DOST STEELS LIMITED

Financial Statements

For the year ended June 30, 2007

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DOST STEELS LIMITED** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the changes as stated in note -2 to the financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

Room 211, 2nd Floor, ProgressivePlaza,
Plot No. 5 - CL -10, Civil Lines Quarter,
Beaumont Road, Near Dawood Center,
Karachi - 78530 PAKISTAN.

Phone : +92 21 5674741-44
Fax : +92 21 5674745
E-Mail : info@hzco.com.pk
URL : http://www.hzco.com.pk

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, 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, 2007 and of the loss, its cash flows and changes in equity for the year then ended; and

d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended June 30, 2006 were audited by another auditor who has expressed an unqualified opinion in its Audit report, dated September 28, 2006, on those financial statements.

Place: Karachi
Dated:
29 SEP 2007

Haroon Zakaria &
HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS

DOST STEELS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007 Rupees	Restated 2006 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	5	1,291,267,373	500,441,370
Long term security deposits	6	13,579,445	1,738,558
CURRENT ASSETS			
Construction material stock	7	-	112,667,273
Advances, deposit and other receivable	8	221,929,397	38,288,672
Cash and bank balances	9	23,710,876	29,016,309
		245,640,273	179,972,254
TOTAL ASSETS		1,550,487,091	682,152,182
CAPITAL AND LIABILITIES			
Share capital			
Authorised capital			
70,000,000 ordinary shares of Rs. 10/- each		700,000,000	700,000,000
Issued, subscribed and paid up capital	10	400,000,000	325,000,000
Accumulated loss		(7,839,682)	(5,257,990)
SHAREHOLDERS' EQUITY		392,160,318	319,742,010
NON-CURRENT LIABILITIES			
Long term loans	11	931,308,237	294,692,307
CURRENT LIABILITIES			
Short term loan	12	178,861,468	20,857,613
Trade and other payables	13	44,204,296	46,860,252
Markup accrued on secured loans		3,002,894	-
Provision for taxation		949,878	-
		227,018,536	67,717,865
COMMITMENTS	14		
TOTAL CAPITAL AND LIABILITIES		1,550,487,091	682,152,182

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

CHIEF EXECUTIVE

DIRECTOR

DOST STEELS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	Restated 2006 Rupees
Sales	15	189,975,606	-
Cost of sales	16	182,836,283	-
Gross profit		7,139,323	-
Administrative expenses	17	5,633,578	4,534,842
Selling and distribution expense	18	3,225,309	-
Operating Loss		(1,719,564)	(4,534,842)
Other Income	19	87,750	-
Loss before taxation		(1,631,814)	(4,534,842)
Taxation - current	20	949,878	-
Loss after taxation		(2,581,692)	(4,534,842)
Loss per share - basic and diluted	21	(0.065)	(0.140)

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

CHIEF EXECUTIVE

DIRECTOR

DOST STEELS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	Restated 2006 Rupees
CASH FLOW (USED IN) / GENERATED FROM WORKING CAPITAL			
Cash used in operating activities before working capital changes	22	(65,946,238)	(36,180,398)
Long term security deposits		(11,840,887)	(1,738,558)
Taxes paid		(8,033,189)	-
Net cash used in operating activities		(85,820,314)	(37,918,956)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(789,104,904)	(493,953,171)
Net cash used in investing activities		(789,104,904)	(493,953,171)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing		636,615,930	294,692,307
Short term Financing		158,003,855	-
Proceeds from issue of capital		75,000,000	250,895,748
Net cash flow from financing activities		869,619,785	545,588,055
Net (decrease) / increase in cash and cash equivalents		(5,305,433)	13,715,928
Cash and cash equivalents at beginning of the year		29,016,309	15,300,381
Cash and cash equivalents at end of the year	9	23,710,876	29,016,309

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

DOST STEELS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

Description	Issued, subscribed and paid up capital	Accumulated loss	Total
	Rupees		
Balance as on June 30, 2005 - as previously reported	30	-	30
Effect of change in accounting policy	-	(723,148)	(723,148)
Balance as at June 30, 2005 - restated	30	(723,148)	(723,118)
Issue of share capital	324,999,970	-	324,999,970
Loss for the year after tax - restated	-	(4,534,842)	(4,534,842)
Balance as at June 30, 2006 - restated	325,000,000	(5,257,990)	319,742,010
Issue of share capital	75,000,000	-	75,000,000
Loss for the period after tax	-	(2,581,692)	(2,581,692)
Balance as at June 30, 2007	**400,000,000**	**(7,839,682)**	**392,160,318**

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

1. LEGAL STATUS AND NATURE OF BUSINESS

Dost Steels Limited was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984. The Company was converted into public limited company with effect from May 20, 2006. The Company has applied for listing of its shares on Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at 101 Chappal Plaza, Hasrat Mohani Road, Karachi - 74000. The principal business of the Company include manufacturing of steel, direct reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron and special alloy steel in different forms.

