AGHA STEEL INDUSTRIES LTD.
Defining Quality

Agha Steel Industries Ltd

Yearly Report 2019-2020

REANDA
Reanda Haroon Zakaria & Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AGHA STEEL INDUSTRIES LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Agha Steel Industries Limited** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof 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 June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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.

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.

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Following are the key audit matters

S. No.	*Key audit matters*	*How the matter was addressed in our audit*
1.	***Capital expenditure incurred and related supplier credit***	
	(Refer note 5 and 16 to the accompanying financial statements) The Company has incurred significant amount of capital expenditure to enhance the production capacity. To finance the aforesaid expenditure, the Company has obtained long term interest free supplier credit as disclosed in note 16 to the accompanying financial statements. Capital expenditures incurred and related supplier credit obtained during the year represents significant transactions and involves significant judgements in respect of capitalization of elements of eligible components of costs including borrowing costs and discounting of supplier credit using prevailing market rate for similar instruments. Accordingly, we have identified the capital expenditure and related supplier credit as a key audit matter.	Our audit procedures to address the matter amongst others includes the following: • we obtained understanding of the Company's process with respect to capital expenditure including execution of contracts and accumulation of cost; • we physically verified the newly acquired plant and machinery and reviewed the underlying contracts and documents supporting components of the capitalised cost; • we considered whether the capital expenditure incurred, including borrowing costs, meets the recognition criteria of an asset in accordance with the applicable financial reporting standards; and • we reviewed the supplier credit agreement and inquired from management with respect to discounting of interest free long-term credit, market rate of similar instrument that is used for measuring the fair value. • we have reviewed the underlying security and payment schedule mentioned in the agreement and cross checked the same from relevant bank's schedule of payments. Further, we have circularized confirmations to relevant bank with respect to outstanding balances of underlying letter of credit. • we assessed the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting framework.

S. No.	*Key audit matters*	***How the matter was addressed in our audit***
2.	***Allowance for expected credit losses***	
	(Refer note 9 and 29 to the accompanying financial statements) The Company has significant balances of trade debts. Provision against doubtful trade debts is based on Expected Credit Loss (ECL) approach. Assessment for provision for ECL requires significant judgment, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking information. Given the significance of the judgments related particularly to the estimation of ECL, we have considered this as a key audit matter.	Our audit procedures to address the matter amongst others includes the following: • In order to assess the appropriateness of the management's judgement and estimate, our key audit procedures included, among other, review of the methodology developed and applied by the Company to estimate ECL in relation to financial assets carried at amortized cost; • we considered and evaluated the assumptions used in applying ECL methodology based on historical information and qualitative factors as relevant for such estimate; • we assessed the integrity and quality of the data used for ECL computation by matching the same with accounting records and information system of the Company regarding confirmations or subsequent realization of balances from customers. We also checked the mathematical accuracy of the ECL computation on a sample basis; and • we assessed the adequacy of the related disclosures in accordance with the applicable financial reporting standards.

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.

REANDA

- 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 year 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) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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 **Muhammad Iqbal**.

RHZCo Reanda Haroon Zakaria & Co

Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: 10 SEP 2020

AGHA STEEL INDUSTRIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020	2019
		---- Rupees in '000'----	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**13,825,569**	10,374,109
Intangible asset	6	**61,230**	59,330
Long term deposits and receivable	7	**539,972**	605,202
		14,426,771	11,038,641
Current Assets			
Stores, spares parts and loose tools		**1,846,521**	1,246,319
Stock-in-trade	8	**8,627,400**	7,756,588
Trade and other receivables	9	**3,839,963**	3,365,963
Loans and advances	10	**593,644**	295,595
Deposits	11	**38,337**	16,813
Short term investment at fair value through profit or loss		**-**	18,479
Tax refunds due from Government	12	**517,046**	526,195
Cash and bank balances	13	**68,366**	242,671
		15,531,277	13,468,623
Total Assets		**29,958,048**	24,507,264
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized Capital	14	**6,250,000**	5,000,000
Share Capital			
Issued, subscribed and paid up capital	14	**4,560,753**	3,614,013
Revenue Reserve			
Unappropriated profit		**3,599,309**	2,568,119
Total Shareholders' Equity		**8,160,062**	6,182,132
Non-Current Liabilities			
Long term borrowings	15	**4,944,318**	5,602,245
Supplier credit	16	**1,808,099**	-
Loan from directors - unsecured	17	**-**	721,184
Lease liabilities	18	**47,104**	54,381
Deferred liability	19	**678,293**	723,567
		7,477,814	7,101,377
Current Liabilities			
Trade and other payables	20	**1,339,265**	529,799
Accrued markup		**318,175**	342,188
Short term borrowings	21	**11,950,064**	10,171,094
Current portion of non-current liabilities	22	**712,668**	180,674
		14,320,172	11,223,755
Contingencies and Commitments	23		
Total Capital and Liabilities		**29,958,048**	24,507,264

The annexed notes from 1 to 41 form an integral part of these financial statements.

RHZ co

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

AGHA STEEL INDUSTRIES LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		---- Rupees in '000'----	
Turnover - gross		**15,710,054**	10,482,191
Sales tax		**(2,283,470)**	-
Turnover - net	24	**13,426,584**	10,482,191
Cost of sales	25	**(10,157,509)**	(8,451,066)
Gross profit		**3,269,075**	2,031,125
Administrative expenses	26	**(202,168)**	(208,041)
Selling and distribution costs	27	**(153,248)**	(123,561)
Finance costs	28	**(1,702,520)**	(1,134,575)
		(2,057,936)	(1,466,177)
Operating profit		**1,211,139**	564,948
Other expenses	29	**(114,553)**	(34,702)
Other income	30	**293,008**	76,598
Profit before taxation		**1,389,594**	606,844
Taxation - net	31	**(154,002)**	161,889
Profit after taxation		**1,235,592**	768,733
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,235,592**	768,733
Earnings per share			
Basic	32	**2.96**	2.13
Diluted	32	**2.76**	1.79

The annexed notes from 1 to 41 form an integral part of these financial statements.

RHZ co

Chief Executive	*Chief Financial Officer*	*Director*

AGHA STEEL INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

Particulars	*Issued, subscribed and paid up capital*	*Reserves* Revenue **Unappropriated profit*	*Reserves* Capital *Remeasurements of defined benefit obligation*	*Total reserves*	*Total shareholders' equity*
	----------------------	----------------------	Rupees in '000' ----------------------		
Balance as at June 30, 2018	3,614,013	1,800,839	(1,453)	1,799,386	5,413,399
Total comprehensive income for the year					
Profit for the year	-	768,733	-	768,733	768,733
Other comprehensive income	-	-	-	-	-
	-	768,733	-	768,733	768,733
Reversal of remeasurements of defined benefit plan	-	(1,453)	1,453	-	-
Balance as at June 30, 2019	**3,614,013**	**2,568,119**	-	**2,568,119**	**6,182,132**
Total comprehensive income for the year					
Profit for the year	-	**1,235,592**	-	**1,235,592**	**1,235,592**
Other comprehensive income	-	-	-	-	-
	-	**1,235,592**	-	**1,235,592**	**1,235,592**
Transaction with the owners					
Unwinding of discount upon conversion - note 17	-	**(204,402)**	-	**(204,402)**	**(204,402)**
94,674,000 ordinary shares issued for other than cash - note 14.4	**946,740**	-	-	-	**946,740**
Balance as at June 30, 2020	**4,560,753**	**3,599,309**	-	**3,599,309**	**8,160,062**

* Unappropriated profit can be utilized for meeting contingencies and distribution of profits by way of dividends.

The annexed notes from 1 to 41 form an integral part of these financial statements.

RHZ co

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

AGHA STEEL INDUSTRIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		---- Rupees in '000'----	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,389,594**	606,844
Adjustments for:			
Depreciation	5.3	**312,554**	301,705
Amortization	6.2.2	**1,570**	-
Allowance for expected credit losses	9.1	**30,863**	1,346
Finance costs	28	**1,697,670**	1,130,608
Finance lease markup	28	**4,850**	3,967
Dismantling of monuments	29	**3,965**	-
Workers welfare fund	29	**21,953**	1,279
Workers profit participation fund	29	**57,772**	32,077
Effect of discounting of supplier credit	30	**(71,332)**	-
Gain on disposal of fixed assets - net	30	**(31)**	(855)
Exchange gain - net	30	**(29,850)**	-
Transfer from gratuity to provident fund		**-**	(28,925)
Cash generated from operations before working capital changes		**3,419,578**	2,048,046
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares parts and loose tools		**(600,202)**	(548,688)
Stock-in-trade		**(870,812)**	(2,585,267)
Trade and other receivables		**(504,863)**	(457,141)
Loans and advances		**(298,049)**	619,091
Deposits		**(21,524)**	1,432
		(2,295,450)	(2,970,573)
Increase / (decrease) in current liabilities			
Trade and other payables		**729,741**	(34,886)
Net cash generated from / (used in) operations		**1,853,869**	(957,413)
Taxes paid		**(190,127)**	(158,906)
Financial charges paid		**(1,700,529)**	(846,136)
Net cash used in operating activities		**(36,787)**	(1,962,455)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Long term deposits and receivable recovered		**65,230**	57,475
Proceeds from short term investment - net		**18,479**	1,521
Additions in capital work in progress - net		**(1,811,638)**	(81,609)
Proceeds from disposal of property, plant and equipment		**3,864**	4,468
Additions in property, plant and equipment	5.1	**(50,893)**	(2,045,952)
Additions in intangible asset	6.1	**(3,470)**	(32,663)
Net cash used in investing activities		**(1,778,428)**	(2,096,760)

	2020	2019
	---- Rupees in '000'----	

C. CASH FLOWS FROM FINANCING ACTIVITIES

(Repayments) / receipts of long term borrowings - net	**(124,583)**	2,056,120
Leases obtained during the year - net	**11,190**	2,675
Lease rentals paid	**(24,667)**	(18,028)
Receipts from short term borrowings - net	**1,778,970**	2,227,382
Net cash generated from financing activities	**1,640,910**	4,268,149
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(174,305)**	208,934
Cash and cash equivalents at the beginning of the year	**242,671**	33,737
Cash and cash equivalents at the end of the year	**68,366**	242,671

The annexed notes from 1 to 41 form an integral part of these financial statements.

