



Dost Steels Limited

Half Yearly Report
December 31, 2008

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COMPANY INFORMATION

Board of Directors

Mr. Jamal Iftakhar	Chairman/Chief Executive Officer
Mr.Zahid Iftakhar	Director
Mr.Raees Iftakhar	Director
Mr.Faisal Zahid	Director
Mr.Hamza Raees	Director
Mr.M.Seraj ul Haque	Director

Audit Committee

Mr.Raees Iftakhar	Chairman of Committee
Mr.Zahid Iftakhar	Member
Mr.M.Seraj ul Haque	Member

Chief Financial Officer

Mr.M.Seraj ul Haque

Company Secretary

Mr. Zahid Iftakhar

Bankers

Askari Commercial Bank Limited
Faysal Bank Limited
National Bank of Pakistan
United Bank Limited
ABN Amro Bank Limited

Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

M/s. Tax Haven
114-B Business Arcade
Shahrah-e-Faisal
Karachi

Shares Registrar

Nobel Computer Service (Private) Limited
2nd Floor, Sohni Center,
BS 5 & 6 Main Karimabad, Block – 4,
Federal ‘B’ Area, Karachi – 75950
Phone Nos. 6801880 – 6802326

Registered / Head Office

Plot No. 222, Sector 39,
Korangi Creek Industrial Area,
Karachi – 74900.

Mills

Bhai Pheru, 52 Km Lahore
Multan Road

Web Presence

www.doststeels.com



DOST STEELS LIMITED

Directors Review:

It is my pleasure to present the un-audited financial statement of the company for the six month ending on 31st December 2008.

Company's Review

The Italian engineers have completed the final checking prior to hot commissioning of the plant. The successful hot commissioning of the plant will be followed by commercial production, subject to timely support from the syndicate banks.

The company needs additional funds to the extent of PKR.300 million that will be utilized for making balance payments to the Italian suppliers under the original LC's opened from Faysal Bank Ltd., for site preparation prior to commercial production and for achieving commercial production. Faysal Bank Ltd. has been mandated by the Dost Steels Ltd. sponsors to get equity investors and for additional term loans. Initial contacts have been made with some interested parties and meetings have been held.

The term loan bank syndicate held their meeting in end December 2008 and was inclined to extend working capital banking facilities to the company. Negotiations and meetings are taking place with the syndicates bankers for the resolutions of these issues. However the overall country and global situation has effected the progress and it is expected that progress will be made in 1st quarter 2009.

Out of the three main suppliers, the main Siemens Vai Metal Technology srl has been paid in full while others could not be paid due to non availability of fund. The project is complete except utility connections for power and gas are to be effected. We are making efforts to commission the mill as early as possible.

In the last meeting certain significant policies were to be drafted. The work on these policies have been slow because of the financial difficulties. It is expected that by the end of third quarter these policies will be ready

Jamal Iftakhar
Chief Executive Officer

Dated : February 20, 2009
Place : Karachi

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS**

INTRODUCTION:

We have reviewed the accompanying condensed interim balance sheet of **DOST STEELS LIMITED** as at December 31, 2008, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the condensed notes forming part thereof (here-in-after referred to as the "Interim financial information") for the six month period ended December 31, 2008. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended December 31, 2008 and 2007 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2008.

SCOPE OF REVIEW:

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

BASIS FOR QUALIFIED CONCLUSION:

Facts described in note - 2 of the interim financial information indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as going concern. That fact is not disclosed in the interim financial information.

QUALIFIED CONCLUSION:

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the annexed interim financial information are not presented fairly, in all materials respects, in accordance with approved accounting standards as applicable in Pakistan.

