



Dost Steels Limited



A N N U A L R E P O R T

2008



*The Next Generation Steel!*





# C O N T E N T S

Vision/Mission and Corporate Strategies	02
Company Information	03
Notice of Annual General Meeting	04
Directors' Report	05
Statement of Ethics & Business Practices	09
Statement of Compliance with the Code of Corporate Governance	11
Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	13
Auditors' Report to the Members	14
FINANCIAL STATEMENTS	
Balance Sheet	17
Profit & Loss Accounts	18
Cash Flow Statement	19
Statement of Changes in Equity	20
Notes to the Accounts	21
Pattern of Shareholdings	38
Proxy From	41





## O U R M I S S I O N

- 1 To manufacture and supply high quality steel large bar to the construction sector whilst adopting safe and environmentally friendly practices.
- 1 To remain the preferred and consistent supply source for various steel products in the country.
- 1 Offer products that are not only viable in terms of desirability and price but most importantly give true and lasting value to our customers.
- 1 To fulfill social obligation and compliance of good governance.
- 1 Ensure that the business policies and targets are in conformity with national goals.
- 1 Deliver strong returns on investments of our stakeholders by use of specialized and high quality corporate capabilities with the combined use of modern bar mill practices, enterprise class software on a web based solution and targeted human resource support.

## O U R V I S S I O N

- 1 To recognize globally as a leading supplier of steel large bar of the highest quality standards, with market leading standards of customer service.
- 1 Business development by adoption of emerging technologies, growth in professional competence, support to innovation. Enrichment of human resources and performance recognition.

## C O R P O R A T E S T R A T E G I E S

- 1 Ensure that the business policies and targets are in conformity with national goals.
- 1 Establish a better and safer work environment for all employees.
- 1 Contribute in national efforts towards attaining sustainable self-efficiency in steel products.
- 1 Customer's satisfaction by providing best value and quality products.
- 1 Maintain modern management system conforming to international standards needed for an efficient organization.
- 1 Ensure to foster open communications, listen, and understand other perspectives.
- 1 Acquire newer generation technologies for effective and efficient operations.



## C O M P A N Y I N F O R M A T I O N

### 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

### Auditors

Haroon Zakaria & Company  
Chartered Accountants

### Legal Advisor

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

### Audit Committee

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

### 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

### Chief Financial Officer

Mr. M. Seraj ul Haque

### Registered/Head Office

Plot No. 222, Sector 39,  
Koranig Creek Industrial Area,  
Karachi-74900

### Company Secretary

Mr. Athar Ali Khan

Phone : 5110421-22

### Mills

Bhai Pheru, 52 Km Lahore  
Multan Road

### Bankers

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

### Web Presence

[www.doststeels.com](http://www.doststeels.com)



## Notice of the 5<sup>th</sup> Annual General Meeting

NOTICE is hereby given that the 5th Annual General Meeting of M/s. Dost Steels Limited will be held on Friday the October 31st, 2008 at 1:00 p.m. at Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900 to transact the following business:

### ORDINARY BUSINESS

1. To confirm the Minutes of the last Extra-ordinary General Meeting held on July 15, 2008.
2. To receive, consider and adopt the audited Annual Accounts for the year ended June 30, 2008 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company for the year ending June 30, 2009 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

Karachi  
October 9, 2008

By Order of the Board  
Athar A. Khan  
Company Secretary

### NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24 to October 31, 2008 (both days inclusive).
2. A member entitled to attend, and vote a Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the company or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Register of the Company M/s. Noble Computer Services (Private) Limited, 2nd Floor, Sohni Centre, BS 5 & 6, Main Karimabad, Block -4, Federal 'B' Area, Karachi - 75950 not less than 48 hours before the time of the Meeting.
4. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC) are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting.
5. Shareholders are requested to notify the Company of the change in their address, if any, to our Share Registrar M/s. Noble Computer Services (Pvt.) Limited.





## DIRECTORS' REPORT TO THE SHARE HOLDERS

The Board of Directors of Dost Steels Limited (DSL) is pleased to present its First Annual Report after listing with Karachi Stock Exchange (Guarantee) Limited together with audited accounts of the Company for the year ended June 30, 2008.

### Economy & Industry

Steel sector of any country play a vital role in country's economy, it served as the backbone of any economy because of backward and forward linkages as it feeds the manufacturing and infrastructure sectors, construction and engineering industry along with providing the basic raw material to many sectors of the economy.

At present the steel products are imported, exposing this sector to exogenous shocks, short supplies, high freight cost, and logistic problems. The proposed steel policy would help in increasing capacities of this sector, saving precious foreign exchange by utilising local untapped natural resources that would also help in generating more employment opportunities.

The rising demand for iron and steel in the country due to large-scale reconstruction and development activities has resulted in massive growth of 57 percent in iron and steel import bill in July-April of current fiscal over the same period of last year.