RHZ co

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

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Agha Steel Industries Limited (the Company) was incorporated in Pakistan on November 19, 2013, as a private limited company under the repealed Companies Ordinance, 1984, now the Companies Act, 2017 (the Act). On April 07, 2015, the Company was converted into public limited company. During the previous year, the Company has listed its privately placed Sukuk certificates with Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing and sale of steel bars, wire rods and billets, and its registered office and production plant are situated at plot no. N.W.I.Z. / 1 / P-133, (SP-6), D-2, Port Qasim Authority, Karachi.

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

Location	***Address***
Head Office and Factory	Plot no. N.W.I.Z./1/P-133, (SP-6 & 6A) D-2, Port Qasim Authority, Karachi.
Corporate Office	Plot no. G-19, Office # 801, 803 & 804, 8th Floor, Emerald Tower, II Talwar, Block # 5, Clifton, Karachi.

1.3 Impact of COVID-19 on the financial statements

Management has thoroughly evaluated the effects of COVID-19 on the operations of the Company and concluded that there are no material implications of COVID-19 that could have required any disclosure in these financial statements except for deferment of repayment of long term borrowings as fully disclosed in note 15 to these financial statements.

2 BASIS OF PREPARATION

2.1 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 (IFRSs), issued by International Accounting Standard Board (IASB), as notified under 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.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention. Further accrual basis of accounting is followed in preparation of these financial statements.

2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees, which is also the Company's functional currency.

2.4 *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 - note 3.1 and 5;
b) Intangible assets - note 3.2 and 6;
c) Stores, spare parts and loose tools - note 3.5;
d) Stock-in-trade - note 3.6 and 8;
e) Recognition of financial instruments - note 3.4;
f) Recognition of expected credit losses - note 3.4.5 and 9;
g) Tax refunds due from Government - note 3.10 and 12;
h) Recognition of current tax and deferred tax - note 3.10 and 31;
i) Accrued liabilities - note 3.12;
j) Revenue recognition - note 3.15 and 24;
k) Estimation of contingent liability - note 23 and 31.1.

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.

2.5 *New standards, amendments to standards and IFRS interpretations that are effective for the year ended June 30, 2020*

The following amendments to accounting standards are effective for the year ended June 30, 2020 except as explained otherwise, these standards 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 for period beginning on or after
Amendments to IFRS 9 'Financial Instruments': Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRS 14 - Regulatory Deferral Accounts	July 1, 2019
Amendments to IAS 19 'Employee Benefits': Plan amendments, curtailments or settlements	January 1, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures': Long-term interests in associates and joint ventures	January 1, 2019

	Effective for period beginning on or after
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

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

2.5.1 *First time adoption of new Standard*

IFRS 16 - Leases

This standard has been notified by the SECP to be effective for annual periods beginning on or after January 01, 2019. IFRS 16 replaces the previous lease standard IAS 17 - Leases. Adoption of IFRS 16 will result in almost all leases being recognized in the statement of financial position because the distinction between operating and finance leases is eliminated for lessees, and a new lease asset (representing the right to use the leased item for the lease term) and lease liability (representing the obligation to pay rentals) are recognized for all leases except for the exempted short term leases and low value asset leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in the later years. Additionally, operating expense will be replaced with interest and depreciation so key metrics like EBITDA will change. Operating cashflows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of payments that reflects the interest can continue to be presented as operating cashflows.

The accounting for lessors will not significantly change.

Changes in accounting policies resulting from the adoption of IFRS 16 have been applied retrospectively in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The accounting policies that apply to right-of-use assets and lease liabilities are stated in note 3.1 (a) to these financial statements. The impact of the adoption of IFRS 16 has only been in the presentation and classification of underlying assets.

The following table explain the original classification under IAS 17 and the new classification under IFRS 16 for the Company's assets obtained under lease arrangements as at June 30, 2019:

As at June 30, 2019	*Original classification*	*New Classification*	*Original carrying amount*	*New carrying amount*
Description	*under IAS 17*	*under IFRS 16*	*- - -Rupees in '000'- - -*	
Vehicles obtained under finance lease arrangements	Leased assets	Right - of - use assets	**74,797**	**74,797**
Related Liabilities	Liabilities against assets subject to finance lease	Lease liabilities	**73,566**	**73,566**

Further, the reclassification of right-of-use assets did not result in any changes to their measurements.

2.6 *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 interim financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations': Amendments to clarify the definition of a business	January 1, 2020
Amendments to IFRS 4 'Insurance Contracts': Amendments regarding the expiry date of the deferral approach	January 1, 2023
Amendments to IFRS 7 'Financial Instruments - Disclosures', IFRS 9 'Financial Instruments' and IAS 39 'Financial Instruments - Recognition and Measurement': Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures': 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.
Amendments to IFRS 16 'Leases': Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	June 1, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': Amendments regarding the definition of material	January 1, 2020
Amendments to IAS 1 'Presentation of Financial Statements': Amendments regarding the classification of liabilities	January 1, 2022
Amendments to IAS 16 'Property, Plant and Equipment': Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use.	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets': Amendments regarding the costs to include when assessing whether a contract is onerous	January 1, 2022
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020

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 17 - Insurance Contracts

3 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The significant accounting policies adopted in the preparation of these financial statements are as follows:

3.1 Property, plant and equipment

a) Operating fixed assets

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land which is stated at cost.

Depreciation is charged to profit or loss applying the reducing balance method at the rates specified in the note 5.1 to these financial statements. Depreciation on all additions is charged from the month in which the asset is available for use and no depreciation is charged from the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal repairs and maintenance are charged to profit or loss, as and when incurred.

An item of property, plant and equipment is derecognized when disposed or when no future economic benefits are expected from the continued use of the asset. Gains or losses on disposal of assets, if any, are recognized in profit or loss, as and when incurred.

Right-of-use assets and lease liabilities

At the inception of the contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured based on the initial amount of lease liabilities adjusted for any principle lease payments made at or before the commencement date, plus any initial direct costs incurred. Right-of-use assets are depreciated on same basis as owned assets at the rates as disclosed in note 5.1 to these financial statements.

The related lease liabilities are initially measured at the present value of remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease. The lease liabilities are subsequently measured at amortized cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, any change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its estimate of whether it will exercise a purchase or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use has been reduced to zero.

b) Capital work in progress

These are stated at cost and represent expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. These are transferred to relevant category of assets as and when they are available for use.

3.2 *Intangible asset*

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation on additions is charged for the month in which the asset is available for use, while no amortisation is charged for the month in which the asset is disposed off. Amortisation is charged based on straight line method at the rates disclosed in note 6 to these financial statements.

3.3 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is any indication that assets, other than deferred tax 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'.

When impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

3.4 *Financial assets and liabilities*

3.4.1 *Initial Recognition*

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortized cost as the case may be.

3.4.2 *Classification of financial assets*

The Company classifies its financial instruments in the following categories:

- at amortized cost.
- at fair value through other comprehensive income ("FVTOCI"), or
- at fair value through profit or loss ("FVTPL"),

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and *b)* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through OCI

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

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

However, Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income provided that the investment is neither held for trading nor is a contingent consideration in a business combination.

Financial assets at fair value through P&L

A financial asset is measured at fair value through P&L unless it is measured at amortized cost or at fair value through OCI.

3.4.3 Financial liabilities

The Company classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"), or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

3.4.4 Subsequent measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in OCI.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, and subsequently carried at amortized cost, and in the case of financial assets, less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss and other comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income. Currently, there are no financial liabilities designated at FVTPL.

3.4.5 Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortized cost. Loss allowances are measured on the basis of life time (ECLs) that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL is only recognized if the credit risk at the reporting date has increased significantly relative to the credit risk at initial recognition. Credit risk on a financial asset is assumed to be increased significantly if it is more than past due for a reasonable period of time decided by the managment of the Company. Further, the Company considers information based on Company's historical experience and the impact of forward looking information that is available without undue cost. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

Financial assets that are subject to ECL model includes long term receivable, deposits and trade and other receivables.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3.4.6 Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to revenue reserve.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income.

