

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 | 06 |
| Statement of Compliance with the Code of Corporate Governance | 07 |
| Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance | 08 |
| Auditors' Report to the Members | 09 |
| Financial Statements | 10 |
| Balance Sheets | 11 |
| Profit & Loss Accounts | 12 |
| Cash Flow Statement | 13 |
| Statement of Changes in Equity | 14 |
| Notes to the Accounts | 15 |
| Pattern of Shareholdings | 16 |
| Proxy Form | 17 |

Our Vision

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

Our Mission

- To manufacture and supply high quality steel large bar to the construction sector whilst adopting safe and environmentally friendly practices.
- To remain the preferred and consistent supply source for various steel products in the country.
- Offer products that are not only viable in terms of desirability and price but most importantly give true and lasting value to our customers.
- To fulfill social obligation and compliance of good governance.
- Ensure that the business policies and targets are in conformity with national goals.
- 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.

Corporate Strategies

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

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. Zhid 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 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. Noble Computer Services (Pvt.) Ltd.,
Mezzanine Floor,
House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal,
Karachi.
Ph # 021-4325482-87
Fax # 021-4325442

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

DOST STEELS LIMITED

Notice of the 6th Annual General Meeting

NOTICE is hereby given that the 6th Annual General Meeting of the Shareholders of M/s. Dost Steels Limited, will be held on Tuesday, 27th October 2009 at 10:30 a.m. at its registered office situated at Plot # 222, Sector 39, Korangi Creek Industrial Area, Karachi to transact the following business:-

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on 31st October 2008.
2. To receive, consider and adopt the annual audited accounts of the Company together with the report of Directors and Auditors thereon for the year ended June 30, 2009.
3. To appoint Auditors of the Company for the year ending 30th June 2010 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

Karachi

Dated: 5th October 2009

By order of the Board

Zahid Iftakhar
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain close from 20-10-2009 to 27-10-2009 (both days inclusive)
2. A member entitled to attend and vote at the 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 (Pvt) Ltd., Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi. 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) Ltd.

DIRECTOR'S REPORT TO THE SHARE HOLDERS

DEAR MEMBERS ASSALAM-O-ALEKUM

On behalf of my colleagues on the Board, I welcome you to the 6th Annual General Meeting of your Company and present before you the annual report, along with the audited financial statements of your company for year ended June 30, 2009.

ECONOMY & INDUSTRY

After a year long spell of recession the global steel industry seems to be moving fast towards recovery in 3rd quarter 2009 and capacity utilizations is gradually improving. Consumption of steel has started to climb back and steel capacities are coming back on stream. The growth looks sustainable in the backdrop of improved earnings of the Government by way loan sanctioned by the IMF, which facilitated resource allocation as high as Rs. 783 billion for the annual development plan of the current financial year. The general improvement in the economy is likely to give a much needed boost to the steel industry in Pakistan.

Steel consumption is the universal indicator of the industrial development of a country and accordingly the Steel Sector being a back-bone of the industry needs an equally important and significant thrust in the Government Policies for industrial development. It is good to see that not only the per capita steel consumption in the country has gone up from 14.3 Kgs. in 2003 to 35 Kg in 2007, but also Engineering Development Board has prepared a plan to take the steel production up to 15 million tons per annum by the year 2020.

Currently demand for steel in Pakistan is over 6 million tons per annum. Demand for reinforced bars is at 4 million tons with double digit growth rate. Presently there is negligible production of ASTM standard compliance high strength deformed Grade 60 steel bars in the country. Substantial quantity of this grade is being imported into the country by use of quality conscious users.

Tremendous growth is expected in the demand of deformed steel as Chashma Nuclear plants, Neelum Jhelum large dam, Bhasha large dam, Captive Power plants, Independent Power plants and over 15 medium dams across the four provinces are initiated under the fast track initiative with many other Developmental projects also started. All these end users will require world class rebars for their projects in Pakistan. The Government has also promulgated the revised building code in 2007 initially for the northern earthquake affected region and later for enforcement all over the country, making it mandatory to use deformed steel. Reconstruction and aid in neighboring Afghanistan is an adjacent export market that will also absorb some production of bars. The Middle East has opened new horizons for Export of rebar to this region and adjoining Afghanistan.

