 2018, and accordingly there was no adjustments to retained earnings on application of IFRS 15 at 01 July, 2018.

4.1.2 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies if any, resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);



- fair value through profit or loss (FVTPL); and
- measured at amortized cost

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

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

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.



METROPOLITAN STEEL CORPORATION LIMITED

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial assets are stated in note 4.5 to the financial statements.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018 and 01 July 2017

<i>As at 30 June 2018</i>	<i>Original classification under IAS 39</i>	<i>New Classification under IFRS 9</i>	<i>Original Carrying Amount</i>	<i>New Carrying Amount</i>
			<i>----- Rupees in '000' -----</i>	
Long term investments	Available for sale	At fair value - through other comprehensive	9,434	9,434
Short term investments	Held for trading	At fair value - through profit	37,879	37,879
Trade debts	Loans and receivables	Amortized cost	56,734	56,734
Long term deposits	Loans and receivables	Amortized cost	50	50
Claims recoverable	Loans and receivables	Amortized cost	81,184	81,184
Cash and bank balances	Loans and receivables	Amortized cost	813	813
Total			186,094	186,094

<i>As at 01 July 2017</i>	<i>Original classification under IAS 39</i>	<i>New Classification under IFRS 9</i>	<i>Original Carrying Amount</i>	<i>New Carrying Amount</i>
			<i>----- Rupees in '000' -----</i>	
Trade debts	Loans and receivables	Amortized cost	44,106	44,106
Deposits short and long	Loans and receivables	Amortized cost	2,680	2,680
Claims recoverable	Loans and receivables	Amortized cost	81,814	81,814
Cash and bank balances	Loans and receivables	Amortized cost	5,975	5,975
Total			134,575	134,575

ii Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company’s experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

Loss allowance on debt securities are measured at 12 months expected credit losses as those are determined to have low credit risk at the reporting date. Since there is no loss given default, therefore no credit loss is expected on these securities. Loss allowance on other securities and bank balances is also measured at 12 months expected credit losses. Since these assets are short term in nature, therefore no credit loss is expected on these balances.

4.2 Property, plant and equipment and depreciation

4.2.1 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 statement of profit or loss.

4.2.2 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.

4.2.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any and consists of expenditure

4.3 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 statement of profit or loss. A revaluation deficit is recognized in the statement of 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.

4.4 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the statement of profit or loss



4.5 Financial assets

Initial Measurement

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition

Subsequent Measurement

Debt Investments at FVOCI	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss
Equity Investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in statement profit or loss.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

4.6 Investments

- Long term Investment in Shares are classified as at fair value through - other comprehensive income and is initially measured at cost being the fair value at the time of acquisition and subsequently is measured at fair value determined using the market value at each reporting date. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss

- Short term investment are classified as at fair value - through profit or loss and is initially measured at



cost being the fair value at the time of acquisition and subsequently is measured at fair value determined using the market value at each reporting date. Net gains and losses, including any interest / markup or dividend income, are recognized in statement profit or loss.

- Investment in TDR is measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

4.7 *Securities under repurchase/resale agreements investment in associates*

Securities purchased under a corresponding commitment to resell at a specified future date (reverse-repo) are recorded as receivables against carry-over transactions at fair value of the consideration given. Securities sold under a simultaneous commitment to repurchase at a specified future date (repo) are recognized in the statement of financial position as investments and the counterpart liability is shown as payable against carry over transactions. All carry over transactions are accounted for on settlement date basis.

4.8 *Impairment of financial assets*

The Company recognizes loss allowances for ECLs in respect of financial assets measured at amortized cost

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.



Loss allowances for financial assets measured at amortized cost are deducted from the Gross carrying amount of the assets.

4.9 De-recognition

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

4.10 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 Cash and cash equivalents

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

4.18 Taxation

4.18.1 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.

4.18.2 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.

4.19 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.
- Dividend income is recorded when the right to receive the dividend is established. Return on securities other than shares is recognized on accrual basis.

4.20 Borrowings

Borrowings / debt is recognized initially at fair value, net of transaction costs incurred. These are subsequently measured at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of borrowings/ debt under the effective interest method. Markup / profit on borrowings/ debt is calculated using the effective interest method and is recognized in the statement of profit or loss.

4.21 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves, except appropriations which are required by the law, made subsequent to the statement of financial position date are considered as non adjusting events and are recognized in the financial statements in the year in which such dividends are declared or transfers between reserves are made.

4.22 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

4.23 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.

4.24 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at arm's length prices which are determined in accordance with the methods prescribed in the Companies Act, 2017.

**MSC METROPOLITAN STEEL CORPORATION LIMITED**

	<i>Quarter Ended</i> <i>30th Sep 2019</i>	<i>June 30,</i> <i>2019</i>
5	<i>(Rupees in '000')</i>	
FIXED ASSETS		
Opening written down value	605,111	556,892
Additions during the period	-	12,794
Capital work in progress-civil works	837	49,866
Depreciation charged for the period	(3,421)	(14,441)
Disposal during the period	-	-
Closing written down value	<u>602,527</u>	<u>605,111</u>
6		
SALES - NET		
Gross sales	1,245	32,670
Less: sales tax	212	(4,441)
	<u>1,034</u>	<u>28,229</u>
7		
CASH USED IN OPERATIONS AFTER WORKING CAPITAL CHANGES		
(Loss)/profit before tax	(4,829)	(18,513)
Adjustments for:		
Depreciation	3,421	14,441
Finance cost	-	111
Profit on savings accounts	-	(111)
Profit on TDR	(190)	(56)
Dividend	-	(3,219)
Realized gain on short term investment	-	6,151
Unrealized gain on short term investment	-	12,076
Write down of stock in trade to net realizable value	-	-
Reversal of impairment on plant and machinery	-	-
Liabilities written back	-	(36,804)
Exchange gain and loss	(143)	-
Cash used in operations before working capital changes	<u>(1,741)</u>	<u>(25,925)</u>
Working capital changes	<u>(1,703)</u>	<u>72,087</u>
	<u>(3,444)</u>	<u>46,162</u>



7.1 Working capital changes

(Increase) / decrease in current assets

Stores, spares and loose tools	-	-
Stock in trade	(8,751)	51,046
Trade debts	220	9,436
Advances	-	5,014
Short term investment	426	-
Short term deposits	76	(7,288)
Sales tax refundable	131	4,042
	(7,897)	62,250

(Increase) / decrease in current liabilities

Trade and other payables	6,194	9,837
	(1,703)	72,087

*Quarter Ended
30th Sep 2019*

*June 30,
2019*

(Rupees in '000')

8 CASH AND CASH EQUIVALENT

Cash in hand	40	-
Balance at bank	719	2,581
	759	2,581


Mehmood Ali Mehkari
Chairman


Mohamad Umer Mehkari
Chief Executive



Metropolitan Steel Corporation Limited.

**Plot # HE-1/2 Landhi Industrial Area
Karachi - 75120.**