3.4.7 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 there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.5 Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of moving average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Valuation of items is reviewed at each reporting date to record any provision for obsolete and slow moving items if required.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.6 Stock-in-trade

These are stated at the lower of weighted average cost and net realizable value.

Cost in relation to billets and finished goods represents cost of raw material and an appropriate portion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

3.7 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost after deducting allowance for uncollectable amounts, if any. The Company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for trade and other receivables. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. Trade and other receivables considered irrecoverable are written off.

3.8 Loans, advances and deposits

Loans and advances are recognized initially at fair value and subsequently measured at amortized cost after deducting allowance for uncollectable amounts, if any. Loans and advances considered irrecoverable are written off.

3.9 Cash and bank balances

Cash and bank balances consist of cash in hand and cash at banks in current accounts at amortized cost.

3.10 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 recognized using the balance sheet liability method for all temporary differences at the reporting date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or the settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit for the foreseeable future will be available against which such assets can be utilized.

3.11 Staff retirement benefits - defined contribution plan

The Company operates a recognized approved employees provident fund scheme for all permanent employees eligible for the benefit. Equal contributions are made, both by the Company and the employees, in accordance with the terms of the scheme. These contributions are transferred to a separate provident fund trust, where these are invested as per the requirements of the Act and rules made thereunder.

3.12 Trade and other payables

Liabilities for trade and other amounts payable including accrued liabilities are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

3.13 Foreign currency transaction

Transactions in foreign currencies are translated into reporting currency at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the reporting date. Non-monetary assets and liabilities are recorded using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit or loss.

3.14 Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.15 Revenue recognition

- Revenue is recognized at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods to a customer. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

- Revenue from sale of goods is measured based on the consideration specified in a contract with a customer and is recognized when control of goods have been transferred to a customer at a point in time when the performance obligations are met. The transaction price of Company's contracts with customers for the sale of goods does not include any variable consideration, any significant financing component, any non cash consideration or any consideration payable to its customers.

- Interest income is recognized on a time-apportioned basis using the effective rate of return.

- Gain / (loss) arising on disposal of fixed assets is recognized on the date when the transaction takes place.

- Miscellaneous income is recognized on occurrence of transactions.

4 DETAILS OF RELATED PARTIES

Followings are the names of those related parties with whom the company has made transactions during the current financial year.

Name of related parties	*% of holding*	*Basis of relationship*
Denim International (Private) Limited	-	Common Directorship
Hussain Iqbal Agha	20.00%	Key management personnel
Shazia Iqbal Agha	15.85%	Key management personnel
Raza Iqbal Agha	20.00%	Key management personnel
Agha Welfare Trust	-	Key management personnel is also a Trustee
Agha Steel Industries	-	Key management personnel are also Partners of the firm

5 PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		---- Rupees in '000' ----	
Operating fixed assets	5.1	8,491,905	8,761,364
Capital work in progress (CWIP)	5.2	5,333,664	1,612,745
		13,825,569	10,374,109

5.1 Operating fixed assets

Particulars	Owned Asset								Right-of-use Assets	Total
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fixtures	Monuments	Major spare parts and stand - by equipment	Computer	Vehicles	Vehicles	
	---- Rupees in '000' ----									
Year ended June 30, 2020										
Opening net book value	748,561	1,691,195	5,968,469	10,522	4,748	239,935	4,814	18,323	74,797	8,761,364
Additions	-	-	28,507	1,885	-	-	592	3,581	16,328	50,893
Transfers - net										
Cost	-	-	-	-	-	-	-	3,478	(3,478)	-
Accumulated depreciation	-	-	-	-	-	-	-	(1,527)	1,527	-
	-	-	-	-	-	-	-	1,951	(1,951)	-
Disposals	-	-	-	-	-	-	-	-	-	-
Leases terminated - net										
Cost	-	-	-	-	-	-	-	-	(5,548)	(5,548)
Accumulated depreciation	-	-	-	-	-	-	-	-	1,715	1,715
	-	-	-	-	-	-	-	-	(3,833)	(3,833)
Dismantling	-	-	-	-	(3,965)	-	-	-	-	(3,965)
Depreciation	-	(44,991)	(181,370)	(1,843)	(783)	(59,984)	(1,711)	(4,261)	(17,611)	(312,554)
Closing net book value	748,561	1,646,204	5,815,606	10,564	-	179,951	3,695	19,594	67,730	8,491,905
As at June 30, 2020										
Cost	748,561	1,763,240	6,249,930	16,006	4,899	435,627	9,248	36,390	112,629	9,376,530
Accumulated depreciation	-	(117,036)	(434,324)	(5,442)	(4,899)	(255,676)	(5,553)	(16,796)	(44,899)	(884,625)
	748,561	1,646,204	5,815,606	10,564	-	179,951	3,695	19,594	67,730	8,491,905
Year ended June 30, 2019										
Opening net book value	103,123	1,402,198	5,058,756	10,130	7,086	319,913	4,641	24,295	90,588	7,020,730
Additions	-	153,500	9,942	2,051	-	-	2,151	-	5,402	173,046
Transfers from CWIP	645,438	174,003	1,053,465	-	-	-	-	-	-	1,872,906
Disposals - net										
Cost	-	-	-	-	-	-	-	(1,702)	(3,433)	(5,135)
Accumulated depreciation	-	-	-	-	-	-	-	460	1,062	1,522
	-	-	-	-	-	-	-	(1,242)	(2,371)	(3,613)
Depreciation	-	(38,506)	(153,694)	(1,659)	(2,338)	(79,978)	(1,978)	(4,730)	(18,822)	(301,705)
Closing net book value	748,561	1,691,195	5,968,469	10,522	4,748	239,935	4,814	18,323	74,797	8,761,364
As at June 30, 2019										
Cost	748,561	1,763,240	6,221,423	14,121	8,864	435,627	8,656	29,331	105,327	9,335,150
Accumulated depreciation	-	(72,045)	(252,954)	(3,599)	(4,116)	(195,692)	(3,842)	(11,008)	(30,530)	(573,786)
	748,561	1,691,195	5,968,469	10,522	4,748	239,935	4,814	18,323	74,797	8,761,364
Rate of depreciation (%)	0%	2.5 % to 3%	3% to 5%	15%	33%	25%	33%	20%	20%	

5.2 Capital work in progress

	Note	2020	2019
		---- Rupees in '000'- - -	
Machinery in transit	5.2.1	**5,333,664**	1,612,745

5.2.1 Machinery in transit

	2020	2019
Opening	**1,612,745**	984,408
Additions during the year	**3,259,888**	1,304,793
Borrowing costs	**461,031**	377,009
Transfer during the year	**-**	(1,053,465)
	5,333,664	1,612,745

5.3 Depreciation has been allocated as follows:

	Note	2020	2019
Cost of sales	25	**292,821**	282,214
Administrative expenses	26	**12,303**	12,178
Selling and distribution costs	27	**7,430**	7,313
		312,554	301,705

5.4 Particulars of immovable property in the name of the Company are as follows:

Location	Total Area (Acres)	Covered Area (Acres)
Lease hold land and building thereon		
Plot No. N.W.I.Z. /1/ P-133,SP-6 D-2, Port Qasim Authority, Karachi.	**10**	**4.25***
Lease hold land		
Plot No. N.W.I.Z. /1/ P-133, SP-6 E-1 Port Qasim Authority, Karachi.	**17**	-
Corporate Office		
Plot no. G-19, Office # 801, 803 & 804, 8th Floor, Emerald Tower, II Talwar, Block # 5, Clifton, Karachi.	**0.34**	**0.34**

* Represents multi storey buildings.

6 INTANGIBLE ASSET

	Note	2020	2019
		---- Rupees in '000'- - -	
Capital work in progress - computer software	6.1	**-**	59,330
Computer software	6.2	**61,230**	-
		61,230	59,330

6.1 Capital work in progress - computer software

	2020	2019
Opening	**59,330**	26,667
Additions during the year	**3,470**	32,663
	62,800	59,330
Transfer to computer software	**(62,800)**	-
	-	59,330

6.2 *Computer software*	*Note*	*2020*	*2019*
		---- Rupees in '000'----	
Opening		-	-
Transfer from captial work in progress - computer software	6.2.1	**62,800**	-
Less: Amortization for the year	6.2.2	**(1,570)**	-
		61,230	-

6.2.1 Represents expenditure incurred on acquisition and installation of computer software (SAP) and licences.

6.2.2 Accumulated amortization

Opening		-	-
Amortization during the year	26	**1,570**	-
		1,570	-
Amortization rates		**10%**	10%

7 LONG TERM DEPOSITS AND RECEIVABLE

Security Deposits			
Against lease liabilities		**34,212**	32,177
Less: Current portion shown under current assets	11	**(12,187)**	(1,195)
		22,025	30,982
Against utilities		**8,981**	8,981
		31,006	39,963
Receivable - considered good			
- Unsecured			
due from associated undertaking (related party)	7.1	**565,239**	630,814
Less: Current portion shown under current assets	9	**(56,273)**	(65,575)
		508,966	565,239
		539,972	605,202

7.1 Represents receivable from Agha Steel Industries - an associated undertaking on account of deferred tax liability recorded in the books of the Company upon acquisition of net assets of the associated undertaking by the Company as related tax benefits were already availed by the associated undertaking. As per addendum to the business transfer agreement, the associated undertaking will pay the amount to the extent of payment of tax to be made in subsequent years by the Company on yearly basis against the aforementioned deferred tax liability. Maximum aggregate amount outstanding at any month end was Rs. 630.814 (2019: Rs. 661.044) million. It carries markup 3 months KIBOR + 1% per annum (2019: nil).