2. CHANGE IN ACCOUNTING POLICY

Consequent to withdrawal of Technical Release - 20 "Accounting for Expenditure During Construction Period (Reformatted - 2000)" (TR - 20) issued by the Institute of Chartered Accountants of Pakistan, the accounting policy in respect of precommencement expenditure has been changed. Previously, expenditure incurred by a company prior to commencement of commercial operations were deferred until the commencement of commercial operations and thereafter allocated to the cost of Property,Plant & Equipment. Now, the expenditure incurred prior to commencement of commercial production is classified into direct cost attributable to the cost of asset or capital work-in-progress and indirect cost. Direct cost is allocated to respective asset's cost and indirect cost is charged to profit and loss account in the period in which it is incurred. The above change has been accounted for in accordance with the requirements of International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Comparative information has been restated where ever necessary.

Had the policy not been changed, the loss for the year would have been reduced by Rs. 2.582 million (2006:Rs 4.535 million).

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the accounting standards for Economically Significant Entity (ESE) as issued by the Institue of Chartered Accountants of Pakistan (ICAP) and approved by Securiies and Exchange Commission of Pakistan (SECP).

3.2 New standards and interpretations not yet adopted

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1st July 2007 and are either not relevant to Company's operations or are not expected to have a significant impact on the Company's financial statements other than certain increased disclosures.

IAS 1	Presentation of Financial Statements - Capital Disclosures.
IAS 23	Borrowing Costs (Revised).
IFRS 2	Share Based Payment.
IFRS 3	Business Combinations.
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations.
IFRS 6	Exploration for and Evaluation of Mineral Resources.
IFRS 7	Financial Instruments: Disclosures.
IFRS 8	Operating Segment.
IFRIC 7	Applying the Restatement approach under IAS - 29 Financial Reporting in Hyperinflationary Economies.
IFRIC 8	Scope of IFRS - 2 share based payment.
IFRIC 9	Reassessment of Embedded Derivatives.
IFRIC 10	Interim Financial Reporting and Impairment.
IFRIC 11	Group and Treasury Share Transactions.
IFRIC 12	Services Concession Arrangements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 Accounting Conventions

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in these financial statements.

4.2 Critical accounting estimates and judgment

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

Judgments made by management in the application of approved accounting standard as, applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

a) **Property and equipment**

The Company estimates the rate of depreciation of property and equipment. Further, the Company review the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

b) **Income taxes**

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

4.3 **Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment losses, if any, except for freehold land and capital work-in-progress, which are stated at cost. Depreciation on fixed assets is charged to income by applying reducing balance method at the rates specified in the relevant note.

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

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gain/ loss on disposal of fixed assets are recognized in the profit and loss account.

4.4 **Trade debts**

Trade debts originated by the Company are carried at an amount, net of any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when identified.

4.5 **Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.6 **Taxation**

a) **Current**

Provision for current taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any, or half percent of turnover under the Income Tax Ordinance, 2001, whichever is higher.

b) **Deferred**

Deferred tax is provided in full using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The carrying amount of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

4.7 **Provisions**

A provision is recognized when the Company has an obligation (legal or constructive), as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.8 **Revenue recognition**

Sales of stores is recorded on dispatch of goods to customers.

4.9 Cash and cash equivalents

Cash in hand, cash at bank and short-term deposits, which are held to maturity, are carried at cost. For the purpose of cash flow statements, cash equivalent are short-term highly liquid instrument that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values.

4.10 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently. Financial assets are stated at their nominal value as reduced by the appropriate allowances for estimating irrecoverable amount. Mark up bearing financial liabilities are recorded at the gross proceeds received. Other financial liabilities are stated at their nominal value.

4.11 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

4.12 Related party transactions

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984.

4.13 Foreign currency translation

Foreign currency transactions are translated into Pak rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into Pak rupee at the rate of exchange ruling on the balance sheet date. Gain or loss on foreign exchange translation are taken into profit and loss accounts.

4.14 Borrowing cost

Borrowing costs related to the capital work-in-progress are capitalized in the cost of the related assets. All other borrowing costs are charged to profit & loss account when incurred.

