

Quarterly Report
March 31, 2010



Dost Steels Limited

Registered Office: Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900
Phone: (92-21) 5110421-2 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. Zahid Iftakhar	Member

Chief Financial Officer

Mr. Farukh Jamil

Company Secretary

Mr. Zahid Iftakhar

Bankers

Faysal Bank Limited
National Bank of Pakistan
Askari Commercial Bank Limited
NIB Bank Limited
Bank of Khayber
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. Noble Computer Services (Pvt.) Ltd.,
Mezzanine Floor,
House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal,
Karachi.
Ph # 021-34325482-87
Fax # 021-34325442

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, 2010.

Company's review

During quarter under review we have been expecting a breakthrough in the financial impasse that the company is presently stuck up. Perhaps the next quarter may lead to some breakthrough for garnering additional equity funds of PKR.350 million required to drive the company in commercial production mode.

We have focused all our energies toward a suitable financing arrangement for the company.

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 and wire rod will have positive an impact on the profitability of the company.

For and on behalf of the Board of Directors

Jamal Iftakhar
Chief Executive Officer

Karachi: April 23, 2010

DOST STEELS LIMITED

**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT 31 MARCH 2010**

		((UN-AUDITED)) 31 March 2010 Rupees	(AUDITED) 30 June 2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,011,583,999	2,011,737,387
Long term security deposits		12,716,445	13,886,445
CURRENT ASSETS			
Receivable against trading-considered good		1,013,468	1,013,468
Advances, deposit and other receivable		10,887,624	21,681,695
Cash and bank balances		258,326	174,321
		12,159,418	22,869,484
TOTAL ASSETS		2,036,459,862	2,048,493,316
EQUITY AND LIABILITIES			
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.		674,645,000	674,645,000
Accumulated losses		(62,014,683)	(52,888,090)
SHAREHOLDERS' EQUITY		612,630,317	621,756,910
NON-CURRENT LIABILITIES			
Long term loans - secured	7	303,995,899	386,293,256
CURRENT LIABILITIES			
Current and overdue portion of long term loans		627,312,338	545,014,981
Short term loans - unsecured		247,211,508	233,384,407
Trade and other payables		41,459,780	58,193,742
Markup accrued on secured loans		203,850,020	203,850,020
		1,119,833,646	1,040,443,150
CONTINGENCY AND COMMITMENT	8		
TOTAL CAPITAL AND LIABILITIES		2,036,459,862	2,048,493,316

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010**

	Note	Nine months period ended		Quarter ended	
		31 March 2010 Rupees	31 March 2009 Rupees	31 March 2010 Rupees	31 March 2009 Rupees
Administrative and financial expenses		(9,254,899)	(4,402,527)	(2,183,759)	(722,553)
Other Income		128,306	158,983	39,725	44,655
Recognized loss before taxation		(9,126,593)	(4,243,544)	(2,144,034)	(677,898)
Taxation		-	(718,259)	-	6,824
Recognized loss after taxation		(9,126,593)	(4,961,803)	(2,144,034)	(671,074)
Loss per share - basic and diluted	10	(0.135)	(0.074)	(0.032)	(0.010)

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010**

	Note	31 March 2010 Rupees	31 March 2009 Rupees
CASH FLOW (USED IN) /GENERATED FROM WORKING CAPITAL			
Cash (used in) / generated from working capital	11	(14,000,938)	49,941,857
Long term security deposits		1,170,000	-
Taxes paid		-	(208,474)
Net cash (used in) operating activities		(12,830,938)	49,733,383
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital work in progress		(912,158)	(53,927,293)
Additions in property, plant and equipment		-	(610,260)
Net cash (used in) investing activities		(912,158)	(54,537,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Forfeit of shares		-	(355,000)
Short term Financing		13,827,101	4,125,056
Net cash generated from financing activities		13,827,101	3,770,056
Net increase/(decrease) in cash and cash equivalents		84,005	(1,034,114)
Cash and cash equivalents at beginning of the nine months period		174,321	1,967,390
Cash and cash equivalents at end of the nine months period		258,326	933,276

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED 31 MARCH 2010**

Description	Issued, subscribed and paid up capital	Accumulated losses	Total
	← Rupees →		
Balance as at 01 July 2008	675,000,000	(39,234,170)	635,765,830
Forfeit of 35,500 shares by S.E.C.P.	(355,000)	-	(355,000)
Loss for the nine months period	-	(4,961,803)	(4,961,803)
Balance as at March 31, 2009	<u>674,645,000</u>	<u>(44,195,972)</u>	<u>630,449,028</u>
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 March 31, 2010	<u>674,645,000</u>	<u>(62,014,683)</u>	<u>612,630,317</u>

The annexed notes form an integral part of these financial statements

Chief Executive

Director

DOST STEELS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS PERIOD ENDED 31 MARCH, 2010

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. BASIS OF PREPARATION

These financial statements have been prepared in compliance with the International Accounting Standard 34 Interim Financial Reporting as applicable in Pakistan and the section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these nine months 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 2009.

