



**PAKISTAN STEEL MILLS
CORPORATION (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED
JUNE 30, 2019**

Private & Confidential

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CORPORATION (PRIVATE) LIMITED**

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INDEPENDENT AUDITORS' REPORT**To the Members of Pakistan Steel Mills Corporation (Private) Limited****Report on the Audit of the Financial Statements****Qualified Opinion**

We have audited the annexed financial statements of **Pakistan Steel Mills Corporation (Private) Limited** (the Corporation), which comprise of the statement of financial position as at June 30, 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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, except for the effects of the matter described in the Basis of Qualified Opinion section of the report, the statement of financial position, the statement of profit or loss, the statement of 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 Corporation's affairs as at June 30, 2019 and of the loss, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

As more fully disclosed in note 28.7 to the financial statements, the Corporation is in dispute with Sui Southern Gas Company Limited (SSGCL) with regard to Late Payment Surcharge (LPS) claimed by SSGCL, as management believes that based on the decisions of the Economic Coordination Committee of the Cabinet (ECC), SSGCL should waive LPS, which SSGCL did not accede and stopped gas supply during the year and filed a suit against the Corporation for recovery of outstanding gas bills and LPS in the Sindh High Court (the Court). The Corporation also filed a counter-suit against SSGCL in the Court, claiming damages for losses suffered by the Corporation owing to discontinuance of gas supply by SSGCL from June 2015. Management has not recognized any liability in respect of LPS in the enclosed financial statements, as it expects that decision of ECC should prevail and ultimately, LPS will not be payable. However, in view of suit filed by SSGCL for LPS claim instead of waiver of the same, we were unable to determine what will be the amount payable by the Corporation in respect of LPS claimed by SSGCL.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation 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 qualified opinion.

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Material uncertainty relating to going concern

We draw attention of the members to note 1.5 to the financial statements which indicates, that the Corporation incurred a net loss after tax of Rs. 16,550 million during the year and its accumulated losses upto June 30, 2019 amounted to Rs. 189,729 million. The current liabilities of the Corporation on the balance sheet date exceeded its current assets by Rs. 159,368 million. These conditions, along with other matters as set forth in such note, indicate the existence of a material uncertainty which may cast significant doubt about the Corporation's ability to continue as a going concern. However, the enclosed financial statements have been prepared on going concern basis for the reasons and mitigating factors mentioned in aforesaid note.

Emphasis of Matter

We draw attention to the following matters, in respect of which our opinion is not modified:

- a) Note 1.6 to the financial statements where management has explained status of action taken by the Supreme Court of Pakistan for losses incurred by the Corporation in year 2008-09 and management has asserted that the outcome of the matter is pending with the relevant authorities; and
- b) Note 22.2 to the financial statements where management has disclosed the utilization by the Corporation of amount deducted by the Corporation from employees on behalf of provident fund contribution and provident fund loan. This is not in line with section 218 of the Companies Act, 2017, which requires that the contribution collected from employees and the Corporation's own contribution needs to be deposited within fifteen days from date of collection.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements and our auditors' 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.

CJK