Public sector Development projects by Govt. are also very encouraging The Govt. has promulgated the revised building code in 2007 initially for the northern earthquake affected region and later it has been enforced all over the country, making it mandatory to use deformed steel for all construction, except for a limited three years exemption wherein cold twisted tor steel bars can be used in single story building. The real Estate boom in Middle East has opened new horizons for Export of rebar to this region and adjoining Afghanistan.

### Company's Review

We are pleased to inform you that 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.

We need additional term loans for PKR700 million to make loan repayments, payments to our machine suppliers and get the mill operational. Negotiations are taking place with the syndicate bankers and we expect it to be over in the next two months time. A meeting of the bankers of the syndicate have taken place in Karachi on 24th September 2008. As indications are that our required finance will be made available to us. We expect to make the mill operational in eight weeks from the date the required finance is made available to us.

The promoters have already increased there equity contribution by PKR.75 million from PKR.325 million committed earlier to PKR.400 Million.



### Reason for Delay in DSL Erection and Commissioning

The erection of the plant was proceeding well and was expected to be completed by 3rd quarter 2007. However, these plans were disrupted with the onset of the Lal Masjid episode and suicide bombings all over the country. Travel advisories were issued and the Italians politely refused to come to Pakistan. The delay has resulted in cost over run. As mentioned above we have approached banks for additional funding.

### Financial Highlights

As the company was listed on the Karachi Stock Exchange (Guarantee) Limited in November 2007, and it has yet to start commercial production, therefore, the financial highlights are not available.

### Increase in Authorized Capital

In order to facilitate future increase in the paid up capital, the Board of Directors of the Company has unanimously decided to increase in authorized share capital of the Company from Rs. 700,000,000/- (Seven Hundred Million) to Rs. 1,500,000,000/- (One Billion Five Hundred Million) so that additional capital induction may be undertaken if required in future.

Special Resolution to increase in the authorized have been passed by members of three-fourths majority in the Extraordinary General Meeting held on July 15, 2008.

### Auditors

The present auditors M/s. Haroon Zakaria & Co., Chartered Accountants are retiring and have offered themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the company for the year ending June 30th, 2009 at a fee to be mutually agreed.

### Compliance with the Code of Corporate Governance

The requirement of the Code of Corporate Governance set out by the Karachi Stock Exchange in their Listing Regulations, relevant for the year ended June 30, 2008 have been adopted by the Company and have been duly complied with. A separate statement of compliance with the Code of Corporate Governance signed by the Chief Executive Officer is separately included in this Annual Report.

### Statement of Ethics and Business Practices

The Board has adopted the statement of Ethics and Business Practices. All employees have been informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

### Corporate and Financial Reporting Frame Work

- 1 The financial statements together with the notes thereon have been drawn up by the management in conformity with the Companies Ordinance, 1984. These Statements present fairly Company's state of affairs, the result of its operations, cash flows and changes in equity.



- 1 Proper books of accounts have been maintained by the Company.
- 1 Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 1 The International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- 1 The system of internal control is sound in design and has been effectively implemented and monitored.
- 1 There are no doubts upon the Company's ability to continue as a going concern.
- 1 There has been no departure from the best practices of Corporate Governance, as detailed in the listing regulations.

#### Board of Directors Meetings

Election of Directors of the company was held on 20th October 2007 and new Board was elected for three years.

During the year under report, the Board of Directors met five (5) times. The numbers of meetings attended by each director during the year is shown below:

Name of Directors	No. of Meeting Attended
Mr. Jamal Iftakhar	05
Mr. Zahid Iftakhar	05
Mr. Raees Iftakhar	05
Mr. Faisal Zahid	02
Mr. Bilal Jamal	03
Mr. Hamza Raees	05
Mr. M. Seraj ul Haque	04

Leave of absence was granted to Directors who could not attend the Board meetings.

#### Audit Committee

The management of your Company believes in Good Corporate Governance, implemented through a well defined and efficiently applied system of check and balance, and the provision of transparent, accurate and timely financial information.

An Audit Committee comprises of three (3) directors of whom two (2) non-executive directors including the chairman of the committee. The committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the Listing Regulations.

## Pattern of Shareholding

The total numbers of Company's shareholders as at June 30, 2008 were 16,675. The pattern of shareholding as at June 30, 2008 along with necessary disclosures as required under the Code of Corporate Governance is annexed with the report.

## Future Outlook

Due to unprecedented rise in steels price globally during the last one year, the company has missed an opportunity of making good profit due to the uncertainties created by the political condition within the country coupled with the lack of financial support from the financial institutions. In spite of the difficulties prevailing in the country as explained above, it is expected that your company will go in full production by the early next year.

We expect the political dust to settle down in a month or so and as soon as this happens your company is expected to go into production at full blast trying to catch up the lost opportunities as much as possible.

To overcome the capital needs of the company, we expect that the company will approach the capital markets by way of a rights issue for which steps have been initiated.

## 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 patience and continuous support to the ongoing bar mill project which is completed awaiting hot commissioning.