8 STOCK-IN-TRADE

	2020	*2019*
	---- Rupees in '000'----	
Raw materials	**3,532,772**	3,185,498
Raw materials in transit	**503,609**	521,373
Work in process	**1,686,611**	1,699,698
Finished goods	**2,904,408**	2,350,019
	8,627,400	7,756,588

9 TRADE AND OTHER RECEIVABLES

	Note	2020	2019
		---- Rupees in '000'----	
- Considered good			
Trade debts		**3,337,533**	2,915,450
Allowance for expected credit losses	9.1	**(98,614)**	(67,751)
		3,238,919	2,847,699
Other receivables			
- from associated undertakings			
- markup	9.2	**94,934**	2,852
- current maturity of long term receivable	7	**56,273**	65,575
- sales tax	9.3	**449,837**	449,837
		601,044	518,264
		3,839,963	3,365,963

9.1 Allowance for expected credit losses

	2020	2019
Opening	**67,751**	66,405
Impairment losses recognized during the year - net	**30,863**	1,346
Closing	**98,614**	67,751

9.2 Represents markup on loan to Denim International (Private) Limited (related party) and receivable from Agha Steel Industries (related party) amounting to Rs. 12.862 and Rs. 82.072 million, respectively, at the interest rate disclosed in note 10.2 and 7 to these financial statements. Maximum aggregate amount outstanding at any month end was Rs. 12.862 (2019: Rs. 2.852) million and Rs. 82.072 (2019: nil) respectively. The outstanding amount at reporting date is not past due.

9.3 Represents receivable from M/s. Agha Steel Industries (related party) on account of sales tax refundable which will be transferred to the Company once refund is allowed to related party. Maximum aggregate amount outstanding at any month end was Rs. 449.837 (2019: Rs. 449.837) million. The amount is outstanding for more than one year and is past due but not impaired as the management, based on the advice of its tax counsel and legal adviser and the facts of the appeal filed by M/s. Agha Steel Industries (related party) with the Honourable High Court of Sindh, is confident for the recovery of full amount.

10 LOANS AND ADVANCES

	Note	2020	2019
		---- Rupees in '000'----	
- Considered good			
Loans			
- to employees	10.1	**5,614**	7,689
- to associated undertaking	10.2	**221,461**	181,567
		227,075	189,256
Advances			
- against supplies		**187,325**	98,954
- against sales tax		**179,244**	7,385
		366,569	106,339
		593,644	295,595

10.1 Represents interest free loans given to executives and other employees of the Company for their personal use in accordance with their terms of employment. These loans are to be repaid over a period of one year in equal monthly installments and are secured against the post employment benefits.

10.2 Represents unsecured loan to Denim International (Private) Limited (related party) carrying mark-up at the rate of 3 Month KIBOR + 1% per annum. These are repayable on demand. Maximum aggregate amount of loans outstanding at any month end was Rs. 221.461 (2019: Rs. 181.567) million. The outstanding amount at reporting date is not past due.

	Note	2020	2019
		---- Rupees in '000'----	
11 DEPOSITS			
- Deposits against			
Current portion of lease liabilities	7	**12,187**	1,195
Containers		**19,980**	8,892
Rent		**2,748**	2,916
Others		**3,422**	3,810
		38,337	16,813

12 TAX REFUNDS DUE FROM GOVERNMENT

	Note	2020	2019
Income tax refundable	12.1	**517,046**	526,195

12.1 Income tax refundable

	Note	2020	2019
Opening		**526,195**	418,230
Paid during the year		**190,127**	158,906
Prior year tax	31	**1,026**	26,916
Current tax	31	**(200,302)**	(77,857)
Closing		**517,046**	526,195

13 CASH AND BANK BALANCES

	Note	2020	2019
Cash in hand		**5,145**	452
Cash at banks			
Current accounts		**63,215**	135,329
Deposit account	13.1	**6**	106,890
		63,221	242,219
		68,366	242,671

13.1 Deposit account carries markup ranging from 3.50% to 5.17% (2019: 3.61% to 5.02%) per annum.

14 SHARE CAPITAL

14.1 Authorized Capital

2020	2019		Note	2020	2019
--- Number of shares ---				---- Rupees in '000'----	
625,000,000	500,000,000	Ordinary shares of Rs. 10 each	14.1.1	**6,250,000**	5,000,000

	2020	2019
	---- Number of shares ----	
14.1.1 Movement in Authorized capital		
Opening	**500,000,000**	500,000,000
Increased during the year	**125,000,000**	-
Closing	**625,000,000**	500,000,000

14.2 Issued, Subscribed And Paid Up Capital

2020	2019		Note	2020	2019
--- Number of shares ---		*Ordinary shares of Rs. 10 each*		---- Rupees in '000'----	
1,000,000	1,000,000	fully paid in cash		**10,000**	10,000
360,401,293	360,401,293	for other than cash	14.3	**3,604,013**	3,604,013
94,674,000	-	for other than cash	14.4	**946,740**	-
456,075,293	361,401,293		14.5 & 14.6	**4,560,753**	3,614,013

14.3 Represents ordinary shares issued by the Company to the partners of M/s. Agha Steel Industries (the Firm), who are also directors of the Company, for acquisition of net assets of the Firm in accordance with the Business Transfer Agreement dated June 01, 2017.

14.4 Represents ordinary shares issued during the year against conversion of directors' loan amounting to Rs. 946.740 million as fully disclosed in note 17.1 to these financial statements.

14.5 The ordinary share holders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares, as and when declared by the Company. All shares carry one vote per share without restriction.

	Note	2020	2019
		---- Number of shares ----	
14.6 Movement in issued, subscribed and paid up capital			
Opening		**361,401,293**	361,401,293
Issued during the year	17.1	**94,674,000**	-
Closing		**456,075,293**	361,401,293

15 LONG TERM BORROWINGS		2020	2019
		---- Rupees in '000'----	
Secured			
- From banking companies			
- Conventional			
Samba Bank Limited (SBL)	15.1	**425,000**	500,000
United Bank Limited (UBL)	15.2	**247,860**	307,446
JS Bank Limited	15.3	**55,400**	-
		728,260	807,446
- Shariah compliant			
Sukuk certificates	15.4	**4,910,891**	4,956,288
		5,639,151	5,763,734
Less: Current portion shown under current liabilities	22	**(694,833)**	(161,489)
		4,944,318	5,602,245

In wake of COVID - 19 pandemic and resulting global economic meltdown, State Bank of Pakistan has issued circular to create fiscal space for Companies and to dampen the adverse effects of COVID - 19 pandemic. In this regards, referring to the SBP circular no. BPRD No. 25 of 2020, dated June 16, 2020, the Company has obtained deferment of repayment of principal for 1 year from SBL and six months from UBL. The maturity dates disclosed in note 15.1 and 15.2 have been revised accordingly. Further, application for deferral of principal against sukuk certificates is under process at the reporting date, therefore, the current maturity of sukuk certificates is measured on the basis of original repayment schedule.

15.1 Represents term finance facility upto Rs. 500 million from commercial bank to finance capital expansion project including civil works / retire machinery LCs. The loan is secured by first/joint pari passu hypothecation charge over present and future fixed assets (building, plant and machinery) amounting to Rs. 667 million. The facility carries mark-up rate of average 3 months KIBOR + 0.75% per annum.

The facility is repayable in 20 quarterly installments starting from July 23, 2019 and latest by April 01, 2025.

15.2 Represents term finance facility upto Rs. 455 million from commercial bank for enhancement of production capacity. The loan is secured by equitable mortgage amounting to Rs. 667 million over land, building, plant and machinery. The loan carries mark-up at 3 months KIBOR + 1% per annum.

The facility is repayable in 20 equal quarterly installments starting from August 5, 2019 and latest by December 04, 2024.

15.3 Represents term finance facility upto Rs. 196.120 million from commercial bank for payment of wages and salaries expenses for the three months from April, 2020 to June, 2020. The loan is secured by first pari passu charge over fixed assets of the Company amounting to Rs. 261.50 million. The loan carries mark-up at SBP rate + 3%.

The facility is repayable in 8 equal quarterly installments starting from January, 2021 and latest by December, 2022.