Place: Karachi
Dated: 20 Feb, 2009

HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS
MUHAMMAD HAROON
Partner

FINANCIAL
STATEMENTS

Half Yearly Report
December 31, 2008

DOST STEELS LIMITED

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT 31 DECEMBER 2008

		(Unaudited) 31 December 2008 Rupees	(Audited) 30 June 2008 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	6	1 881 452 385	1 758 114 628
Long term security deposits		13 886 445	13 886 445
Deferred tax asset		148 824	873 907
CURRENT ASSETS			
Receivable against trading		1 013 468	1 152 490
Advances, deposit and other receivable		51 826 965	52 084 479
Cash and bank balances		8 816 858	1 967 390
		61 657 291	55 204 359
TOTAL ASSETS		1 957 144 945	1 828 079 339
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
70,000,000 ordinary shares of Rs. 10/- each		700 000 000	700 000 000
Issued, subscribed and paid up capital			
67,470,000 (June 2008: 67,500,000) ordinary shares of Rs. 10/- each.	7	674 700 000	675 000 000
Accumulated loss		(43 524 897)	(39 234 168)
SHAREHOLDERS' EQUITY		631 175 103	635 765 832
NON-CURRENT LIABILITIES			
Long term loans	8	495 197 124	605 613 792
CURRENT LIABILITIES			
Current portion of long term loan		436 111 114	325 694 445
Short term loan		192 458 121	188 458 121
Trade and other payables		82 931 278	39 557 625
Markup accrued on secured loans		119 149 539	32 866 858
Provision for taxation		122 666	122 666
		830 772 718	586 699 715
COMMITMENTS	9		
TOTAL CAPITAL AND LIABILITIES		1 957 144 945	1 828 079 339

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2008**

	Six months period ended		Quarter ended	
	31 December 2008 Rupees	31 December 2007 Rupees	31 December 2008 Rupees	31 December 2007 Rupees
Administrative and financial expenses	(3 679 974)	(3 602 655)	(5 071 258)	(129 635)
Other Income/(loss)	114 328	1 844 163	44 536	(2 893)
Loss before taxation	(3 565 646)	(1 758 492)	(5 026 722)	(132 528)
Taxation	(725 083)	(122 666)	(979)	(21 690)
Loss after taxation	(4 290 729)	(1 881 158)	(5 027 701)	(154 218)
Loss per share - basic and diluted	(0.064)	(0.041)	(0.075)	(0.003)

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2008

	31 December 2008 Rupees	31 December 2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(3 565 646)	(1 758 492)
Adjustments for non cash charges		
Depreciation	769 244	733 577
	<u>(2 796 402)</u>	<u>(1 024 915)</u>
Working capital changes		
Decrease in current assets:		
- Advances, deposits and other receivable	525 729	30 389 263
Increase in current liabilities:		
- Trade and other payables	43 373 653	18 696 549
Cash inflow from working capital	41 102 980	48 060 897
Long term security deposits	-	(170 000)
Taxes paid	(129 191)	(685 863)
Net cash generated from operating activities	<u>40 973 789</u>	<u>47 205 034</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital work in progress	(37 221 061)	(131 618 111)
Deferred Cost	-	(18 898 113)
Fixed Asset	(603 260)	(3 068 425)
Net cash (used in) from investing activities	<u>(37 824 321)</u>	<u>(153 584 649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of Shares	(300 000)	275 000 000
Short term Financing	4 000 000	(178 843 886)
Net cash generated from financing activities	<u>3 700 000</u>	<u>96 156 114</u>
Net increase/(decrease) in cash and cash equivalents	6 849 468	(10 223 501)
Cash and cash equivalents at beginning of the six months period	1 967 390	23 710 876
Cash and cash equivalents at end of the six months period	<u>8 816 858</u>	<u>13 487 375</u>

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2008**

Description	Issued, subscribed and paid up capital	Accumulated loss	Total
	← Rupees →		
Balance as at 01 July 2007	400 000 000	(7 839 682)	392 160 318
Issue of share capital	275 000 000	-	275 000 000
Loss for the six months period	-	(1 881 158)	(1 881 158)
Balance as at December 31, 2007	<u>675 000 000</u>	<u>(9 720 840)</u>	<u>665 279 160</u>
Balance as at 01 July 2008	675 000 000	(39 234 168)	635 765 832
Forfeit of 30,000 shares	(300 000)	-	(300 000)
Loss for the six months period	-	(4 290 729)	(4 290 729)
Balance as at December 31, 2008	<u>674 700 000</u>	<u>(43 524 897)</u>	<u>631 175 103</u>