For and on behalf of the Board of Directors

Jamal Iftakhar  
Chief Executive Officer  
Karachi: September 29, 2008

## Statement of Ethics and Business Practices

All employees are bound by the following ethical obligations, and each agrees that he or she will:

- 1 The Company discloses the Code of Ethic and Business Practices in Company's Annual Report and also that the Code is maintained on the website as well.
- 1 Perform his or her duties in an honest and ethical manner.
- 1 Refrain from engaging in any activity or having a personal interest that presents an actual or apparent conflict of interest.
- 1 Take all necessary actions to ensure full, fair, accurate, timely and understandable disclosure in report and documents that the Company files with or submits to government agencies and in other public communications.
- 1 Comply with all applicable laws, rules and regulations of federal, provincial and local governments.
- 1 Proactively promote and be an example of ethical behavior in the work environment.
- 1 Will not support any political party nor contribute to the funds of groups whose activities promote party interest.
- 1 It is important that all disclosure in reports and documents that the Company files with Securities and Exchange Commission of Pakistan, Stock Exchanges, Federal and Provincial Government, Autonomous Bodies and in other General Public communications, fair, accurate, timely and understandable.
- 1 Company assets both tangible and intangible are to be used only for legitimate business purposes of the Company and by authorized employees. Make best use of Company's equipment, system and technological methods in order to have fast and reliable communication and strong MIS system in accordance with Company's guidelines.
- 1 Conduct Company's business with integrity and endeavor to deal honestly with the customers, suppliers, competitors, and employees under the laws prevailing in the country.
- 1 All confidential information concerning the Company is the property of the Company and must be protected. Confidential information includes the company's trade secrets, business trends and projections, information about financial performance, new product or marketing plans, manufacturing processes, information about potential acquisitions, divestitures and investment, significant personnel changes, existing and potential major contracts, orders, suppliers, customers or finance sources and any other material information which directly relates with share price sensitivity of the company.



- 1 Agrees that Company is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias, and is merit, and excellence oriented. It believes in providing its employees safe and healthy working environment, and in maintaining good channels of communications.
- 1 Agrees that Company strives to serve best interest of its shareholders to provide consistent growth and a fair rate of return on their investment, to maintain our position and reputation as a leading company, to protect shareholders investment and to provide full and timely information. By conducting our business in accordance with the principles of fairness, decency and integrity set forth here, we help to build shareholder value.
- 1 By accepting employment with the company, each of us is now accountable for compliance with these standards of conduct and with all laws and regulations of the Company.



## Statement Of Compliance With The Code Of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, Chapter XIII of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of independent non-executive Directors on its Board of Directors (the Board). At present, the Board includes four (4) non-executive directors. The company encourages representing of minority shareholders on the Board, however, none of the minority shareholder offered himself for election.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-banking Financial Institution. None of the directors of the company are members of any Stock Exchange.
4. No casual vacancy occurred in the Board during the year.
5. 'Statement of Ethics and Business Practices' has been developed, which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meeting of the board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven (7) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant with the relevant laws applicable to the Company including the Companies Ordinance, 1984, Listing Regulations, Code of Corporate Governance, Company Memorandum and Articles of Association and other relevant rules and regulations and are aware of their duties and responsibilities. Orientation course material was circulated to the Board which has been taken as read and understood.
10. The Board has approved the appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The CEO and CFO duly endorsed the financial statement of the Company before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The meeting of the audit committee were held at least once in every quarter after listing prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.
16. The Company has appointed an Internal Auditor who is considered suitably qualified and experienced for the purpose, however, the Company is still in the process of establishing a proper Internal Audit Department.
17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guideline on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.

Jamal Iftakhar  
Chief Executive Officer  
Karachi, September 29, 2008

# Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

## HAROON ZAKARIA & COMPANY

CHARTERED ACCOUNTANTS

### Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance.

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dost Steels Limited (‘th e Company’) to comply with the Listing Regulations of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company, for the year ended June 30, 2008.

Place: Karachi  
Dated: 29 SEP 2008

HAROON ZAKARIA & COMPANY  
CHARTERED ACCOUNTANTS



Room 211, 2nd Floor, Progressive Plaza  
Plot No. 5 - CL - 10, Civil Lines Quarter,  
Beaumont Road, Near Dawood Center,  
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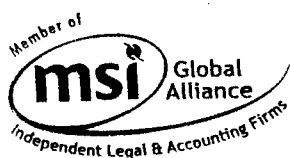
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DOST STEELS LIMITED** as at June 30, 2008 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,
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



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URL : http://www.hzco.com.pk



- 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, 2008 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).

Without qualifying our opinion we draw attention to note – 2.2 to the financial statements that more extensively discusses the reason for preparing these financial statements on going concern basis.