15.4 On October 09, 2018, the Company has issued privately placed rated secured sukuk certificates aggregating to Rs. 5,000 million (inclusive of a Green Shoe Option of Rs. 1,000 million) having face value of Rs. 1,000,000/- each for a period of 6 years (inclusive of 2 years grace period) for the purpose of settlement of existing long term debts and funding portion of costs associated with BMR and commission of new rolling mill unit. These carry markup at the rate of average 3 months KIBOR plus 80 basis points per annum and are redeemable in 16 equal installments starting from January 9, 2021 and latest by October 09, 2024. The facility is secured against first pari passu hypothecation charge over all present and future fixed assets and immovable property amounting to Rs. 6,667 million. The Company has incurred transaction cost of Rs. 87.859 million to issue said certificates.

	Note	*2020*	*2019*
		- - - - Rupees in '000'- - - -	
16 SUPPLIER CREDIT			
- at amortised cost - secured			
Against plant and machinery	16.1 & 16.2	**1,808,099**	-

16.1 Represents interest free credit of USD 11.061 million against purchase of Mida rolling mill. The gross amount is secured against letter of credit. The gross amount is repayable in 19 installments starting from December 2021 and latest by January 2022.

16.2 *Movement in supplier credit*	*Note*	*2020*	*2019*
		---- Rupees in '000'----	
Gross carrying amount		**1,866,596**	-
Effect of discounting	30	**(71,332)**	-
Interest expense	28	**12,835**	-
Closing balance		**1,808,099**	-

17 LOAN FROM DIRECTORS - UNSECURED

- From directors - unsecured			
Opening		**721,184**	673,752
Unwinding of present value adjustment for the year	28	**21,154**	47,432
Reversal of present value adjustment		**204,402**	-
Conversion into ordinary shares issued during the year		**(946,740)**	-
	17.1	**-**	721,184

17.1 During the year, Board of Directors in their board meeting dated November 09, 2019 have decided to convert the loan from directors into ordinary shares and issued total 94,674,000 ordinary shares to directors in proportion to their respective loan amounts. For this purpose, the loan amount has been worked to original figure by unwinding of discount.

18 LEASE LIABILITIES	*Note*	*2020*	*2019*
		---- Rupees in '000'----	
- Secured			
Opening		**73,566**	88,919
Paid during the year		**(19,817)**	(18,028)
Terminated during the year		**(5,138)**	(2,727)
Obtained during the year		**16,328**	5,402
		64,939	73,566
Less: Current portion shown under current liabilities		**(17,835)**	(19,185)
	18.1	**47,104**	54,381

18.1 Represents lease agreements entered into with the banking company for auto leasing. These carry markup at six month average KIBOR + 1%. Lease rentals are payable in monthly installments. At the end of lease term, the Company has an option to acquire the assets, subject to adjustment of security deposits.

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

	2020	*2019*
	---- Rupees in '000'----	
Minimum lease payment		
Up to one year	**24,449**	22,153
More than one year but not later than 5 years	**50,793**	56,994
	75,242	79,147
Financial charges		
Up to one year	**6,614**	2,764
More than one year but not later than 5 years	**3,689**	2,609
	10,303	5,373
Present value of minimum lease payments		
Up to one year	**17,835**	19,185
More than one year but not later than 5 years	**47,104**	54,381
	64,939	73,566
Current portion shown under current liabilities	**(17,835)**	(19,185)
	47,104	54,381

		2020	2019
19 DEFERRED LIABILITY	*Note*	*---- Rupees in '000'----*	
Deferred taxation - net	19.1	**678,293**	723,567

19.1 Deferred taxation - net

		2020	2019
This comprises of the following: -			
Taxable temporary difference			
Accelerated tax depreciation		**1,280,491**	1,210,919
Deductible temporary differences			
Alternate corporate tax		**(200,893)**	(166,061)
Business losses		**-**	(35,325)
Minimum tax		**(382,473)**	(264,632)
Liabilities against assets subject to finance lease		**(18,832)**	(21,334)
		(602,198)	(487,352)
		678,293	723,567

20 TRADE AND OTHER PAYABLES

	Note	2020	2019
Trade creditors		**86,904**	130,999
Bills payable		**991,472**	503
Advance from customers - unsecured		**44,591**	90,200
Retention payables		**4,509**	4,509
Accrued liabilities	20.1	**117,568**	132,357
Payables to provident fund	20.2	**1,648**	21,562
Workers welfare fund payable	20.3	**21,953**	1,279
Workers profit participation fund payable	20.4	**57,772**	140,525
Withholding tax payable		**12,848**	7,865
		1,339,265	529,799

20.1 Includes directors' remuneration payable amounting to Rs. 3.121 (2019: Rs. 2.498) million.

20.2 The Company operates a recognized approved employees provident fund scheme. Investments out of Provident Fund Trust have been made in accordance with the provisions of Section 218 of the Act and the conditions specified thereunder.

		2020	2019
	Note	*---- Rupees in '000'----*	
20.3 Workers welfare fund payable			
Opening		**1,279**	16,631
Provision during the year		**21,953**	1,279
Reversal of provision during the year	20.3.1	**(1,279)**	(16,631)
		21,953	1,279

20.3.1 Represents reversal of provision related to financial year ended on June 30, 2019 due to taxable losses in the Income Tax Return filed for the relevant tax year.

20.4 Workers profit participation fund payable

	Note	2020	2019
		---- Rupees in '000'----	
Opening		**140,525**	93,651
Paid during the year		**(140,525)**	-
Provision during the year		**57,772**	32,077
Interest charged during the year		**-**	14,797
		57,772	140,525

21 SHORT TERM BORROWINGS

	Note	2020	2019
- From banking companies			
- Secured			
Running Finance			
- Conventional banks			
- Bank Al Habib Limited		**2,872,828**	3,080,923
- Bank Alfalah Limited		**197,913**	193,499
- Askari Bank Limited		**640,000**	399,167
- United Bank Limited		**212,289**	237,633
- Samba Bank Limited		**311,899**	299,414
- Habib Metro Bank Limited		**282,033**	279,270
- Habib Bank Limited		**41,501**	95,233
- MCB Bank Limited		**286,857**	294,251
- JS Bank Limited		**163,470**	271,860
	21.1	**5,008,790**	5,151,250
- Islamic bank			
- Faysal Bank Limited		**-**	233,259
- Dubai Islamic Bank Limited		**50,000**	-
- MCB Islamic Bank Limited		**197,768**	194,949
		247,768	428,208
	21.1	**5,256,558**	5,579,458
Finance against Trust Receipt (FATR)			
- Conventional banks			
- Habib Bank Limited		**338,287**	407,692
- Bank Alfalah Limited		**623,815**	236,513
- United Bank Limited		**136,465**	72,221
- Habib Metro Bank Limited		**658,819**	337,920
- Samba Bank Limited		**122,235**	267,937
- JS Bank Limited		**587,592**	41,339
- MCB Bank Limited		**109,553**	16,460
- Askari Bank Limited		**1,308,200**	257,443
	21.2	**3,884,966**	1,637,525
- Islamic bank			
- Meezan Bank Limited - Istasna		**999,973**	1,000,000
- MCB Islamic Bank Limited		**-**	432,081
- Dubai Islamic Bank Limited		**148,120**	-
- Faysal Bank Limited		**1,249,394**	1,024,016
- Bank Islami Limited		**411,053**	498,014
	21.2	**2,808,540**	2,954,111
		11,950,064	10,171,094

21.1 *Details of Running Financing are as follows:*

Name of Bank	*Purpose*	*Security*	*Markup Rate*	*Available Limit (Rs.)*	*Unavailed Limit (Rs.)*
CONVENTIONAL					
Bank Al Habib Limited	For working capital requirements	Joint Pari passu hypothecation charge of Rs. 8,000 million over stocks and receivables, and personal guarantees for Rs. 9,000 million from all directors.	1 month avg. KIBOR plus 0.85% p.a for Running Finance and Flat KIBOR plus 1% p.a for Running Finance - Money Market	3,250 (2019: 3250) million	377.172 (2019: 169.077) million
Bank Alfalah Limited	For working capital requirements	Joint pari passu hypothecation charge over stocks and receivables of Rs. 1,067 million, and personal guarantees of all directors.	1 month KIBOR plus 1.25% p.a	200 (2019: 200) million	2.087 (2019: 6.501) million
Askari Bank Limited	For working capital requirements	Joint pari passu hypothecation charge of Rs. 2,733 million over stocks and receivables and personal guarantee of directors.	3 month KIBOR plus 0.75% p.a	640 (2019: 400) million	Nil (2019: 0.833) million
United Bank Limited	For working capital requirements	Joint pari passu hypothecation charge of Rs. 1,000 million over stocks and receivables, and personal guarantees of all the sponsor directors.	1 month KIBOR plus 1% p.a	250 (2019: 250) million	37.711 (2019: 12.367) million
Samba Bank Limited	To retire the import LCs	Joint pari passu hypothecation charge over stocks and receivables amounting to for Rs. 667 million with 25% margin.	3 month KIBOR plus 0.95% p.a	330 (2019: 300) million	18.101 (2019: 0.586) million
Habib Metro Bank Limited	For working capital requirements	Joint pari passu hypothecation charge of Rs. 1,067 million over stocks and receivables and personal guarantee of all directors.	3 month KIBOR plus 0.75% p.a	300 (2019: 300) million	17.967 (2019: 20.730) million
JS Bank Limited	For working capital requirements	Joint pari passu charge over stocks and receivables amounting to Rs. 1,333.33 million and personal guarantees of all directors.	3 month KIBOR plus 1.25% p.a	300 (2019: 300) million	136.530 (2019: 28.140) million
Habib Bank Limited	For working capital requirements	Joint pari passu charge over stocks and receivables amounting to Rs. 800 million and personal guarantees of directors.	1 month KIBOR plus 1.25% p.a	100 (2019: 100)	58.499 (2019: 4.767) million
MCB Bank Limited	For working capital requirements	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 1,333.33 million.	3 month KIBOR plus 0.5% p.a	300 (2019: 300) million	13.143 (2019: 5.749) million