COMPANY'S PLANT STATUS

The cold commissioning stage has been completed with the guidance of Italian Engineers in mid

2008. Total assets of your company crossed the Rs.2 billion mark. The total portion of costs incurred during the year is catered by the loan injected by the directors in your company in 2008-09.

The management is currently engaged in re-profiling its term debts by way of enhancement of existing terms loan to cater to cost overruns, re-scheduling of term loan payment plan and waiver/deferment of accrued markup which will dilute the burden of financial charges substantially. It is also envisaged that the company will approach the capital markets by way of a rights issue or some fresh equity contributors and thereby commission the bar mill. National Bank of Pakistan and Faysal Bank Ltd. have taken a new initiative in 2009 to accomplish the above cited activities that are expected crystallize in the next 1-2 months.

The company fully acknowledges the support extended by its banker namely Faysal Bank, National Bank of Pakistan, Bank of Khyber, PICIC Bank, RBS Bank, Askari Commercial Bank, Saudi Pak Industrial Commercial Agricultural & Investment Co (Pvt) Limited., and hopes that its lenders, as well as, shareholders will continue to support the management, in its efforts to achieve hot commissioning of its plant and be able to meet the expectations of all its shareholders.

The delay in the operation of mill was initially due to the geopolitical condition and security situation in the country. Our approach to the Italian to come over to complete their contractual jobs was not acceded to because of the prevailing political turmoil in the country at that time in 2007 and this caused the delay and thus the cost over-run. To overcome the initial cost over-run, the sponsors injected an additional amount of Rs.75 million by way of enhancing the sponsors' equity. Further we then approached our existing banking syndicate for an additional funding of Rs. 200 million in November 2007, which was refused. We then had to approach another bank in mid 2008 and initiate a new banking syndicate, This new banking syndicate had been mandated by us to provide additional funding to enable the company to hot commission the bar mill, raise funds for working capital and steel billet procurement. Financial arrangements were then managed with Arif Habib Ltd. and Arif Habib Bank Ltd. to care of funds to commission the bar mill. Mandates for rights issue and underwritings had also been signed, but could not be invoked due to the capital markets sudden fall in 2008.

On completion of the term loans restructuring and additional equity funding exercise that are now in progress, it is expected that commissioning of bar mill will be initiated. The three Italian principals will depute their commissioning engineers for the commissioning and on-site training. It will take 3-4 months accomplish commercial production from the date of funds availability under the new scheme managed by National Bank and Faysal Bank.

FUTURE PROSPECTS

Dost Steels Limited is striving hard to become leading steel re-rolling mill right from the day one when it would come in the production. We are vigorously monitoring market realities, and accordingly developing strategies to capture our target market share.

With these objectives in mind we are continuously focusing on quality of our product. One of our strategic focuses is to re-evaluate our systems with the objective to expand re-rolling facilities on commercial basis to re-roll special steel required by the Peoples Steels Ltd.

The market has become competitive due to lack of demand for steel bars. As a prospective market leader, your company needs highlighting of our brand superiorities over the existing competitors. While costs have continued to soar we plan to re-double our efforts to source raw material requirements on most competitive prices. This is intended to help our margins and our profitability. In spite of the difficulties, it is expected that your company will come up to maintain a profitable track record.

Pakistan Kuwait Investment Company (Private) Limited (the lender) has claimed for recovery of Rs.122,197,136. The lender has advanced the loan as a part of consortium syndicate as discussed in note 10.2 The management has been advised by its legal counsel that the suit is likely to be rejected as the lender has filed a suit without the approval of the agents to the bank syndicate and without the approval of any of the syndicate banks in the term loan arrangements as required under the finance agreement. Further with the change of the Managing Director at Pak Kuwait since the filing of the case, the new incumbent is now supporting the case for the project revival instead of pursuing legal litigation. Hearings of the Honorable High Court of Sindh, Pakistan are in progress.