**Place: Karachi**  
**Dated: 29 Sep. 2008**

**HAROON ZAKARIA & COMPANY**  
**CHARTERED ACCOUNTANTS**



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2008





# BALANCE SHEET AS AT JUNE 30, 2008



Dost Steels Limited



	Note	2008 Rupees	2007 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,758,114,628	1,291,267,373
Long term security deposits	5	13,886,445	13,579,445
Deferred tax asset	6	873,907	-
<b>CURRENT ASSETS</b>			
Receivable against trading	7	1,152,490	24,570,958
Advances, deposit and other receivable	8	52,084,479	197,358,439
Cash and bank balances	9	1,967,390	23,710,876
		55,204,359	245,640,273
<b>TOTAL ASSETS</b>		<b>1,828,079,339</b>	<b>1,550,487,091</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 70,000,000 ordinary shares of Rs. 10/- each		700,000,000	700,000,000
Issued, subscribed and paid up capital	10	675,000,000	400,000,000
Accumulated loss		(39,234,168)	(7,839,682)
<b>SHAREHOLDERS' EQUITY</b>		<b>635,765,832</b>	<b>392,160,318</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	11	605,613,792	931,308,237
<b>CURRENT LIABILITIES</b>			
Current portion of long term loans	11	325,694,445	-
Short term loan	12	188,458,121	178,861,468
Trade and other payables	13	39,557,625	44,204,296
Markup accrued on secured loans		32,866,858	3,002,894
Provision for taxation		122,666	949,878
		586,699,715	227,018,536
<b>COMMITMENTS</b>	14		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,828,079,339</b>	<b>1,550,487,091</b>

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

Chief Executive

Director

17



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008



	Note	2008 Rupees	2007 Rupees
Sales		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses	15	29,638,847	5,633,578
Selling and distribution expense	16	1,937,407	3,225,309
Operating Loss		(31,576,254)	(8,858,887)
Other Income	17	3,886,221	7,227,073
Loss before taxation		(27,690,033)	(1,631,814)
Taxation	18	3,704,453	949,878
Loss after taxation		(31,394,486)	(2,581,692)
Loss per share - basic	19	(0.552)	(0.065)

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

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008



	Note	2008 Rupees	2007 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(27,690,033)	(1,631,814)
Adjustment for:			
Depreciation		1,733,613	1,281,795
		<u>(25,956,420)</u>	<u>(350,019)</u>
Decrease/(Increase) in receivable Against trading		23,418,468	(24,570,958)
Decrease/(Increase) in advances, deposits and other receivable		140,697,808	(151,036,578)
Decrease/(Increase) in construction material stock		-	112,667,273
Increase / (decrease) Trade and other payables		(4,646,671)	(2,655,956)
Cash generated from / (used in) operations		<u>133,513,185</u>	<u>(65,946,238)</u>
Long term security deposits paid		(307,000)	(11,840,887)
Taxes paid		(829,420)	(8,033,189)
Finance charges paid		(110,944,736)	-
		<u>21,432,029</u>	<u>(85,820,314)</u>
Net cash generated from / (used in) operating activities		21,432,029	(85,820,314)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(327,772,168)	(789,104,904)
		<u>(327,772,168)</u>	<u>(789,104,904)</u>
Net cash used in investing activities		(327,772,168)	(789,104,904)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		275,000,000	75,000,000
Long term financing		-	636,615,930
Short term Financing		9,596,653	158,003,855
		<u>284,596,653</u>	<u>869,619,785</u>
Net cash generated from financing activities		284,596,653	869,619,785
Net decrease in cash and cash equivalents		(21,743,486)	(5,305,433)
Cash and cash equivalents at beginning of the year		23,710,876	29,016,309
		<u>1,967,390</u>	<u>23,710,876</u>
Cash and cash equivalents at end of the year		1,967,390	23,710,876

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

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008



Description	Issued, subscribed and paid up capital	Accumulated loss	Total
	Rupees		
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
Issue of share capital	275,000,000	-	275,000,000
Loss for the period after tax	-	(31,394,486)	(31,394,486)
Balance as at June 30, 2008	675,000,000	(39,234,168)	635,765,832

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

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



## 1. LEGAL STATUS AND NATURE OF BUSINESS

Dost Steels Limited (the Company) was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984 (The Ordinance). The Company was converted into public limited company with effect from 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

### 2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

### 2.2 Going Concern Assumption

The Company has incurred loss after taxation of Rs. 31.317million (2007: 2.582 million). As at that date its accumulated losses are Rs.39.16 million (2007: 7.84 million).However, company has acquired necessary infrastructure to support its production activities and installation of plant and machinery is successfully completed.The company expects that adequate inflows will be generated in future years which will wipe out these losses which is dependent on successful negotiations, with lender institutions, for availability of funds for commercial production and working 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.

### 2.3 Functional and Presentation Currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee.

### 2.4 Use of Estimates And Judgments

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 asset, 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 recognised 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.