Name of Bank	*Purpose*	*Security*	*Markup Rate*	*Available Limit (Rs.)*	*Unavailed Limit (Rs.)*
ISLAMIC					
Faysal Bank Limited	For working capital requirements	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 2,000 million and personal guarantees of sponsor directors.	1 month KIBOR plus 0.75% p.a	300 (2019: 300) million	300 (2019: 66.741) million
Dubai Islamic Bank	For working capital requirements	Joint pari passu hypothecation charge over stocks and Receivables of the company amounting to Rs. 667 million.	Matching KIBOR plus 1.25% p.a	50 million (2019: Nil)	Nil (2019: Nil)
MCB Islamic Bank Limited	For working capital requirements	Joint pari passu hypothecation charge over stocks and Receivables of the company amounting to Rs. 1,333.33 million.	Matching KIBOR plus 1% p.a	200 (2019: 200) million	2.232 (2019: 5.051) million

21.2 Details of FATR are as follows:

CONVENTIONAL

Habib Bank Limited	Retirement of LC / Contract (sight) import bills of HBL only	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 800 million and personal guarantees of directors.	Matching tenor KIBOR plus 1% p.a	500 (2019: 500) million	161.713 (2019: 92.308) million
Bank Alfalah Limited	Retirement of import documents under SLC	Joint pari passu hypothecation charge over stocks and receivables of Rs. 1,067 million, lien on import documents under LC-sight and LC-usance, trust receipt, personal guarantees of directors.	1 month KIBOR plus 1.25% p.a	800 (2019: 800) million	176.185 (2019: 563.487) million
United Bank Limited	Retirement of sight letter of credits issued through UBL only	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 1,000 million, trust receipt duly executed in favor of UBL and personal guarantees of all the sponsor directors.	1 month KIBOR plus 1% p.a	500 (2019: 500) million	363.535 (2019: 427.779) million
Habib Metro Bank Limited	Retirement of import bills under LC sight of HMBL only	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 1,333.33 million duly registered with SECP.	Relevant KIBOR plus 0.75% p.a	700 (2019: 700) million	41.181 (2019: 362.080) million
Samba Bank Limited	Retirement of import LCs established at SBL's counters	Joint pari passu hypothecation charge over stocks and receivables amounting to for Rs. 667 million.	3 month KIBOR plus 0.95% p.a	700 (2019: 700) million	577.765 (2019: 432.063) million
JS Bank Limited	Retirement of LCs established by JS Bank, except for spare parts	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 1,333.33 million personal guarantees of all directors.	3 month KIBOR plus 1.25% p.a	700 (2019: 700) million	112.408 (2019: 658.661) million

Name of Bank	*Purpose*	*Security*	*Markup Rate*	*Available Limit (Rs.)*	*Unavailed Limit (Rs.)*
MCB Bank Limited	Retirement of import documents	Joint pari passu hypothecation charge over stocks and receivables of Rs. 1,333.33 million trust receipt favoring MCB.	3 month KIBOR plus 0.5% p.a	500 (2019: 500) million	390.447 (2019: 483.540) million
Askari Bank Limited	Retirement of import documents	Joint pari passu hypothecation charge over stocks and receivables of Rs. 2,733 million and duly signed trust receipts.	3 month KIBOR plus 0.75% p.a	1,410 (2019: 775) million	101.800 (2019: 517.557) million
ISLAMIC					
Meezan Bank Limited	To facilitate in manufacturing of steel	Joint pari passu hypothecation charge over stocks and receivables of Rs. 2,000 million duly registered with SECP, and personal guarantees of all directors.	6 month KIBOR plus 1% p.a	1,000 (2019: 1,000) million	0.027 million (2019: Nil)
MCB Islamic Bank Limited	To facilitate in manufacturing of steel	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 1,066.67 million.	Matching KIBOR plus 1% p.a	500 million (2019: 800)	500 (2019: 367.919) million
Dubai Islami Limited	To facilitate in manufacturing of steel	Joint pari passu hypothecation charge over stocks, receivables, amounting to Rs. 667 million, Lien over istisna goods and personal guarantees of directors.	Relevant KIBOR plus 1.25%	250 million (2019: Nil)	101.880 million (2019: Nil)
Faysal Bank Limited	Retirement of Sight LCs only	Joint pari passu hypothecation charge over stocks and receivables amounting to Rs. 2,000 million accepted trust receipt and personal guarantees of sponsor directors	Relevant KIBOR plus 0.5% p.a	1,500 (2019: 1,500) million	250.606 (2019: 475.984) million
Bank Islami Limited	To facilitate in manufacturing of steel	Joint pari passu hypothecation charge over stocks, receivables, amounting to Rs. 667 million, Lien over istisna goods and personal guarantees of directors.	Respective KIBOR plus 1%	500 (2019: 500) million	88.947 (2019: 1.986) million

22 *CURRENT PORTION OF NON-CURRENT LIABILITIES*

	Note	***2020***	*2019*
		---- Rupees in '000'----	
Current portion of long term borrowings	15	**694,833**	161,489
Current portion of lease liabilities	18	**17,835**	19,185
		712,668	180,674

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

The Company has no contingent liabilities in respect of any legal claim in the ordinary course of business other than those disclosed elsewhere in these financial statements.

	2020	2019
	---- Rupees in '000'----	
23.2 Commitments		
Outstanding against letter of credits	**5,310,161**	2,307,482
Outstanding against letter of guarantees	**267,603**	277,875
Capital commitments	**-**	1,132,990
	5,577,764	3,718,347

23.2.1 CREDIT FACILITIES

The Company has following available and unavailed credit facilities at year end:

	2020		2019	
	**Available*	*Unavailed*	**Available*	*Unavailed*
	----------- Rupees in '000' -----------			
LC sight / usance / acceptance	**26,421,312**	**21,111,151**	13,746,361	11,438,879
Letter of guarantee	**1,327,000**	**1,059,397**	350,000	72,125

* Includes sub limits of other facilities available for letter of credits and guarantees.

	Note	2020	2019
		---- Rupees in '000'----	
24 TURNOVER - NET			
- Local			
Deformed bar		**14,976,336**	10,482,191
Billets		**733,718**	-
		15,710,054	10,482,191
Less: sales tax		**(2,283,470)**	-
	24.1	**13,426,584**	10,482,191

24.1 During the year, sales tax regime for the Company is changed from special procedures to VAT mode, therefore sales tax amounting to Rs. 2,283.470 million is shown as a deduction from turnover in current year, whereas, sales tax amounting to Rs. 650.61 million was included in turnover for the year ended June 30, 2019.

25 COST OF SALES

	Note	2020	2019
		---- Rupees in '000'----	
Raw materials consumed	25.1	**6,477,625**	6,251,674
Stores, spare parts and loose tools consumed	25.2	**1,371,939**	1,269,751
Salaries, wages and other benefits	25.3	**535,675**	542,336
Fuel and power		**1,863,681**	1,622,658
Repairs and maintenance		**17,310**	44,845
Communication		**4,490**	3,384
Staff transportation		**17,393**	10,331
Insurance		**5,080**	3,179
Oil and fuel		**10,188**	7,219
Depreciation	5.3	**292,821**	282,214
Others		**3,777**	1,941
Cost of goods manufactured		**10,599,979**	10,039,532
Work in process			
Opening stock		**1,699,698**	852,834
Purchases		**154,788**	714,246
Closing stock	8	**(1,686,611)**	(1,699,698)
		167,875	(132,618)
Finished goods			
Opening stock		**2,350,019**	894,171
Purchases		**14,789**	-
In house consumption		**(70,745)**	-
Closing stock	8	**(2,904,408)**	(2,350,019)
		(610,345)	(1,455,848)
Cost of Sales		**10,157,509**	8,451,066

25.1 Raw materials consumed

	Note	2020	2019
Opening stock		**3,185,498**	3,042,977
Purchases		**6,824,899**	6,394,195
		10,010,397	9,437,172
Closing stock	8	**(3,532,772)**	(3,185,498)
		6,477,625	6,251,674

25.2 Stores, spare parts and loose tools consumed

	2020	2019
Opening stock	**1,246,319**	697,631
Purchases	**1,972,141**	1,818,439
	3,218,460	2,516,070
Closing Stock	**(1,846,521)**	(1,246,319)
	1,371,939	1,269,751

25.3 Includes Rs. 10.516 (2019: Rs. 8.649) million in respect of staff retirement benefits related to provident fund.

26 ADMINISTRATIVE EXPENSES

	Note	2020	2019
		---- Rupees in '000'----	
Salaries and other benefits	26.1	**24,219**	24,720
Director's remuneration		**27,600**	27,600
Travelling and conveyance		**12,159**	6,722
Repairs and maintenance		**569**	345
Office expenses		**9,600**	12,785
Fees and subscription		**3,352**	5,346
Staff transportation		**648**	385
Legal and professional fee		**33,347**	34,233
Health and safety		**2,553**	2,078
Oil and fuel		**554**	392
Insurance		**564**	353
Communication		**167**	126
Security charges		**7,703**	2,367
Auditors' remuneration	26.2	**1,125**	1,150
Software development and consultancy		**10,178**	1,103
Charity and donation	26.3	**42,433**	67,266
Depreciation	5.3	**12,303**	12,178
Amortization		**1,570**	-
Others		**11,524**	8,892
		202,168	208,041

26.1 Includes Rs. 0.431 (2019: Rs. 0.390) million in respect of staff retirement benefits related to provident fund.

26.2 Auditors' remuneration

	2020	2019
	---- Rupees in '000'----	
Annual audit	**975**	975
Out of pocket expenses	**75**	75
Other services	**75**	100
	1,125	1,150

26.3 Includes donation amounting to Rs. 38.961 (2019: Rs. 61.021) million paid to associated undertaking - Agha Welfare Trust in which Mr. Hussain Iqbal Agha, a director of the Company, is also the Trustee.