AUDITORS' RESERVATION ON GOING CONCERN

The auditors in their report to the members have expressed reservation about the Company's ability to continue as a going concern. The company maintains that since there has not been any material change from previous year, the financial statements for the year under review have been prepared on "going concern basis" and the reasons thereof have been more fully explained in Note No. 2.2 of the Notes to the financial statements.

EARNING/(LOSS) PER SHARE

The basic and diluted (Loss) per share on June 30, 2009 was Rs.(0.20) as compared to Rs.(0.55) on June 30, 2008.

AUDITORS

The auditors Haroon Zakaria & Co., Chartered Accountants, retire and offered themselves for reappointment. The Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors are pleased to state that all the necessary steps have been taken to comply with requirements of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan (SECP).

Following are the Statements on Corporate and Financial Reporting frame work:

The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of accounts have been maintained by the Company.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

In preparation of these financial statements International Accounting Standards, as applicable in Pakistan, have been followed.

The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.

There are no doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

The summary of key operating and financial data of the Company of last six years is annexed in this report.

Information about taxes and levies is given in the notes to the accounts.

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director was as follows:

| Name of Directors | No. of meetings attended |
|-----------------------------|---------------------------------|
| Mr. Jamal Iftakhar | 04 |
| Mr. Zahid Iftakhar | 04 |
| Mr. Raees Iftakhar | 04 |
| Mr. Muhammad Seraj-ul-Haque | 03 |
| Mr. Faisal Zahid | 04 |
| Mr. Humza Raees | 02 |
| Mr. Bilal Jamal | Nil |
| Mr. Saad Zahid | Nil |

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

PATTERN OF SHAREHOLDING

The pattern of shareholding as per Section 236 of the Companies Ordinance, 1984 is attached separately on page 41. No trade in the shares of the company was carried out by CEO, CFO, Company Secretary, their spouses and minor children except those that have been duly reported as per the law except following:

| Name of Director | Shares Sold |
|-----------------------------|--------------------|
| Mr. Jamal Iftakhar | Nil |
| Mr. Zahid Iftakhar | Nil |
| Mr. Raees Iftakhar | Nil |
| Mr. Muhammad Seraj-ul-Haque | 100 |
| Mr. Faisal Zahid | Nil |
| Mr. Humza Raees | Nil |
| Mr. Bilal Jamal | Nil |
| Mr. Saad Zahid | Nil |
| Mr. Mustafa Jamal | 514,500 |

FINANCIAL STATEMENTS

The financial statements of the company have been duly audited and approved by the auditors of the Company, Haroor Zakari & Co., Chartered Accountants and their report is attached with the financial statements. No material changes and commitments affecting the financial between the end of the financial year to which this balance Sheet relates and the date of the Directors Report.

ACKNOWLEDGEMENT

The Board of Directors once again acknowledges the cooperation of its shareholders, project partner, bankers, suppliers, employees who are helping the Company in its efforts to consolidate and continue operations.

On behalf of the Board of Directors

Jamal Iftakhar
Chief Executive

Karachi : 25th September 2009

Statement of Ethics and Business Practices

Dost Steels Limited is engaged in the manufacturing of hot rolled high tensile, reinforcement bars (rebars) and allied products with the object to achieve sustainable productivity, profitability and high standard of safety, occupational health and environmental care. The company solemnly believes in the application of business ethics as have been embodied in this documents.

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

- 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.
- Perform his or her duties in an honest and ethical manner.
- Refrain from engaging in any activity or having a personal interest that presents an actual or apparent conflict of interest.
- 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.
- Comply with all applicable laws, rules and regulations of federal, provincial and local governments.
- Proactively promote and be an example of ethical behavior in the work environment.
- Will not support any political party nor contribute to the funds of groups whose activities promote party interest.
- 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.
- 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.
- 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.
- 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.

- 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.
- 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.

By accepting employment with the company, each 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. Casual vacancies that occurred on the Board during the year were filled up within 30 days.
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 meetings 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, along with 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. In-house orientations for the Directors were made, as and when required, to apprise them of their duties and responsibilities. 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.
10. The Board has approved the appointment of CFO, 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 meetings 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 Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive Directors including the Chairman of the Committee. It requires that at least two members of the Audit Committee must be financially literate.
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 except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

We confirm that all other material principles contained in the Code have been complied with.

