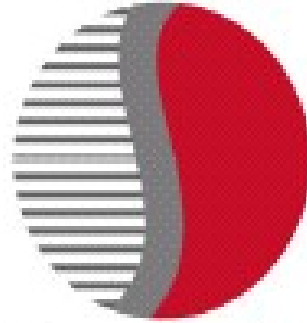


Quarterly Report
September 30, 2008



Dost Steels Limited

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. Bilal Jamal	Director
Mr. Hamza Raees	Director
Mr. M. Seraj ul Haque	Director

Audit Committee

Mr. Raees Iftakhar	Chairman of Committee
Mr. Faisal Zahid	Member
Mr. M. Seraj ul Haque	Member
Mr. Athar A. Khan	Secretary

Chief Financial Officer

Mr. M. Seraj ul Haque

Company Secretary

Mr. Athar Ali Khan

Bankers

Askari Commercial Bank Limited
Faysal Bank Limited
National Bank of Pakistan
United Bank Limited
The Royal Bank of Scotland

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

Noble Computer Services (Private) Limited
2nd Floor, Sohni Centre,
BS 5 & 6, Main Karimabad, Block – 4,
Federal 'B' Area, Karachi – 75950
Phone Nos. 6801880 – 6802326

Registered/Head Office

Plot # 222, Sector – 39,
Korangi Creek Industrial Area,
Karachi – 74900

Mills

Bhai Pheru, 52 Km Lahore
Multan Road

Web Presence

www.doststeels.com



DIRECTORS' REVIEW

It is my pleasure to present the un-audited financial statement of the company for the first quarter ended September 30, 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 term loans to make two quarterly markup payments that have fallen due for payment and have not been paid by the company. Further one principal payment has also fallen due in June 2008 that has not been paid. Two future quarterly markup amounts are also to be provided for. These all amount to a total of PKR.215 million. Further amounts in the range of PKR.125 million have to be mobilized for utilizing the services of the three Italian principal suppliers to hot commission the mill. Amounts in range of PKR.360 million will be required for working capital facilities to keep stocks of steel billet and steel bars.

Negotiations and meetings are taking place with the syndicate bankers for resolution of the issues. However the overall country and global situation has affected the progress and it is not expected that a breakthrough is imminent, unless and until the country is able to come out of the financial morass that it has sunken into.

We expect to make the mill operational in eight weeks from the date the required finance is made available to us.

Acknowledgement

The Board of Directors takes this opportunity to thanks to all our project partners, bankers, shareholders, suppliers, insurance companies and specially our staff members for their continuous support to the ongoing bar mill project.

On behalf of the Board of Directors

Jamal Iftakhar
Chief Executive

Karachi : 30th September 2008

DOST STEELS LIMITED**CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)****AS AT SEPTEMBER 30, 2008**

		(UN-AUDITED) September 30, 2008 Rupees	(AUDITED) June 30, 2008 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipments	5	1,813,842,844	1,758,114,628
Long term security deposits		13,866,345	13,886,445
Deferred tax asset		872,928	873,907
CURRENT ASSETS			
Receivable against trading		1,152,490	1,152,490
Advances, deposit and other receivable		54,054,251	52,084,479
Cash and bank balances		3,892,738	1,967,390
		59,099,479	55,204,359
TOTAL ASSETS		<u>1,887,681,596</u>	<u>1,828,079,339</u>
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		675,000,000	675,000,000
Accumulated loss		(40,556,641)	(39,234,168)
SHAREHOLDERS' EQUITY		<u>634,443,359</u>	<u>635,765,832</u>
NON-CURRENT LIABILITIES			
Long term loans		550,405,459	605,613,792
CURRENT LIABILITIES			

Current portion of long term loans
Short term loan
Trade and other payables
Markup accrued on secured loans
Provision for taxation

380,902,779	325,694,445
192,481,507	188,458,121
54,326,990	39,557,625
74,998,837	32,866,858
122,666	122,666
702,832,779	586,699,715

COMMITMENTS

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TOTAL CAPITAL AND LIABILITIES

1,887,681,596

1,828,079,339

The annexed notes form an integral part of these financial statements

KARACHI : October 30, 2008

CHIEF EXECUTIVE

DIRECTOR

DOST STEELS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

	(UN-AUDITED) First Quarter ended September 30, 2008	(UN-AUDITED) First Quarter ended September 30, 2007
Note	Rupees	Rupees
Administrative & Financial expenses	1,391,284	3,443,019
Gain on Sale of Construction Materials	-	1,803,181
Other Income - Interest Income	69,792	43,875
Loss before taxation	<u>(1,321,492)</u>	<u>(1,595,963)</u>
Taxation	979	100,976
Loss after taxation	<u>(1,322,471)</u>	<u>(1,696,939)</u>
Loss per share - basic and diluted	<u>(0.020)</u>	<u>(0.042)</u>

KARACHI : October 30,
2008

CHIEF EXECUTIVE

DIRECTOR

DOST STEELS LIMITED**CONDENSED INTERIM CASH FLOW STATEMENT****FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008**

		(UN-AUDITED) First quarter ended September 30, 2008	(UN-AUDITED) First quarter ended September 30, 2007
	Note	Rupees	Rupees
CASH FLOW (USED IN) / GENERATED FROM WORKING CAPITAL			
Cash (used in) / generated from working capital	6	11,893,871	(3,085,961)
Long term security deposits		20,100	(120,000)
Taxes paid		(62,147)	(656,080)
Net cash flow from operating activities		11,851,825	(3,862,041)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant, equipment and Capital work in progress		(13,949,863)	(71,717,206)
Net cash used in investing activities		(13,949,863)	(71,717,206)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing		(55,208,334)	-
Short term Financing		59,231,720	54,343,197
Net cash flow from financing activities		4,023,386	54,343,197
Net increase/(decrease) in cash and cash equivalents		1,925,348	(21,236,050)
Cash and cash equivalents at beginning of the year		1,967,390	23,065,527
Cash and cash equivalents at end of the year		3,892,738	1,829,477

The annexed notes form an integral part of these financial statements

KARACHI : October 30, 2008

CHIEF EXECUTIVE**DIRECTOR**

DOST STEELS LIMITED

CONSENSUED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2008

Description	Issued, subscribed and paid up capital	Accumulated loss	Total
	←	→	
	Rupees		
Balance as at June 30, 2007 (AUDITED)	400,000,000	(7,839,682)	392,160,318
Issue of share capital	-	-	-
Loss for the period after tax	-	(1,696,939)	(1,696,939)
Balance as at September 30, 2007 - (UN-AUDITED)	<u>400,000,000</u>	<u>(9,536,621)</u>	<u>390,463,379</u>
Balance as at June 30, 2008 (AUDITED)	675,000,000	(39,234,170)	635,765,830
Issue of share capital	-	-	-
Loss for the period after tax	-	(1,322,471)	(1,322,471)
Balance as at September 30, 2008 - (UN-AUDITED)	<u>675,000,000</u>	<u>(40,556,641)</u>	<u>634,443,359</u>

KARACHI : October 30, 2008

CHIEF EXECUTIVE

DIRECTOR