The annexed notes form an integral part of these financial statements

Chief Executive

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2008**

1. THE COMPANY AND ITS OPERATIONS

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 as on May 20, 2006 and then listed on the Karachi Stock Exchange (Guarantee) Limited with effect from November 26, 2007. The registered office of the Company is situated at Plot No. 222 sector 39 Korangi creek Industrial Area 74900. 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. GOING CONCERN ASSUMPTION

The Company has incurred loss after taxation of Rs. 4.291 million (2008: 31.317 million). As at that date its accumulated losses are Rs. 43.525 million (June 30, 2008: 39.234 million). However, company has acquired necessary infrastructure to support its production activities and installation of plant and machinery is successfully completed pending its testing for commercial operations. The company expects that adequate inflows will be generated in future years by sponsors and lender institutions for commercial production and working capital which will wipe out these losses. However, support from lender institutions is dependent on successful negotiations for availability of funds. The company has also passed special resolution for increase in its authorized share capital to Rs. 1.5 billion so that funds may be raised by issuing shares. However, besides special resolution, other legal formalities are not fulfilled yet to increase authorized share capital. Considering these facts and strong chances of success in negotiation with the lender institutions, these financial statements are prepared on the basis of going concern assumption.

3. BASIS OF PREPARATION

These condensed interim financial statements are unaudited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as applicable in Pakistan. These condensed interim financial statements do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2008.

These condensed interim financial statements are being submitted to the shareholders as required by listing regulations of Karachi Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and the figures are rounded off to the nearest thousand of rupees.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 30 June 2008.

5. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 June 2008.

	(Unaudited) 31 December 2008 Rupees	(Audited) 30 June 2008 Rupees
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - tangible	165 255 506	165 421 490
Capital work-in-progress	1 716 196 879	1 592 693 137
	<u>1 881 452 385</u>	<u>1 758 114 627</u>

Details of additions is as follows:

Operating fixed assets	<u>603 260</u>	<u>3 068 425</u>
Capital work in progress	<u>123 503 742</u>	<u>161 244 349</u>

7. ADJUSTING EVENT AFTER CONDENSED INTERIM BALANCE SHEET DATE

Subsequent to the half year end, SECP has allowed the company to forfeit 17,000 shares. The share capital of the company is reduced by paid value of these shares and by 13,000 shares for which approval was given by SECP during half year.

8. LONG TERM LOANS

Secured - from banking companies

Faysal Bank Limited	8.1	143 948 806	143 948 806
Saudi Pak Industrial And Agriculture Investment Company (Private) Limited	8.2	50 000 000	50 000 000
Syndicate loan	8.2	737 359 431	737 359 431
		<u>931 308 237</u>	<u>931 308 237</u>
less: Current portion of long term loan		<u>436 111 114</u>	<u>325 694 445</u>
		<u>495 197 124</u>	<u>605 613 792</u>

8.1. The Company has arranged a Murabaha Finance facility aggregating to Rs. 150 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 sponsors and demand promissory note in favor of the Faysal Bank Limited. The facility is repayable in 8 semi-annual installments of Rs.18.75 million commencing from after two years grace period from the final drawdown date being a date not later than 31st July 2006 or any later date as may be mutually agreed. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis. The total loan sanctioned amounted Rs.150 million of which Rs.143.95 million has been availed as at June 30, 2008.

8.2. 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.

9. COMMITMENTS

The Company is committed to capital expenditure of Rs. 34.2 (June 30, 2008:81.822) million.

10. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise related group companies, associates, directors and key management personnel.

During half year, following transactions with related parties are carried out:

	(Unaudited) 31 December 2008 Rupees	(Audited) 30 June 2008 Rupees
- Loan from director	4,000,000	188 458 121

Loan payable to director at the end of half year is Rs. 192.46 (June 30, 2008: Rs.188.46) million.

11. RECLASSIFICATION

Net result of purchase and sale of construction material along with related selling expenses are classified in other income to correspond with the classification as described in note 23 of the financial statements for the year ended June 30, 2008.

12. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 20-02-2009 by the Board of Directors of the Company.

13. GENERAL

The figures have been round off to the nearest rupee.

Chief Executive

Director