Jamal Iftakhar
Chief Executive Officer

Karachi, September 25, 2009

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

HAROON ZAKARIA & COMPANY CHARTERED ACCOUNTANTS

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** ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange.

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.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 the year ended 30 June 2009.

Date: September 25, 2009
Karachi

HAROON ZAKARIA & COMPANY
CHARTERED ACCOUNTANTS



Room 211, 2nd Floor, Progressive Plaza,
Plot No. 5 - CL -10, Civil Lines Quarter,
Beaumont Road, Near Dawood Center,
Karachi - 75530 PAKISTAN.

Phone : +92 21 5674741-44
Fax : +92 21 5674745
E-Mail : info@hzco.com.pk
URL : <http://www.hzco.com.pk>

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **DOST STEELS LIMITED** as at June 30, 2009, 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 account 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 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;

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, 2009 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 in the financial statements which indicates that the Company incurred a net loss of Rs. 15.190 (2008: Rs. 31.394) million during the year ended June 30, 2009 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 1,17.559 (2008: Rs. 531.495) million. As at that date its accumulated losses are Rs. 54.424 (2008: Rs. 39.234) million. These conditions, along with other matters as set forth in Note 2.2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Place: Karachi

Dated: 25 SEP 2009

HAROONZAKARIA & COMPANY

Chartered Accountants

Engagement Partner

Muhammad Haroon

**BALANCE SHEET
AS AT JUNE 30, 2009**

| | Note | 2009 Rupees | 2008 Rupees |
|---|------|----------------------|----------------------|
| <u>ASSETS</u> | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 2,011,737,387 | 1,758,114,628 |
| Long term security deposits | 5 | 13,886,445 | 13,886,445 |
| Deferred tax asset | 6 | - | 873,907 |
| CURRENT ASSETS | | | |
| Receivable against trading - considered good | | 1,013,468 | 1,152,490 |
| Advances, deposit and other receivable | 7 | 21,681,695 | 52,084,479 |
| Cash and bank balances | 8 | 174,321 | 1,967,390 |
| | | 22,869,484 | 55,204,359 |
| TOTAL ASSETS | | 2,048,493,316 | 1,828,079,339 |
| <u>EQUITY AND LIABILITIES</u> | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized share capital 70,000,000 ordinary shares of Rs. 10/- each | | 700,000,000 | 700,000,000 |
| Issued, subscribed and paid up capital | 9 | 674,645,000 | 675,000,000 |
| Reserves | | (52,888,090) | (39,234,168) |
| SHAREHOLDERS' EQUITY | | 621,756,910 | 635,765,832 |
| NON-CURRENT LIABILITIES | | | |
| Long term loans | 10 | 386,293,256 | 605,613,792 |
| CURRENT LIABILITIES | | | |
| Current and overdue portion of long term loans | 10 | 545,014,981 | 325,694,445 |
| Short term loans | 11 | 233,384,407 | 188,458,121 |
| Trade and other payables | 12 | 58,193,742 | 39,557,625 |
| Markup accrued on secured loans | | 203,850,020 | 32,866,858 |
| Provision for taxation | | - | 122,666 |
| | | 1,040,443,150 | 586,699,715 |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| TOTAL EQUITY AND LIABILITIES | | 2,048,493,316 | 1,828,079,339 |

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

Chief Executive

Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009**

| | Note | 2009 Rupees | 2008 Rupees |
|-----------------------------------|-------------|------------------------|------------------------|
| Administrative expenses | 14 | 12,983,293 | 29,638,847 |
| Selling and distribution expenses | 15 | - | 1,937,407 |
| Operating loss | | (12,983,293) | (31,576,254) |
| Other Income | 16 | 203,278 | 3,886,221 |
| Loss before taxation | | (12,780,015) | (27,690,033) |
| Taxation | 17 | 873,907 | 3,704,453 |
| Loss after taxation | | (13,653,922) | (31,394,486) |
| Basic and diluted loss per share | 18 | (0.20) | (0.55) |