In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

## 2.4.1 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.

## 2.4.2 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.

## 2.5 Standards, Interpretations and Amendments To Published Approved Accounting Standards

### a) Amendments to published standards effective in current year

Amendments to IAS 1 'Presentation of financial statements – Capital Disclosures' is mandatory for the Company's accounting periods beginning on or after July 1, 2007. It introduces disclosure requirements regarding how the entity manages its capital. Adoption of these amendments only impact the format and extent of disclosures as presented in financial instruments disclosure.

### b) Standards, amendments and interpretations effective in current year but not relevant

There are other new accounting standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 are considered not to be relevant or have any significant effect to the Company's operations and therefore, not detailed in these financial statements.

### c) Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' have been published in September 2007 which revised the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statements of changes in equity and with non owners in Comprehensive Income Statements. The revised standard will be effective from April 1, 2009. Adoption of the above standard will only impact the presentation of financial statements.

IAS 23 (Amendment) 'Borrowing costs' (effective from period begin on or after January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRS 8 'Operating segments' (effective from period begin on or after January 1, 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.



IFRIC 13 'Customer loyalty programmes' (effective from period begin on or after July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from period begin on or after January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management has assessed that the adoption would not have any impact on the Company's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in these financial statements. Further accrual basis of accounting has been followed except for cash flow information.

#### 3.2 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.

The assets' residual values and useful lives are continually reviewed by the company and adjusted if impact on depreciation is significant. The company's estimate of residual values of property, plant and equipment as at June 30, 2008 has not required any adjustment as its impact is considered insignificant.

### 3.3 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.

### 3.4 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.

### 3.5 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.

### 3.6 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.

#### 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.

### 3.7 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.

### 3.8 Revenue Recognition

a) Trading of steel bars is recorded on dispatch to customers.

b) Interest income is recorded on accrual basis using effective interest rate.

### 3.9 Financial Instruments

All the financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortised cost as the case may be. The Company derecognises the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

### 3.10 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.

### 3.11 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in profit and loss account.

### 3.12 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.

### 3.13 Foreign Currency Transactions

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.

### 3.14 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	2008 Rupees	2007 Rupees
<b>4. PROPERTY, PLANT AND EQUIPMENTS</b>			
Operating assets	4.1	165,421,490	162,552,703
Capital work-in-progress	4.2	1,592,693,138	1,128,714,670
		1,758,114,628	1,291,267,373

#### 4.1 OPERATING ASSETS

Description	C O S T			Rate %	ACCUMULATED DEPRECIATION			Written down Value as at June 30, 2008
	As at July 1, 2007	Addition / Transfer	As at June 30, 2008		As at July 1, 2007	For the year	As at June 30, 2008	
	Rupees				Rupees			
Freehold land	157,876,220	-	157,876,220	0	-	-	-	157,876,220
Furniture & fittings	347,325	1,131,925	1,479,250	15	88,061	208,678	296,739	1,182,511
Electric Equipments	670,135	2,730,675	3,400,810	15	106,010	494,220	600,230	2,800,580
Computers equipments	1,526,848	158,300	1,685,148	30	524,386	348,229	872,615	812,533
Office equipments	105,072	-	105,072	15	26,276	11,819	38,095	66,977
Vehicles	4,113,075	581,500	4,694,575	20	1,341,239	670,667	2,011,906	2,682,669
June 30, 2008	<u>164,638,675</u>	<u>4,602,400</u>	<u>169,241,075</u>		<u>2,085,972</u>	<u>1,733,613</u>	<u>3,819,585</u>	<u>165,421,490</u>

Description	C O S T			Rate %	ACCUMULATED DEPRECIATION			Written down Value as at June 30, 2007
	As at July 1, 2006	Addition / Transfer	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	0	-	-	-	157,876,220
Furniture & fittings	282,060	65,265	347,325	15	42,309	45,752	88,061	259,264
Electric Equipments	43,050	627,085	670,135	15	6,458	99,552	106,010	564,125
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
Vehicles	2,227,000	1,886,075	4,113,075	20	648,280	692,959	1,341,239	2,771,836
June 30, 2007	<u>160,826,666</u>	<u>3,812,009</u>	<u>164,638,675</u>		<u>804,177</u>	<u>1,281,795</u>	<u>2,085,972</u>	<u>162,552,703</u>

