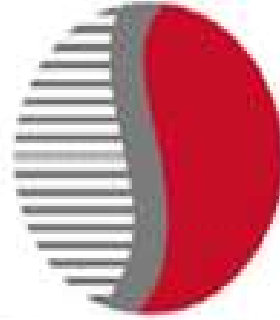


Quarterly Report
March 31, 2011



Dost Steels Limited

Registered Office: Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900
Phone: (92-21) 111 STEELS (783 357) Fax: (92-21) 5110423 www.doststeels.com

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COMPANY INFORMATION

Board of Directors

Mr. Jamal Iftakhar	Chairman/Chief Executive Officer
Mr. Zahid Iftakhar	Director
Mr. Faisal Zahid	Director
Mr. Bilal Jamal	Director
Mr. Hamza Raees	Director
Mr. Saad Zahid	Director
Mr. Mustafa Jamal	Director

Audit Committee

Mr. Faisal Zahid	Chairman of Committee
Mr. Bilal Jamal	Member
Mr. Saad Zahid	Member
Mr. Zahid Iftakhar	Company Secretary

Chief Financial Officer

Mr. Sajid Ahmed Ashrafi

Company Secretary

Mr. Zahid Iftakhar

Bankers

Faysal Bank Limited
National Bank of Pakistan
Askari Commercial Bank Limited
NIB Bank Limited
Bank of Khyber
Pak Kuwait Investment Co. (Pvt) Ltd
The Royal Bank of Scotland
Saudi Pak Industrial & Agricultural Investment Co. Ltd.
United Bank Limited

Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

Mr. Zahoor Shah (Advocate High Court)
Suit # 509, 5th Floor, Panorama Centre No. 2,
Raja Ghazanfar Ali Road, Saddar,
Karachi

Shares Registrar

M/s. Your Secretary (Pvt.) Ltd.,
Suit no. 1020, 10th Floor, Uni Plaza, I. I. Chundrigar Road,
Karachi-74200.
Ph: 92 021-32428842, 32416957 / Fax: 92 021-32427790
E mail: ysecr@hotmail.com

Registered/Head Office

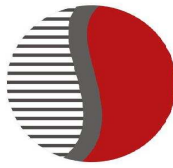
Plot # 222, Sector – 39,
Korangi Creek Industrial Area,
Karachi – 74900
Ph # 021-35110421-22 / Fax # 021-35110423

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 statements of the company for the nine months ending on March 31, 2011.

Company's review

The status quo continues. However during the quarter under review Fauji Fertilizers Company Limited have moved in their intentions to proceed with the setting up of 1.2 million tons per annum Steel Billet plant at Port Qasim. It is expected that the project approval will be an agenda item in their forthcoming board meeting that is scheduled to take place by the end of April 2011. If approved, the door will be open for an association between the two companies that will be of a strategic nature whereby Dost Steels Ltd. will be a buyer of upto 25% of Fauji Steels billet and their investment into their buyers equity will be a strategic investment for them.

The company needs funds of over PKR.600 million to repeat cold commissioning and achieve commercial hot production over a period of five months.

Future outlook

We are foreseeing economic growth in the country which led to simultaneous growth in construction sector and engineering sectors. We are confident that increasing demand of deformed bars will have positive an impact on the profitability of the company. The country's standards authority has been seen to be active in the enforcement of standards compliance manufacture and sale of compulsory items that includes steel bars for use in buildings. The energy power shortage that has again loomed on the horizon is a bag dampener and the government is unable to do anything constructive.

For and on behalf of the Board of Directors

Jamal Iftakhar
Chief Executive Officer

Karachi: April 27, 2011

DOST STEELS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2011

	<i>Note</i>	<i>(Unaudited)</i> <i>March 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2010</i> <i>Rupees</i>
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	6	2,010,449,850	2,011,228,819
Long term security deposits		21,673,345	22,807,345
		2,032,123,195	2,034,036,164
Current assets			
Advances		536,800	563,415
Short term prepayment		165,000	165,000
Tax refund due from government		430,290	369,130
Other receivable		78,975	78,975
Cash and bank balances		269,477	175,376
		1,480,542	1,351,896
Total assets		2,033,603,737	2,035,388,060
<u>EQUITY AND LIABILITIES</u>			
Share capital and reserves			
Authorized capital			
70,000,000 Ordinary shares of Rs. 10/- each		700,000,000	700,000,000
Issued, subscribed and paid-up capital			
67,464,500 Ordinary shares of Rs. 10/- each fully paid in cash		674,645,000	674,645,000
Accumulated loss		(72,457,559)	(63,674,856)
Shareholders' equity		602,187,441	610,970,144
Non-current liabilities			
Long term loans - secured	7	59,581,652	166,972,721
Deferred liability	8	4,353,209	-
		63,934,861	166,972,721
Current liabilities			
Current and overdue portion of long term loans		871,726,585	764,335,516
Short term loans - unsecured		251,905,508	249,061,508
Trade and other payables		39,999,322	40,198,151
Markup accrued on secured loans		203,850,020	203,850,020
		1,367,481,435	1,257,445,195
Contingency and commitment	9	-	-
Total capital and liabilities		2,033,603,737	2,035,388,060