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

Chief Executive

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009**

| | 2009 Rupees | 2008 Rupees |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (12,780,015) | (27,690,033) |
| Adjustment for: | | |
| Depreciation | <u>1,772,083</u> | <u>1,733,613</u> |
| Operating loss before working capital changes | <u>(11,007,932)</u> | <u>(25,956,420)</u> |
| Decrease / (Increase) in operating assets: | | |
| Receivable Against trading | <u>139,022</u> | 23,418,468 |
| Advances, deposits and other receivable | <u>3,360,101</u> | 140,697,808 |
| | <u>3,499,123</u> | 164,116,276 |
| (Decrease) / Increase in operating liabilities: | | |
| Trade and other payables | <u>18,636,117</u> | (4,646,671) |
| Cash generated from operations | <u>11,127,308</u> | 133,513,185 |
| Long term security deposits | - | (307,000) |
| Taxes paid | (237,045) | (829,420) |
| Finance charges paid | - | (110,944,736) |
| Net cash generated from operating activities | <u>10,890,263</u> | 21,432,029 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | <u>(57,254,618)</u> | (327,772,168) |
| Net cash (used in) investing activities | <u>(57,254,618)</u> | (327,772,168) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payment of shares confiscated by SECP | <u>(355,000)</u> | |
| Proceeds from issue of share capital | - | 275,000,000 |
| Short term Financing | <u>44,926,286</u> | 9,596,653 |
| Net cash generated from financing activities | <u>44,571,286</u> | 284,596,653 |
| Net (decrease) in cash and cash equivalents | <u>(1,793,069)</u> | (21,743,486) |
| Cash and cash equivalents at beginning of the year | <u>1,967,390</u> | 23,710,876 |
| Cash and cash equivalents at end of the year | <u>174,321</u> | <u>1,967,390</u> |

The annexed notes form an integral part of these financial statements

Chief Executive

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009**

| Description | Share Capital | Revenue Reserve | Total |
|---|--------------------------------|----------------------------|---------------------------|
| | Issued, subscribed and paid up | Accumulated loss | |
| | ← Rupees → | | |
| 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 |
| Recognized loss for the year | - | (31,394,486) | (31,394,486) |
| Balance as at June 30, 2008 | <u>675,000,000</u> | <u>(39,234,168)</u> | <u>635,765,832</u> |
| Shares confiscated by The Securities & Exchange Commission of Pakistan - (Note - 9.2) | (355,000) | - | (355,000) |
| Recognized loss for the year | - | (13,653,922) | (13,653,922) |
| Balance as at June 30, 2009 | <u>674,645,000</u> | <u>(52,888,090)</u> | <u>621,756,910</u> |

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 # 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. 13.654 (2008: Rs. 31.394) million. and its accumulated losses are Rs. 52.888 (2008: Rs. 39.234) million. Its current liabilities exceeds its current assets by Rs. 1,017.574 (2008: 531.495) million. Further, the company has insufficient funds to repay its loan liabilities, owed to banking companies and directors amounting to Rs.931.308 million and Rs. 192.458 million respectively. Further, the Company has not been able 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 company may not be able to realize its assets and discharge its liabilities at the stated amounts. 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. The company's lenders have acknowledged for their support in providing balance finance to commence the production and soon technical assistance will be obtained by the bankers to determine the estimate remaining cost of the project along with working capital requirement. Due to strong chances of success of these plans, the financial statements are prepared on the basis of going concern assumption.

2.3. Functional and Presentation Currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency. All financial information presented in PKR has been rounded to the nearest of PKR, unless otherwise stated.

2.4. 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.

2.5. 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 recognized 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 recognized in the financial statements are as follows:

2.5.1 Property and Equipment

The Company estimates the rate of depreciation of property and equipment. Further, the Company reviews 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.

2.5.2 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.

2.6. Standards, Interpretations and Amendments To Published Approved Accounting Standards

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

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after July 01, 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after July 01, 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 01

July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. The interpretation has no effect on Company's financial statements for the year ended 30 June 2009.

b) Amendments to published standards not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements unless otherwise stated.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The adoption of the revised standard will effect the disclosure requirements of the 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.