	Note	2008 Rupees	2007 Rupees
<b>4.2 CAPITAL WORK IN PROGRESS</b>			
Land development		11,012,712	10,977,712
Civil works		205,000,338	100,397,951
Plant and machinery		1,123,227,774	902,710,098
Unallocated borrowing costs		253,452,314	112,643,614
Advances against capital expenditures		-	1,985,295
		<u>1,592,693,138</u>	<u>1,128,714,670</u>
<b>5. LONG TERM SECURITY DEPOSITS</b>			
Electricity		1,638,558	1,638,558
Gas		11,700,000	11,700,000
Telephone		20,887	20,887
Rent		527,000	220,000
		<u>13,886,445</u>	<u>13,579,445</u>
<b>6. Deferred tax asset</b>		<u>873,907</u>	-
6.1	These are deductible temporary differences relating to origination of fixed assets which are expected to be realised against future taxable profits because of the facts discussed in note 2.2		
<b>7. RECEIVABLE AGAINST TRADING</b>		<u>1,152,490</u>	<u>24,570,958</u>
7.1	It represents balance receivable from parties against the sale of steel bars.		
<b>8 ADVANCES, DEPOSIT AND OTHER RECEIVABLE</b>			
Advances - considered good			
Secured			
Against letter of credit		650,111	487,893
Unsecured			
To staff		20,000	1,141,000
Income tax		10,997,866	15,574,018
For services		2,520,418	97,810,925
To suppliers		670,372	47,700,860
Sales tax refundable		27,157,062	24,404,993
		<u>42,015,829</u>	<u>187,119,689</u>
Deposit			
against utilities		9,980,900	10,151,000
Other receivable			
Interest receivable		87,750	87,750
		<u>52,084,479</u>	<u>197,358,439</u>



- 11.1 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 then 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.
- 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 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 then 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 of which Rs. 737.36 million has been availed.
- 11.3 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 the 24th month from the first disbursement date.

	Note	2008 Rupees	2007 Rupees
<b>12. SHORT TERM LOAN</b>			
Bridge Loan		-	157,350,000
Bank overdraft		-	21,511,468
Loan From Directors	12.1	188,458,121	-
		<u>188,458,121</u>	<u>178,861,468</u>

12.1 The loan is unsecured and interest free repayable within twelve months.

### 13. TRADE AND OTHER PAYABLES

Trade creditors	33,478,822	41,732,343
Accrued expenses	6,078,803	2,471,953
	<u>39,557,625</u>	<u>44,204,296</u>

### 14. COMMITMENTS

The Company is committed to capital expenditure amounting to Rs 81.822 million (2007:Rs 100 million) as at the balance sheet date.



	Note	2008 Rupees	2007 Rupees
<b>15. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits		5,187,349	1,127,410
Traveling and conveyance		20,687	30,507
Rent, rates and taxes		70,000	3,000
Vehicle running and maintenance		819,834	1,112,023
Legal and professional charges		2,059	50,700
Entertainment expenses		137,054	135,233
Printing and stationery		144,706	228,328
Bank charges and commission		31,366	55,448
Telephone, postage and couriers		161,145	352,311
Fees and subscription		151,040	478,468
Preliminary expenses	15.1	20,652,985	-
Utilities		73,254	224,684
Repairs and maintenance		141,465	145,517
Advertising expenses		43,240	251,930
General expenses		41,550	56,224
Auditors' remuneration	15.2	227,500	100,000
Depreciation	4.1	1,733,613	1,281,795
		<u>29,638,847</u>	<u>5,633,578</u>
<b>15.1 Preliminary expenses</b>			
Underwriting commission		4,125,000	-
Banker to the issue		2,521,862	-
Brokerage to the members of KSE		2,490,150	-
KSE fees		710,000	-
CDC fees and deposit		62,500	-
Share registrar and computer balloting		930,411	-
Printing and publishing charges		3,001,740	-
IPO advisory fees		5,700,000	-
Shares Transfer Expenses		1,111,322	-
		<u>20,652,985</u>	<u>-</u>
<b>15.2 Auditors' remuneration</b>			
Audit fee		150,000	100,000
Interim review fees and other certification		75,000	-
Out of pocket expenses		2,500	-
		<u>227,500</u>	<u>100,000</u>



	Note	2008 Rupees	2007 Rupees
<b>16. SELLING AND DISTRIBUTION EXPENSE</b>			
Freight and transportation expense		551,132	2,408,415
Loading and Unloading charges		62,210	139,965
Salaries of Marketing sales staff		1,324,065	676,929
		<u>1,937,407</u>	<u>3,225,309</u>
<b>17. OTHER INCOME</b>			
Interest on deposits	17.1	175,500	87,750
Return on bank deposits		16,904	-
Gain on trading of steel bars	17.2	3,693,817	7,139,323
		<u>3,886,221</u>	<u>7,227,073</u>
<p>17.1 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.</p>			
17.2 Gross proceeds from trading of steel bars		24,831,019	208,434,614
Less: Sales Tax		(297,833)	(18,459,008)
Net Sales		<u>24,533,186</u>	<u>189,975,606</u>
Less: Cost of Sales		<u>(20,839,369)</u>	<u>(182,836,283)</u>
		<u>3,693,817</u>	<u>7,139,323</u>
<p>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.</p>			
<b>18. TAXATION</b>			
Current		122,666	949,878
Prior		4,455,694	-
Deferred	6	(873,907)	-
		<u>3,704,453</u>	<u>949,878</u>
<b>19. LOSS PER SHARE - BASIC</b>			
Loss attributable to ordinary share holders		<u>(31,394,486)</u>	<u>(2,581,692)</u>
Weighted average number of ordinary shares in issue		<u>56,876,712</u>	<u>40,000,000</u>
Loss per share - basic		<u>(0.552)</u>	<u>(0.065)</u>

## 20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 20.1 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. 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. Receivables subject to credit risk are Rs.1,152,490 (2007: Rs. 24,570,958).