	Note	2007 Rupees	Restated 2006 Rupees
5. PROPERTY, PLANT AND EQUIPMENTS			
Operating fixed assets - tangible	5.1	162,552,703	160,022,489
Capital work-in-progress	5.2	1,128,714,670	340,418,881
		1,291,267,373	500,441,370

5.1 OPERATING FIXED ASSETS - TANGIBLE

Description	Cost			Rate	Accumulated depreciation			Written down Value as at June 30, 2007
	As at July 1, 2006	Addition	As at June 30, 2007	%	As at July 1, 2006	For the year	As at June 30, 2007	
	Rupees				Rupees			
Freehold land	157,876,220	-	157,876,220	-	-	-	-	157,876,220
Furniture & fittings	282,060	65,265	347,325	15	42,309	45,752	88,061	259,264.00
Electric Equipments	43,050	627,085	670,135	15	6,458	99,552	106,010	564,125.00
Computers equipments	315,864	1,210,984	1,526,848	30	94,759	429,627	524,386	1,002,462
Office equipments	82,472	22,600	105,072	15	12,371	13,905	26,276	78,796.00
Vehicles	2,227,000	1,886,075	4,113,075	20	648,280	692,959	1,341,239	2,771,836
June 30, 2007	160,826,666	3,812,009	164,638,675		804,177	1,281.795	2,085,972	162,552,703
June 30, 2006	6,129,681	154,696,985	160,826,666		253,600	550,577	804,177	160,022,489

			2007 Rupees	2006 Rupees
5.2	**CAPITAL WORK IN PROGRESS**			
	Land development		10,977,712	9,500,000
	Civil works		100,397,951	120,243,771
	Plant and machinery		902,710,098	196,226,523
	Advances for:			
	Furniture, fitting & equipments		794,795	-
	Computers & Telecommunication		609,000	-
	Vehicle		581,500	474,000
	Unallocated Expenditure-Markup		112,643,614	13,974,587
			1,128,714,670	340,418,881
6.	**LONG TERM SECURITY DEPOSITS**			
	Electricity		1,638,558	1,638,558
	Gas		11,700,000	-
	Telephone		20,887	-
	Rent		220,000	100,000
			13,579,445	1,738,558
7.	**CONSTRUCTION MATERIAL STOCK**	7.1	-	112,667,273

7.1 During the year the company sold construction material amounting to Rs.182,836,283

8.	**ADVANCES, DEPOSITS AND OTHER RECEIVABLE**			
	Advances - considered good			
	Against letter of credit		487,893	1,745,667
	Income tax		15,574,018	7,540,829
	To staff		1,141,000	-
	For services		97,810,925	6,881,123
	To suppliers		47,700,860	16,600
	Sales tax refundable		24,404,993	22,104,453
			187,119,689	38,288,672
	Deposit		10,151,000	-
	Interest receivable		87,750	-
	Other receivable	8.1	24,570,958	-
			221,929,397	38,288,672

8.1 It represents balance receivable from parties against the sale of construction material.

		2007 Rupees	2006 Rupees
9. CASH AND BANK BALANCES			
Cash in hand		-	108,194
Cash at banks - in current account		23,710,876	28,908,115
		23,710,876	29,016,309
10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
40,000,000 ordinary shares of Rs. 10 each fully paid in cash		400,000,000	325,000,000

The shareholders are entitled to receive all distributions to them including dividend and other entitlments in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.

11. LONG TERM LOANS			
Secured - from banking companies			
Faysal Bank Limited	11.1	193,948,806	60,205,128
Syndicate loan	11.2	737,359,431	234,487,179
		931,308,237	294,692,307

11.1 The Company has arranged a Murabaha Finance facility aggregating to Rs. 200 million from Faysal Bank Limited for setting up the project and repayment of letter of credit facility. The facility is secured against first pari passu charge by way of mortgage of movable and immovable properties of the Company, personal guarantees of the sponsors and demand promissory note in favour of the Faysal Bank Limited. The facility is repayable in 9 semi-annual installments of Rs. 22.222 million commencing after a two years grace period from the final drawdown date. The facility carries markup at a rate of KIBOR + 4% per annum payable on quarterly basis.