IAS 27 'Consolidated and separate financial statements'(effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognized in the profit or loss.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquire to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquire, on a transaction-by-transaction basis.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires the an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a

change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments.

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement.

IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. 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, 2009 has not required any adjustment as its impact is considered insignificant.

3.2. Receivable against trading

Receivable against trading are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts. Balances considered bad and irrecoverable are written off when identified.

3.3. Advances, deposit and other receivable

These are stated at cost less provision for doubtful balance, if any.

3.4. Cash and Cash Equivalent

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) Sales 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 amortized cost as the case may be. The Company derecognizes 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

The company enters into transactions with related parties for sale or purchase of goods and services on an arm's length basis. However, loan from the related parties are unsecured and interest free.

3.13. Foreign Currency Translation

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.

4. PROPERTY, PLANT AND EQUIPMENTS

| | Note | 2009 Rupees | 2008 Rupees |
|--------------------------|------|----------------------|----------------------|
| Operating assets | 4.1 | 165,714,966 | 165,421,490 |
| Capital work-in-progress | 4.2 | 1,846,022,421 | 1,592,693,138 |
| | | <u>2,011,737,387</u> | <u>1,758,114,628</u> |

4.1. Operating Assets

| Description | Freehold land | Furniture & fittings | Electric Equipments | Computers equipments | Office equipments | Vehicles | Total |
|---|--------------------|----------------------|---------------------|----------------------|-------------------|------------------|--------------------|
| | | | | | | | |
| Year ended June 30, 2009 | | | | | | | |
| Opening net book value | 157,876,220 | 1,182,511 | 2,800,580 | 812,533 | 66,977 | 2,682,669 | 165,421,490 |
| Additions | - | - | 156,500 | 484,300 | 12,180 | 36,000 | 688,980 |
| Transfers | - | 1,376,579 | - | - | - | - | 1,376,579 |
| Depreciation charge | - | 383,863 | 443,562 | 389,050 | 11,874 | 543,734 | 1,772,083 |
| Net book value as at June 30, 2009 | 157,876,220 | 2,175,227 | 2,513,518 | 907,783 | 67,283 | 2,174,935 | 165,714,966 |
| As at June 30, 2009 | | | | | | | |
| Cost | 157,876,220 | 2,855,829 | 3,557,310 | 2,169,448 | 117,252 | 4,730,575 | 171,306,634 |
| Accumulated depreciation | - | 680,602 | 1,043,792 | 1,261,665 | 49,969 | 2,555,640 | 5,591,668 |
| | <u>157,876,220</u> | <u>2,175,227</u> | <u>2,513,518</u> | <u>907,783</u> | <u>67,283</u> | <u>2,174,935</u> | <u>165,714,966</u> |
| Year ended June 30, 2008 | | | | | | | |
| Opening net book value | 157,876,220 | 259,264 | 564,125 | 1,002,462 | 78,796 | 2,771,836 | 162,552,703 |
| Additions | - | 1,131,925 | 2,730,675 | 158,300 | - | 581,500 | 4,602,400 |
| Depreciation charge | - | 208,678 | 494,220 | 348,229 | 11,819 | 670,667 | 1,733,613 |
| Net book value as at June 30, 2008 | <u>157,876,220</u> | <u>1,182,511</u> | <u>2,800,580</u> | <u>812,533</u> | <u>66,977</u> | <u>2,682,669</u> | <u>165,421,490</u> |
| As at June 30, 2008 | | | | | | | |
| Cost | 157,876,220 | 1,479,250 | 3,400,810 | 1,685,148 | 105,072 | 4,694,575 | 169,241,075 |
| Accumulated depreciation | - | 296,739 | 600,230 | 872,615 | 38,095 | 2,011,906 | 3,819,585 |
| | <u>157,876,220</u> | <u>1,182,511</u> | <u>2,800,580</u> | <u>812,533</u> | <u>66,977</u> | <u>2,682,669</u> | <u>165,421,490</u> |
| Rate of Depreciation | 0% | 15% | 15% | 30% | 15% | 20% | |