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 NINE MONTHS PERIOD ENDED MARCH 31, 2011

	<i>Nine months period ended</i>		<i>Quarter ended</i>	
	<i>March 31,</i> <i>2011</i>	<i>March 31,</i> <i>2010</i>	<i>March 31,</i> <i>2011</i>	<i>March 31,</i> <i>2010</i>
----- Rupees -----				
Administrative and financial expenses	(8,941,364)	(9,254,899)	(1,585,887)	(2,183,759)
Other Income	158,661	128,306	158,184	39,725
Recognized loss before taxation	(8,782,703)	(9,126,593)	(1,427,703)	(2,144,034)
Recognized loss after taxation	(8,782,703)	(9,126,593)	(1,427,703)	(2,144,034)
Loss per share - basic and diluted	(0.130)	(0.135)	(0.021)	(0.032)

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	<i>Nine months ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2011</i>	<i>March 31, 2010</i>	<i>March 31, 2011</i>	<i>March 31, 2010</i>
	----- <i>Rupees</i> -----			
Loss after tax for the period	(8,782,703)	(9,126,593)	(1,427,703)	(2,144,034)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(8,782,703)	(9,126,593)	(1,427,703)	(2,144,034)

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 NINE MONTHS PERIOD ENDED MARCH 31, 2011

	<i>March 31, 2011 Rupees</i>	<i>March 31, 2010 Rupees</i>
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(8,782,703)	(9,126,593)
Adjustments for non cash items		
Gratuity	4,353,209	-
Depreciation	858,763	1,065,546
	(3,570,731)	(8,061,047)
Working capital changes		
Decrease in current assets:		
Advances	26,615	10,785,296
Other receivable	-	8,775
Decrease in current liabilities:		
Trade and other payables	(198,829)	(16,733,962)
Cash outflow from working capital	(3,742,945)	(14,000,938)
Taxes (paid) / refund	(61,160)	-
Security deposit - Net	1,134,000	1,170,000
Net cash used in operating activities	(2,670,105)	(12,830,938)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Capital work in progress	(79,794)	(912,158)
Net cash used in investing activities	(79,794)	(912,158)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Short term Financing	2,844,000	13,827,101
Net cash generated from financial activities	2,844,000	13,827,101
Net increase in cash and cash equivalents (A+B+C)	94,101	84,005
Cash and cash equivalents at beginning of the nine months period	175,376	174,321
Cash and cash equivalents at end of the nine months period	269,477	258,326

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 NINE MONTHS PERIOD ENDED MARCH 31, 2011

<i>Description</i>	<i>Issued, subscribed and paid up capital</i>	<i>Accumulated loss</i>	<i>Total</i>
	----- <i>Rupees</i> -----		
Balance as at 01 July, 2009	674,645,000	(52,888,090)	621,756,910
Loss for the nine months period	-	(9,126,593)	(9,126,593)
Balance as at 31 March 2010	674,645,000	(63,674,856)	610,970,144
Balance as at 01 July 2010	674,645,000	(63,674,856)	610,970,144
Loss for the nine months period	-	(8,782,703)	(8,782,703)
Balance as at March 31 2011	674,645,000	(72,457,559)	602,187,441

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2011

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, Karachi-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.8.783 (June 30, 2010 : Rs.10.787) million. As at that date its accumulated losses are Rs.72.458 (June 30, 2010 : Rs.63.675) million. Its current liabilities exceeds current assets by Rs.1,366.001 (June 30, 2010 : Rs.1,256.093) million. Further, the Company has insufficient funds to repay its overdue liabilities, owed to banking companies amounting to Rs.654.675 (2010 : Rs.545.015) million. Further, the Company has not been able to commence its commercial production to date due to non availability of funds required for completion of project. Due to these factors material uncertainty arises which may create doubts regarding the company's ability to continue as going concern and accordingly company may not be able to realize its assets and discharge its liabilities at the stated amounts.

Further, the Company is defendant in a law suit filed by one of the trade creditors of the Company for winding up as the Company is unable to discharge its outstanding balance as well as the Company has failed to commence its commercial production during the year. Due to these factors material uncertainty arises which may create doubts regarding the Company's ability to continue as going concern and accordingly the Company may not be able to realize its assets and discharge its liabilities at the stated amounts.