11.2 The Company has arranged an aggregate finance facility of Rs. 775 million from National Bank of Pakistan, Askari Commercial Bank Limited, Pakistan Industrial Credit and Investment Corporation Limited, Bank of Khyber, Pakistan Kuwait Investment Company (Private) Limited and Prime Commercial Bank Limited as syndicate loan, whereby Faysal Bank Limited is acting as agent of the syndicate. The loan is secured against first pari passu charge by way of mortgage of movable and immovable properties of the Company, first pari passu charge over the hypothecated assets of the Company, personal guarantees of the sponsors and demand promissory note in favour of the syndicate. The facility is repayable in 9 semi-annual installments of Rs. 86.111 million commencing after a two years grace period from the final drawdown date. The facility carries markup at a rate of KIBOR + 4% per annum payable on quarterly basis.

	Note	2007 Rupees	2006 Rupees
12. Short term loans			
Bridge Loan	12.1	157,350,000	-
Bank overdraft		21,511,468	20,857,613
		178,861,468	20,857,613

9

12.1 The company has arranged a Murabaha Financing facility aggregating to Rs. 275 million from Faysal Bank Limited to meet its financing needs until the proceeds from initial public offering are received. This financing facility is secured against the proceeds from initial public offering. The company has also assigned Faysal Bank all its rights, claims, and/or interests against the underwriting agreement. This loan carries a mark up of KIBOR + 5%. It is repayable from the proceeds of initial public offering whether received from public or underwriters in case of under subscription.

	2007 Rupees	Restated 2006 Rupees
3. TRADE AND OTHER PAYABLES		
Trade creditors	41,732,343	407,118
Accrued expenses	2,471,953	1,372,134
Advance against sale of construction material	-	45,066,000
Withholding tax payable	-	15,000
	44,204,296	46,860,252

14. COMMITMENTS

The Company is committed to capital expenditure amounting to Rs 99.121 (2006:NIL)million as at the balance sheet date.

5. SALES

Gross proceeds from sale of Construction material	208,434,614	-
Less: Sales Tax	(18,459,008)	-
	189,975,606	-

These were steel bars principally acquired for use in the process of site construction.The Company acquired these in excess of its needs and, consequently, as profitable opportunities were available, company disposed off the construction material.

		Note	2007 Rupees	2006 Rupees
16.	COST OF SALES			
	Purchase cost of constrution material		182,836,283	-

		Note	2007 Rupees	2006 Rupees
17.	ADMINISTRATIVE EXPENSES			
	Salaries and other benefits		1,127,410	60,370
	Travelling and conveyance		30,507	80,265
	Rent, rates and taxes		3,000	2,185
	Vehicle running and manintenance		1,112,023	242,939
	Legal and professional charges		50,700	861,920
	Entertainment expenses		135,233	65,160
	Printing and stationery		228,328	70,503
	Bank charges and commission		55,448	15,141
	Telephone, postage and couries		352,311	19,104
	Fees and subscription		478,468	166,355
	Preliminary expenses		-	1,625,400
	Fuel, power and water		19,400	-
	Utilities		205,284	-
	Repairs and maintenance		145,517	12,400
	Advertising expenses		251,930	350,923
	General expenses		56,224	336,600
	Auditors' remuneration	17.1	100,000	75,000
	Depreciation		1,281,795	550,577
			5,633,578	4,534,842

		2007 Rupees	2006 Rupees
17.1	**Auditors' remuneration**		
	Audit fee	100,000	75,000

		2007 Rupees	2006 Rupees
8.	SELLING AND DISTRIBUTION EXPENSE		
	Freight and transportation expense	2,408,415	-
	Loading and Unloading charges	139,965	-
	Salaries of Marketing sales staff	676,929	-
		3,225,309	-

			2007 Rupees	2006 Rupees
19.	**OTHER INCOME**			
	Interest on deposits	19.1	87,750	-
			87,750	-

19.1 This represents mark-up of 1.5% per annum on the security deposit of Rs 11.7million maintained with Sui Northern Gas company as a " Soft Term Loan" to the said company, repayable in 10 years.

		2007 Rupees	2006 Rupees
20.	**TAXATION**		
	Current	949,878	-
		949,878	-
1.	**LOSS PER SHARE - BASIC AND DILUTED**		
	Loss attributable to ordinary shareholders	(2,581,692)	(4,534,842)
	Weighted average number of ordinary shares in issue	40,000,000	32,500,000
	Loss per share - basic and diluted	(0.065)	(0.140)
22.	**CASH (USED IN) / GENERATED FROM WORKING CAPITAL**		
	Loss before taxation	(1,631,814)	(4,534,842)
	Adjustment for:		
	Depreciation	1,281,795	550,577
		(350,019)	(3,984,265)
	Effect of changes in working capital		
	(Increase) / decrease in current assets		
	Advances, deposits and other receivable	(175,607,536)	13,492,969
	Construction material stock	112,667,273	(112,667,273)
	Increase / (decrease) in current liabilities		
	Trade and other payables	(2,655,956)	66,978,171
	Cash used in operating activities before working capital changes	(65,946,238)	(36,180,398)

23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

23.1 CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and to cause the other party to incur a financial loss. Concentration of credit risk arise when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. All the financial assets of the Company are exposed to credit risk. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counter parties and continually assessing the creditworthiness of counter parties.