4. CYCLE OF OPERATION

Bar manufacturing is year round operation. The basic raw material in Billets which is converted into bar of required sizes.

	(UN-AUDITED) 31 March 2010 Rupees	(AUDITED) 30 June 2009 Rupees
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - tangible	164,649,420	165,714,966
Capital work-in-progress	1,846,934,579	1,846,022,421
	2,011,583,999	2,011,737,387

Addition during the nine months period ending are as follows:

	Nine Months Ended	
	(UN-AUDITED) 31 March 2010 Rupees	(UN-AUDITED) 31 March 2009 Rupees
Operating fixed assets	-	610,260
Capital work in progress	912,158	185,515,118

	(UN-AUDITED) 31 March 2010 Rupees	(AUDITED) 30 June 2009 Rupees
6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
67,464,500 (June 2009: 67,464,500) ordinary shares of Rs. 10 each fully paid in cash.	674,645,000	674,645,000

	(UN-AUDITED) 31 March 2010 Rupees	(AUDITED) 30 June 2009 Rupees
7. LONG TERM LOANS		
Secured - from banking companies		
Faysal Bank Limited	143,948,806	143,948,806
Saudi Pak Industrial And Agriculture Investment Company (Private) Limited	50,000,000	50,000,000
Syndicate loan	737,359,431	737,359,431
	931,308,237	931,308,237
Current maturity	210,955,965	219,320,536
Overdue portion	416,356,373	325,694,445
Current and overdue portion of long term loan	627,312,338	545,014,981
	303,995,899	386,293,256

	(UN-AUDITED) 31 March 2010 Rupees	(AUDITED) 30 June 2009 Rupees
8. CONTINGENCY AND COMMITMENT		
8.1 CONTINGENCY		
Pakistan Kuwait Investment Company (Private) Limited (the lender) has claimed for recovery of Rs. 122,197,136. The lender has advanced a loan as a part of consortium syndicate. The management has not provided mark-up as the suit is pending.		
8.2 COMMITMENT		
For capital expenditure	49,577,000	50,893,000

9. 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:

		(UN-AUDITED) 31 March 2010 Rupees	(AUDITED) 30 June 2009 Rupees
	Note		
- (Repayment) / Receipt of loan to related parties	9.1	(9,936,692)	40,926,286
- Receipt of loan from director	9.2	23,763,793	192,458,121

9.1 Loan payable to related parties at the nine months period ended is Rs. 30.99 (June 30, 2009: Rs.40.93) million.

9.2 Loan payable to director at the nine months period ended is Rs. 216.22 (June 30, 2009: Rs.192.46) million.

	Nine Months Ended	
	(UN-AUDITED) 31 March 2010 Rupees	(UN-AUDITED) 31 March 2009 Rupees
10. LOSS PER SHARE - BASIC AND DILUTED		
Loss attributable to ordinary shareholders	(9,126,593)	(4,961,803)
Weighted average number of ordinary shares in issue	67,464,500	67,464,500
Loss per share - basic and diluted	(0.135)	(0.074)

	(UN-AUDITED) 31 March 2010 Rupees	(UN-AUDITED) 31 March 2009 Rupees
11. CASH (USED IN) / GENERATED FROM WORKING CAPITAL		
Loss before taxation	(9,126,593)	(4,243,544)
Adjustment for Depreciation	<u>1,065,546</u>	<u>1,155,440</u>
	(8,061,047)	(3,088,104)
Effect of changes in working capital (Increase) / decrease in current assets		
Advances, deposits and other receivable	10,794,071	2,147,310
Increase / (decrease) in current liabilities		
Trade and other payables	(16,733,962)	50,882,651
	<u>(14,000,938)</u>	<u>49,941,857</u>

12. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 23, 2010 by the Board of Directors of the Company.

13. GENERAL

The figures have been round off to the nearest rupee.

Chief Executive

Director