27 SELLING AND DISTRIBUTION COSTS

	Note	2020	2019
		---- Rupees in '000'----	
Salaries, wages and other benefits	27.1	**9,973**	10,097
Advertisement and marketing		**30,045**	26,631
Postage and courier		**222**	244
Rent		**1,426**	760
Staff transportation		**463**	625
Carriage and freight		**51,487**	44,166
Brokerage		**27,491**	10,615
Travelling and conveyance		**7,969**	4,208
LC charges		**2,831**	7
Communication		**119**	90
Oil and fuel		**332**	235
Entertainment		**13,253**	17,790
Depreciation	5.3	**7,430**	7,313
Others		**207**	780
		153,248	123,561

27.1 Includes Rs. 0.239 (2019: Rs. 0.161) million in respect of staff retirement benefits related to provident fund.

28 FINANCE COSTS

	Note	2020	2019
		---- Rupees in '000'----	
Mark up on term finance		**343**	28,342
Mark up on Sukuk		**448,904**	343,173
Mark up on running finance		**526,439**	317,185
Mark up on FATR		**670,768**	366,028
Bank charges		**13,782**	3,387
Discounting charges		**2,567**	-
Bank commission on guarantees		**878**	10,264
Mark up on workers profit participation fund		**-**	14,797
Unwinding of present value adjustment	17	**21,154**	47,432
Mark up on supplier credit	16	**12,835**	-
		1,697,670	1,130,608
Finance lease obligation		**4,850**	3,967
		1,702,520	1,134,575

29 OTHER EXPENSES

	Note	2020	2019
Workers welfare fund	20	**21,953**	1,279
Workers profit participation fund	20	**57,772**	32,077
Impairment loss on trade receivables - net	9.1	**30,863**	1,346
Dismantling of monuments	5.1	**3,965**	-
		114,553	34,702

	Note	2020	2019
		---- Rupees in '000'- - - -	

30 OTHER INCOME

	Note	2020	2019
Income from financial instruments			
Mark up on loan to associates		**115,101**	53,861
Effect of discounting of supplier credit	16.2	**71,332**	-
Exchange gain - net		**29,850**	-
Mark up on deposit account		**2,787**	227
		219,070	54,088
Income from other than financial instruments			
Reversal of provision for workers welfare fund	20.3	**1,279**	16,631
Sales tax - Input		**71,628**	-
Gain on disposal of fixed assets - net		**31**	855
Miscellaneous		**1,000**	5,024
		73,938	22,510
		293,008	76,598

31 TAXATION - NET

	Note	2020	2019
Current tax	31.1	**200,302**	77,857
Prior year tax	31.2	**(1,026)**	(26,916)
Deferred tax - net	19	**(45,274)**	(212,830)
		154,002	(161,889)

31.1 During the year ended June 30, 2018, the Commissioner Inland Revenue (CIR) raised a demand of Rs. 618.251 million under section 122(5A) for tax year 2017 by disallowing current liability, stores spares parts and loose tools, import purchases, carry forward tax losses, tax credit u/s 65B and adding income amounting to Rs. 1,717.364 million.

The Company filed an appeal against the said order with Commissioner Appeals Inland Revenue on May 22, 2018 who annulled the order passed by the CIR on April 28, 2020 and remand back to the officer to re-adjudicate to all relevant issues. Therefore, for calculation of tax liability for the year ended June 30, 2020, the entity has not taken the impact of CIR order and calculated it on the basis of original return submitted for tax year 2017.

31.2 Represents adjustment made during the year to align tax refunds due from Government with the refundable as per Income Tax Return filed for the tax year 2019 (2019: tax year 2018).

31.3 Relationship between tax expense and accounting profit

	2020	2019
	---- (Rupees in '000') ----	
Accounting profit	**1,389,594**	606,844
Tax at applicable tax rate of 29% (2019: 29%)	**(402,982)**	(175,985)
Effect of adjustments related to prior years	**1,026**	26,916
Effect of alternate corporate tax regime	**236,231**	131,027
Effect of tax rebate / credits	**35,929**	53,170
Others	**283,798**	(197,017)
	154,002	(161,889)

32 EARNINGS PER SHARE

	June 30, 2020	*June 30, 2019*
Basic		
Profit attributable to ordinary shareholders (Rupees in '000)	**1,235,592**	768,733
Weighted average number of ordinary shares	**417,274,473**	361,401,293
Earnings per share - (In Rupees)	**2.96**	2.13
Diluted		
Profit after tax (Rupees in '000)	**1,235,592**	768,733
Add: Amortisation of convertible directors' loan (Rupees in '000')	**21,154**	47,432
Profit attributable to ordinary shareholders (Rupees in '000)	**1,256,746**	816,165
Weighted average number of ordinary shares	**417,274,473**	361,401,293
Adjustment for conversion of director's loan (number of shares)	**38,800,820**	94,674,000
Weighted average number of potential ordinary shares	**456,075,293**	456,075,293
Earnings per share - (In Rupees)	**2.76**	1.79

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		*Directors*		*Executives*	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*
	------------------- *Rupees in '000'* -------------------					
Managerial remuneration	**10,909**	10,909	**14,040**	14,040	**131,784**	98,494
Medical allowance	**1,091**	1,091	**1,560**	1,560	**15,668**	11,710
Company's contributions	**-**	-	**-**	-	**7,320**	5,471
Total	**12,000**	12,000	**15,600**	15,600	**154,772**	115,675
No. of persons	**1**	1	**2**	2	**60**	59

33.1 Directors are also provided with the Company maintained cars.

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

34.1 Financial Instrument by Category

	Note	2020	2019
		---- Rupees in '000'----	
Financial Assets			
- Fair value through profit or loss			
Short term investment		-	18,479
- At amortized cost			
Long term deposits and receivables	7	**574,220**	639,795
Trade and other receivables - gross	9	**3,938,577**	3,365,963
Loans	10	**227,075**	189,256
Deposits	11	**26,150**	15,618
Cash and bank balances	13	**68,366**	242,671
		4,834,388	4,471,782
Financial Liabilities			
- At amortized cost			
Long term borrowings	15	**5,639,151**	6,484,918
Supplier credit	16	**1,808,099**	-
Trade and other payables	20	**1,202,101**	289,930
Short term borrowings	21	**11,950,064**	10,171,094
Accrued markup		**318,175**	342,188
		20,917,590	17,288,130

34.2 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
- Operational risk

34.3 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 estimates of allowance for expected credit losses, if any.

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

	Note	2020	2019
		---- Rupees in '000'----	
Long term deposits and receivables	34.3.1	**574,220**	639,795
Trade and other receivables - gross	34.3.2	**3,938,577**	3,433,714
Loans	34.3.3	**227,075**	189,256
Deposits	34.3.4	**26,150**	15,618
Bank balances	34.3.5	**63,221**	242,219
		4,829,243	4,520,602

The Company is exposed to credit risk from its operating activities primarily for trade debts.

Aging of past due trade debts are as follows:

Not past due 1-90 days	**2,439,929**	2,468,446
Past due 91-180 days	**827,426**	347,839
Past due 181-365 days	**50,272**	68,857
More than one year	**19,907**	30,308
	3,337,533	2,915,450

34.3.1 The Company believes that no impairment allowance is necessary in respect of long term receivables because these are not impaired.

34.3.2 To manage the credit risk exposure of trade debts, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers and makes allowance for ECLs against those balances considered doubtful of recovery. Total impairment loss at year end amounting to Rs. 98.614 million include recognized during the year amounts to Rs. 30.863 million as disclosed in note 9.1 to these financial statements. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on evaluation of customer profile and payment history. Outstanding customer receivables are regularly monitored.

Other receivables are due from associated undertaking for which the Company is actively pursuing for the recovery and the Company does not expect that these receivables will fail to meet their obligations.