However, the Company is still maintaining a positive relationship with the lead agent of syndicated loan. Further, the Company has also given an open mandate to the leading agent of the syndicated loan to make adequate plans and take necessary actions that are required for commencement of Company's commercial operations. Therefore the company expects that adequate inflows will be generated in the future years which will wipe out these losses. Due to strong chances of success of these plans, the financial statements are prepared on the basis of going concern assumption.

3 BASIS OF PREPARATION

These condensed interim financial statements are unaudited 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 June 30, 2010.

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 rupees.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Accounting Convention

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 June 30, 2010 except as mentioned below.

4.2. Staff retirement benefit

Defined Benefit Plan

The Company has introduced an unfunded gratuity scheme for its permanent employees. Provisions are made in the financial statements to cover the obligation in respect of current and past service cost.

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 June 30, 2010 except as a result of introduction of define benefit plan, the estimate of staff retirement benefit is made as product of last drawn salary and number of years of service.

	<i>(Unaudited)</i> <i>March 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2010</i> <i>Rupees</i>
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6. **PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets - tangible

Book value at the beginning of the period / year	164,294,240	165,714,966
Depreciation for the period / year	(858,763)	(1,420,726)
	163,435,477	164,294,240
Capital work-in-progress	1,847,014,373	1,846,934,579
	2,010,449,850	2,011,228,819

7. **LONG TERM LOANS**

Secured - from banking companies

Faysal Bank Limited	7.1	143,948,806	143,948,806
Saudi Pak Industrial and Agriculture Investment Company (Private) Limited	7.2	50,000,000	50,000,000
Syndicate loan	7.3	737,359,431	737,359,431
		931,308,237	931,308,237
Current maturity		217,051,336	219,320,535
Overdue portion		654,675,249	545,014,981
Current and overdue portion of long term loan		871,726,585	764,335,516
		59,581,652	166,972,721

7.1 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 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 (June 30, 2010 : Rs.150 million) of which unavailed amount is Rs.6.051 (June 30, 2010 : Rs.6.051) million.

7.2 The Company has arranged finance facility of Rs.50 million from Saudi Pak Industrial and Agricultural Investment Company Private Limited. The loan is secured against First Equitable Mortgage on all immovable assets of the Company plus 25% margin. The loan is repayable in 9 semi annual installments of Rs.5.56 million commencing from December 2008. The unavailed amount of facility is Rs. Nil (June 30, 2010 : Rs. Nil).

7.3 The Company has arranged an aggregate finance facility of Rs.775 million from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited, Bank of Khyber and Pakistan Kuwait Investment Company (Private) Limited and 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 over the mortgaged property of the Company, first pari passu charge over the hypothecated assets of the Company, personal guarantees of sponsors and demand promissory note in favor of the syndicate. The facility is repayable in 9 semi-annual installments of Rs.86.111 million commencing after two years grace period from the final drawdown date being a date not later than 31st July 2006. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis. The total loan sanctioned amounted is Rs.775 million (June 30, 2010 : Rs.775 million) of which unavailed amount is Rs.37.640 (June 30, 2010 : Rs.37.640) million.

	<i>(Unaudited)</i> <i>March 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2010</i> <i>Rupees</i>
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8. DEFERRED LIABILITY

Employee retirement benefits - gratuity	7.1	<u>4,353,209</u>	<u>-</u>
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8.1. The Company has introduced the staff retirement benefit - unfunded gratuity for its employees. The benefits that are vested at the introduction of define benefit plan are recognised immediately.

9. CONTINGENCY AND COMMITMENT

9.1 Contingency

There were no change in contingencies since the last audited financial statements.

	<i>March 31,</i> <i>2011</i> <i>Rupees</i>	<i>June 30,</i> <i>2010</i> <i>Rupees</i>
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9.2 Commitment

For capital expenditure		<u>54,402,767</u>	<u>40,067,000</u>
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10. TRANSACTIONS WITH RELATED PARTIES

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

During nine months, following transactions with related parties are carried out: -

	<i>(Unaudited)</i> March 31, 2011 Rupees	<i>(Audited)</i> June 30, 2010 Rupees
Entities over which directors have significant influence		
Receipt of short term loan	-	14,120,058
Repayment of short term loan	-	24,036,750
Loans from directors		
Receipt of short term loan	2,844,000	25,593,793

Loan payable to related parties at the end of nine months is Rs.31.00 (June 30, 2010 : Rs.31.00) million.

Loan payable to director at the end of nine months is Rs.220.89 (June 30, 2010 : Rs.218.05) million.

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 27th April 2011 by the Board of Directors of the Company.

12. GENERAL

The figures have been round off to the nearest rupee.

Chief Executive

Director