23.2 MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The main business of the Company is trading on behalf of its customers. Investments owned by the Company form an insignificant portion of the balance sheet. So management is of the opinion that the Company is not exposed to significant market risk.

23.3 LIQUIDITY RISK

Liquidity risk reflects the Company's inability of raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

23.4 CASH FLOW RISK

Cash flow risk is the risk that the Company may encounter difficulty in raising funds to meet its obligations and commitments. The Company manages risk in this area by investing a major portion of Company's assets in highly liquid financial assets.

23.5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair value of financial instruments is not significantly different from their book value as shown in these financial statements.

23.6 RISK MANAGEMENT POLICIES

Risk management is carried out by the management under polices approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

23.7 FOREIGN EXCHANGE RISK

Foreign exchange risk arises mainly where receivables and payables exists due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers, where permissible. The Company is not exposed to foreign currency risk as on the balance sheet date on assets and liabilities.

23.8 YIELD/ MARK UP RATE RISK

Yield/ mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield/ mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. However as at year end the Company has not exposed to yield/ mark up rate risk.

24. INTEREST RATE RISK EXPOSURE

The Company's exposure to interest rate risk on its financial assets and liabilities as at year end are summarized as follows:

Description	June 30, 2007						
	Interest / Mark-up bearing			Non-Interest bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	Rupees			Rupees			
Financial Assets							
Deposits	-	11,700,000	11,700,000	10,151,000	1,879,445	12,030,445	23,730,445
Other receivable	-	-	-	24,570,958	-	24,570,958	24,570,958
Advances and deposits	-	-	-	1,141,000	-	1,141,000	1,141,000
Cash and bank balances	-	-	-	23,710,876	-	23,710,876	23,710,876
	-	11,700,000	11,700,000	59,573,834	1,879,445	61,453,279	73,153,279
Financial Liabilities							
Long term financing	-	931,308,237	931,308,237	-	-	-	931,308,237
Short term loans	178,861,468	-	178,861,468	-	-	-	178,861,468
Trade and other payables	-	-	-	44,204,296	-	44,204,296	44,204,296
	178,861,468	931,308,237	1,110,169,705	44,204,296	-	44,204,296	1,154,374,001
On Balance Sheet Gap	(178,861,468)	(919,608,237)	(1,098,469,705)	15,369,538	1,879,445	17,248,983	(1,081,220,722)

Description	Interest / Mark-up bearing			Non-Interest bearing			Total
	June 30, 2006						
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees			Rupees			
Financial Assets							
Deposits	-	-	-	-	1,738,558	1,738,558	1,738,558
Other receivable	-	-	-	-	-	-	-
Advances and deposit	-	-	-	-	-	-	-
Cash and bank balances	-	-	-	29,016,309	-	29,016,309	29,016,309
	-	-	-	29,016,309	1,738,558	30,754,867	30,754,867
Financial Liabilities							
Long term financing	-	294,692,307	294,692,307	-	-	-	294,692,307
Short term loans	20,857,613	-	20,857,613	-	-	-	20,857,613
Trade and other payables	-	-	-	22,636,865	-	22,636,865	22,636,865
	20,857,613	294,692,307	315,549,920	22,636,865	-	22,636,865	338,186,785
On Balance Sheet Gap	(20,857,613)	(294,692,307)	(315,549,920)	6,379,444	1,738,558	8,118,002	(307,431,918)

24.1 Effective mark up/ yield rate are disclosed in relevant notes to the financial statements.

25. REMUNERATION AND OTHER BENEFITS TO CEO / DIRECTORS AND EXECUTIVES

The Chief Executive and directors have drawn no remuneration or any other benefits during the year ended June 30,2007.

26 RECLASSIFICATION

Advance from customers has been aggregated with trade and other payables. Furthermore, markup accrued on secured loans has been segregated from trade and other payables and shown seperately on the face of the balance sheet.

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 20 SEP 2007.

28 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive

Director