### 20.2 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. Currently the Company is not subject to market risk.

### 20.3 LIQUIDITY / FLOW RISK

Liquidity / cash flow 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. The Company has strong financial support from financial institutions for which repayment is not yet commenced. Company also has support from its directors.

### 20.4 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.

### 20.5 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.



## 20.6 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.

## 20.7 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, issue new shares and take other measures commensurating the circumstances.

## 20.8 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.



## 21. 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, 2008						
	Interest / Mark-up bearing			Non-Interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees			Rupees			
<b>Financial Assets</b>							
Deposits	-	11,700,000	11,700,000	9,980,900	1,659,445	11,640,345	23,340,345
Receivable against trading	-	-	-	1,152,490	-	1,152,490	1,152,490
Advances and deposits	-	-	-	107,750	-	107,750	107,750
Cash and bank balances	-	-	-	1,967,390	-	1,967,390	1,967,390
	-	11,700,000	11,700,000	13,208,530	1,659,445	14,867,975	26,567,975
<b>Financial Liabilities</b>							
Long term financing	325,694,445	605,613,792	931,308,237	-	-	-	931,308,237
Short term loans	-	-	-	188,458,121	-	188,458,121	188,458,121
Trade and other payables	-	-	-	39,557,625	-	39,557,625	39,557,625
	325,694,445	605,613,792	931,308,237	228,015,746	-	228,015,746	1,159,323,983
On Balance Sheet Gap	(325,694,445)	(593,913,792)	(919,608,237)	(214,807,216)	1,659,445	(213,147,771)	(1,132,756,008)



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			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	Rupees			Rupees			
<b>Financial Assets</b>							
Deposits	-	11,700,000	11,700,000	10,151,000	1,879,445	12,030,445	23,730,445
Receivable against trading	-	-	-	24,570,958	-	24,570,958	24,570,958
Advances and deposits	-	-	-	1,228,750	-	1,228,750	1,228,750
Cash and bank balances	-	-	-	23,710,876	-	23,710,876	23,710,876
	-	11,700,000	11,700,000	59,661,584	1,879,445	61,541,029	73,241,029
<b>Financial Liabilities</b>							
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)	15,457,288	1,879,445	17,336,733	(1,081,132,972)



## 22. REMUNERATION AND OTHER BENEFITS TO CEO / DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working directors and executives of the Company is as follows:

	Directors		Chief Executive		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees		Rupees		Rupees	
Managerial remuneration	-	-	-	-	8,268,213	3,216,128
House rent	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Reimbursable expenses	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	-	-	8,268,213	3,216,128

## 23. RECLASSIFICATION

Certain prior year's figures have been reclassified consequent upon certain changes in current year's presentation. The summary of material reclassification is as follows:

Note	From	Reclassification	To	2007 Amount in Rupees
23.1	4.2	Furniture, fitting & equipments	Advance against capital expenditure	794,795
23.2	4.2	Computers & Telecommunication	Advance against capital expenditure	609,000
23.3	4.2	Vehicle	Advance against capital expenditure	581,500
23.4	7	Other receivable	Receivable against trading	24,570,958
23.5	17	Sales	Other Income	189,975,606
23.6	16	Cost of Sales	Other Income	182,836,283
23.7		The figure of advance rent has been excluded from financial assets which was included in note 21 in the previous year.		
23.8		The figure of interest receivable has been included in financial assets which was not included in note 21 in the previous year.		



24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on September 29, 2008.

25. GENERAL

Figures have been rounded off to nearest rupee.

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Chief Executive

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Director





Pattern of holding of the shares held by the Shareholders of  
Dost Steels Limited as at June 30, 2008



Number of Shareholding	Shareholding		Total Shares Held
	From	To	
29	1-	100	1,003
11,468	101-	500	5,730,913
2,203	501-	1,000	2,200,447
2,340	1,001-	5,000	6,135,413
359	5,001-	10,000	2,810,499
94	10,001-	15,000	1,176,401
44	15,001-	20,000	808,773
34	20,001-	25,000	791,000
16	25,001-	30,000	454,500
5	30,001-	35,000	165,500
13	35,001-	40,000	504,500
5	40,001-	45,000	211,000
14	45,001-	50,000	685,351
6	50,001-	55,000	314,000
3	55,001-	60,000	179,000
3	60,001-	65,000	192,000
2	65,001-	70,000	135,500
1	70,001-	75,000	72,500
1	75,001-	80,000	76,000
3	80,001-	85,000	251,500
2	85,001-	90,000	179,500
1	90,001-	95,000	92,500
4	95,001-	100,000	400,000
1	100,001-	105,000	101,500
2	120,001-	125,000	245,500
1	125,001-	130,000	129,500
1	145,001-	150,000	148,500
2	150,001-	155,000	307,500
1	165,001-	170,000	167,500
1	195,001-	200,000	200,000
1	210,001-	215,000	213,500
1	260,001-	265,000	262,100
1	275,001-	280,000	280,000
2	295,001-	300,000	600,000
1	345,001-	350,000	348,000
1	385,001-	390,000	386,000
1	395,001-	400,000	400,000
1	755,001-	760,000	759,000
1	3,400,001-	3,405,000	3,405,000
1	3,420,001-	3,425,000	3,424,484
1	5,535,001-	5,540,000	5,535,221
1	5,540,001-	5,545,000	5,544,688
1	6,890,001-	6,895,000	6,893,203
1	7,150,001-	7,155,000	7,150,961
1	7,385,001-	7,390,000	7,386,043
16,675			67,456,000