34.3.3 These represent balances due from employees and associated undertaking for which the Company is actively pursuing for the recovery and the Company does not expect that these loans and advances will fail to meet their obligations.

34.3.4 The Company believes that no impairment allowance is necessary in respect of deposits because these are neither past due nor impaired.

34.3.5 The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The names and credit ratings of major banks, where the Company maintains bank balances are as follows:

Name of bank	*Rating agency*	*Credit rating*	
		Short-term	*Long-term*
Askari Bank Limited	PACRA	A1+	AA+
Bank Al Habib	PACRA	A1+	AA+
Bank Al-Falah Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
Faysal Bank Limited	VIS	A-1+	AA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	VIS	A-1+	AAA
JS Bank Limited	PACRA	A1+	AA-
Meezan Bank Limited	VIS	A-1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Samba Bank Limited	VIS	A-1	AA
United Bank Limited	VIS	A-1+	AAA
Dubai Islamic Bank Limited	VIS	A1+	AA

34.4 *Liquidity risk*

Liquidity risk reflects the Company's inability in raising funds to meet commitments. 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 manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation, monitoring financial position liquidity ratios against internal and external requirements and maintaining debt financing plans.

	2020					
	Carrying amount	*Contractual cash flows*	*Six months or less*	*Six to twelve months*	*One to three years*	*Three to five years and over*
	---------------------- Rupees in '000' ----------------------					
Financial Liabilities						
Long term borrowings	5,639,151	5,639,151	347,417	347,417	4,350,000	594,317
Supplier credit	1,808,099	1,866,596	-	-	1,866,596	
Trade and other payables	1,202,101	1,202,101	1,202,101	-	-	-
Accrued markup	318,175	318,175	318,175	-	-	-
Short term borrowings	11,950,064	11,950,064	5,975,032	5,975,032	-	-
	20,917,590	20,976,087	7,842,725	6,322,449	6,216,596	594,317

	2019					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to three years	Three to five years and over
	---------------------- Rupees in '000' ----------------------					
Financial Liabilities						
Long term borrowings	6,484,918	6,484,918	80,745	80,745	4,350,000	1,973,429
Trade and other payables	289,930	289,930	289,930	-	-	-
Accrued markup	342,188	342,188	101,181	-	-	-
Short term borrowings	10,171,094	10,171,094	5,085,547	5,085,547	-	-
	17,288,130	17,288,130	5,557,403	5,166,292	4,350,000	1,973,429

34.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

a) Foreign Exchange Risk

Foreign exchange risk represents the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from bills payables and supplier credit that exist due to transactions in foreign currency. The Company is exposed to foreign exchange currency risk on import of scrap, stores and spares, mainly denominated in US dollars and Euro. The Company's exposure to foreign currency risk for Dollars is as follows:

	2020	2019
	---- Rupees in '000'----	
Bills payables - foreign	**991,472**	503
Supplier credit	**1,808,099**	-
	2,799,571	503

	Spot rate at reporting date	
	2020	*2019*
The following significant exchange rate has been applied:		
CNY to PKR	**24.00**	23.80
USD to PKR	**168.75**	161.65

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the CNY and USD (2019: USD) with all other variables held constant, pre tax profit for the year have been higher by the amount shown below:

	2020	2019
	---- Rupees in '000'----	
Effect on profit or loss	**279,957**	50

The weakening of the PKR against CNY and USD (2019: USD) would have had an equal but opposite impact on the pre tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

b) Interest rate risk

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

The Company has interest bearing assets. Majority of the interest rate risk arises from the Company's long-term borrowings and short-term borrowings. At reporting date, the interest rate profile of the Company's interest bearing financial liabilities is:

	2020	2020	2019
	Effective interest rate	Carrying amount	
Variable rate instruments	(in percent)	-----Rupees in '000'-----	
Financial assets			
- Deposit accounts	3.50 to 5.17	**6**	106,890
- Loan to associated undertaking	12.17 to 14.56	**221,461**	181,567
		221,467	288,457
Financial liabilities			
- Long term borrowings	12.00 to 14.91	**5,639,151**	6,484,918
- Short term borrowings	9.61 to 14.73	**11,950,064**	10,171,094
		17,589,215	16,656,012
Net variable rate instruments		**(17,367,748)**	(16,367,555)

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. A change of 100 basis points in interest rates at reporting date would have increased / (decreased) equity and profit or loss as follows:

	Increase / (Decrease) in basis points	(Decrease) / Increase in profit before tax
		Rs in '000'
June 30, 2020	**+100**	**(173,677)**
	-100	**173,677**
June 30, 2019	+100	(163,676)
	-100	163,676

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

c) 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At reporting date, the Company is not exposed to this risk.

34.6 *Operational Risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with processes technology and infrastructure supporting the company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk arises from the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. The responsibility encompasses the controls in the following areas:

i Requirements for appropriate segregation of duties between various functions, roles and responsibilities;

ii Requirements for the reconciliation and monitoring of transactions;

iii Compliance with regulatory and other legal requirements;

iv Documentation of control and procedures;

v Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;

vi Ethical and business standards;

vii Risk mitigation, including insurance where this is effective.

34.7 *Capital risk management*

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

Consistent with others in the industry, the company monitors capital on the basis of its gearing ratio. This is calculated as net debt divided by total capital plus net debt. Net debt is calculated as total borrowings from financial institutions less cash and bank balances. Total capital is calculated as equity as shown in the statement of financial position plus sponsors' loan and net debt.

		2020	*2019*
		---- *Rupees in '000'* ----	
Long term borrowings		**5,639,151**	5,763,734
Supplier credit		**1,808,099**	-
Lease liabilities		**64,939**	73,566
Accrued markup		**318,175**	342,188
Short term borrowings		**11,950,064**	10,171,094
		19,780,428	16,350,582
Less: Cash and bank balances		**(68,366)**	(242,671)
Net debt	**A**	**19,712,062**	16,107,911
Total capital, reserves and sponsors' loan		**8,160,062**	6,903,316
Capital and net debt	**B**	**27,872,124**	23,011,227
Gearing ratio	**(C=A/B)**	**71%**	70%

In order to maintain the capital structure, the management may adjust payment of dividend and issue new shares.

34.8 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable).

Details of the Company's short term investment in terms of fair value hierarchy, explained above, at the reporting date is as follows:

	2020		
	Level 1	***Level 2***	***Level 3***
Assets measured at fair value	***- - - - - - - (Rupees in thousand) - - - - - - -***		
Short term investment at fair value through profit or loss	-	-	-

	2019		
	Level 1	*Level 2*	*Level 3*
Assets measured at fair value	*- - - - - - - (Rupees in thousand) - - - - - - -*		
Short term investment at fair value through profit or loss	18,479	-	-

35 *PLANT CAPACITY AND ACTUAL PRODUCTION*

	Note	***2020***	*2019*
		M. Tons	
Billets			
Plant capacity		**450,000**	450,000
Actual production	35.1	**182,852**	140,335
Shortfall		**267,148**	309,665
Bars			
Plant capacity		**250,000**	250,000
Actual production	35.1	**153,604**	124,131
Shortfall		**96,396**	125,869

Plants are located at Port Qasim Karachi

35.1 The main reasons for short fall during the year is the downtrending economic conditions as a consequence of the novel pandemic COVID - 19 ultimately resulting in decline in the overall demand and closure of factory for a substantial period of lockdown.

36 *TRANSACTIONS WITH RELATED PARTIES*

The related parties comprise associated undertakings, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due to / from related parties are shown under respective notes to these financial statements. Remuneration of directors being the key management personnel are disclosed in note 33 to these financial statements. Other transactions with related parties during the year are as follows:

	Note	2020	2019
		---- Rupees in '000'----	
- associated undertaking			
Mark up received from associated undertaking		**23,019**	81,129
Mark up income on loan to associated undertaking	30	**115,101**	53,861
Loan disbursed to associated undertaking		**579,548**	452,486
Loan recovered from associated undertaking		**605,229**	782,547

37 *CORRESPONDING FIGURES*

Corresponding figures have been reclassfied, whenever necessary for the purpose of compliance, comparison and better presentation. Major reclassification during the year are as follow;

Reclassfication from the caption component	*Reclassfication to the caption component*	*Note*	*Amount*
Trade and other payables (Trade creditors)	*Trade and other payables* (Bills payable)	20	**503**

38 *SUBSEQUENT NON ADJUSTING EVENT*

During the year, the Company has applied for listing on the Pakistan Stock Exchange Limited to issue 120,000,000 ordinary shares having face value of Rs. 10 per share through initial public offer. Book Building portion of the Issue comprises of 90,000,000 ordinary shares (75% of the total issue) at a Floor Price of PKR 30.00 per share (including premium of PKR 20.00 per share). General Public portion of the Issue comprises of 30,000,000 ordinary shares (25% of the total issue) at the strike price.

As at reporting date, the application is pending for approval by relevant authorities.

39 *NUMBER OF EMPLOYEES*

	2020	2019
Total number of employees at reporting date	**258**	247
Average number of employees during the year	**253**	247

40 GENERAL

40.1 Figures have been rounded-off to the nearest thousand rupee.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors on 1 0 SEP 2020.

RHZCO

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