Category of Shareholding as at June 30, 2008

S. No.	Shareholders Category	Number of Shareholders	Number of Shares	Percentage
1	Individual	16536	23,191,097	34.38%
2	Investment Companies	1	5,000	0.01%
3	Joint Stock Companies	107	3,319,403	4.92%
	Directors, Chief Executive and their Spouse and Minor Children	11	39,740,000	58.91%
4	Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds	7	153,500	0.23%
5	Foreign Investors	6	353,500	0.01%
6	Others	7	693,500	1.03%
	<b>TOTAL</b>	<b>16675</b>	<b>67,456,000</b>	<b>100%</b>







## Information as required under the Code of Corporate Governance

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage
Associated Companies, Undertaking and Related Parties	-	-	-
Investment Companies	1	5,000	0.01
Directors, CEO			
MR. JAMAL IFTAKHAR	1	7,150,961	10.59
MR. ZAHID IFTAKHAR	1	6,893,203	10.21
MR. RAEES IFTAKHAR	1	5,544,688	8.21
MR. FAISAL ZAHID	1	100	0.00
MR. BILAL JAMAL	1	100	0.00
MR. HAMZA RAEES	1	100	0.00
MR. M SERAJ UL HAQUE	1	100	0.00
Directors Spouse and Minor Children	4	20,150,748	29.85
Executives	-	-	-
Public Sector Companies & Corporation	107	3,319,403	4.92
Banks, DFIs, NBFIs, Insurance Companies Modaraba & Mutual Funds	7	153,500	0.23
Shareholders Holding Ten Percent or more			
MR. JAMAL IFTAKHAR	7,150,961	10.59	
MR. ZAHID IFTAKHAR	6,893,203	10.21	

Detail of purchase/sales of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children as on 30-06-2008.

Name	Dated	Purchase	Sale	Rate
Mrs. Mona Zahid	6/25/2008	-	75,000	22.00
Mrs. Najma Jamal	6/25/2008	-	30,000	21.95
Mr. Zahid Iftakhar	6/20/2008	10,000	-	20.26
Mr. Zahid Iftakhar	6/23/2008	20,000	-	18.83
Mr. Zahid Iftakhar	6/25/2008	10,000	-	22.20





# FORM OF PROXY

## 5th Annual General Meeting

I/We \_\_\_\_\_

of \_\_\_\_\_ being a member of DOST STEELS

LIMITED and holder of \_\_\_\_\_ Ordinary Shares, do hereby appoint

Mr/Mrs/Miss \_\_\_\_\_ of \_\_\_\_\_

who is also a member of DOST STEELS LIMITED, vide Registered Folio No \_\_\_\_\_

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 5th Annual General Meeting of

the Company to be held on \_\_\_\_\_, September, 2008 at 1:00 p.m. at Plot No. 222, Sector 39, Chakra

Goth, Korangi Creek, Industrial Area, Karachi and at any adjournment thereof

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2008

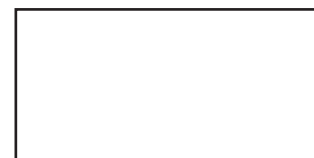
Witness:

1 Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No/Passport No. \_\_\_\_\_

Address: \_\_\_\_\_



**Member's Signature**  
(Signature should agree with  
the specimen signature  
registered with the Company)

Witness:

2. Signature \_\_\_\_\_

Name \_\_\_\_\_

CNIC No/Passport No. \_\_\_\_\_

Address: \_\_\_\_\_

Folio No. \_\_\_\_\_

CDC A/c. No. \_\_\_\_\_

Sub A/c. No \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Distinctive Nos. \_\_\_\_\_

From \_\_\_\_\_ To \_\_\_\_\_





## Dost Steels Limited

Plot No. 222, Sector 39, Koranig Creek Industrial Area,  
Karachi-74900 Phone : (92-21) 111 STEELS, 5110421-22  
Fax: (92-21) 5110423 Web : [www.doststeels.com](http://www.doststeels.com)