| | Note | 2009 Rupees | 2008 Rupees |
|---|------|----------------------|----------------------|
| 4.2. Capital work in progress | | | |
| Land development | | 11,012,712 | 11,012,712 |
| Civil works | | 206,813,057 | 205,000,338 |
| Plant and machinery | | 1,203,761,176 | 1,123,227,774 |
| Unallocated borrowing costs | | 424,435,476 | 253,452,314 |
| | | <u>1,846,022,421</u> | <u>1,592,693,138</u> |
| 5. LONG TERM SECURITY DEPOSITS | | | |
| Electricity | | 1,638,558 | 1,638,558 |
| Gas | | 11,700,000 | 11,700,000 |
| Telephone | | 20,887 | 20,887 |
| Rent | | 477,000 | 477,000 |
| Other | | 50,000 | 50,000 |
| | | <u>13,886,445</u> | <u>13,886,445</u> |
| 6. DEFERRED TAX ASSET | 6.1 | <u>-</u> | <u>873,907</u> |
| Deductible temporary differences due to: | | | |
| Accelerated accounting depreciation | | 305,126 | 873,907 |
| Minimum tax impact | | 1,072,544 | 1,072,544 |
| Assessed tax losses | | 16,530,276 | 12,056,530 |
| | | <u>17,907,946</u> | <u>14,002,981</u> |

6.1. Deferred tax asset has not recognized on the ground that sufficient taxable profits are not expected in future against which the asset could be utilized. Accordingly deferred tax asset recognized to the extent of Rs. 873,907 in prior year has been charged to profit and loss in current year.

| | Note | 2009 Rupees | 2008 Rupees |
|--|------|-------------------|-------------------|
| 7. ADVANCES, DEPOSIT AND OTHER RECEIVABLE | | | |
| Advances - considered good | | | |
| Against letter of credit | | - | 650,111 |
| To staff | | 800 | 20,000 |
| Income tax | | 11,112,245 | 10,997,866 |
| For services | | 500,000 | 2,520,418 |
| To suppliers | | - | 670,372 |
| Sales tax refundable | | - | 27,157,062 |
| | | <u>11,613,045</u> | <u>42,015,829</u> |
| Deposit | | | |
| against utilities | | 9,980,900 | 9,980,900 |
| Other receivable - considered good | | | |
| Interest receivable | | 87,750 | 87,750 |
| | | <u>21,681,695</u> | <u>52,084,479</u> |

8. CASH AND BANK BALANCES

| | | | |
|------------------------------------|--|----------------|------------------|
| Cash in hand | | 25,935 | 76,116 |
| Cash at banks - in current account | | 148,386 | 1,891,274 |
| | | <u>174,321</u> | <u>1,967,390</u> |

9. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2009 | 2008 | | | 2009 | 2008 |
|--------------------|-------------------|--|-----|--------------------|--------------------|
| (Number of shares) | | | | | |
| 67,464,500 | 67,456,000 | Ordinary shares of Rs.10 each fully paid in cash | 9.1 | 674,645,000 | 674,560,000 |
| - | 44,000 | Shares with held | 9.2 | - | 440,000 |
| <u>67,464,500</u> | <u>67,500,000</u> | | | <u>674,645,000</u> | <u>675,000,000</u> |

9.1. Reconciliation of Issued, subscribed and paid-up capital

| | 2009 (Number of Shares) | 2008 |
|------------------------------|----------------------------|-------------------|
| Opening balance | 67,500,000 | 40,000,000 |
| Issued as fully paid in cash | - | 27,456,000 |
| Share with held | - | 44,000 |
| Confiscated by SECP | (35,500) | - |
| Closing balance | <u>67,464,500</u> | <u>67,500,000</u> |

9.2. Share Withheld

In year 2008, 44 applicants filed dual applications with the Company at Initial Public Offering. However, subscription money amounting to Rs. 440,000 relating to these shares were remained with the Company as at June 30, 2008. During the current year, shares related to 17 applicants which represents 8,500 shares are allotted by SECP. Remaining share capital amounting of Rs. 355,000 representing 35,500 shares were deposited with SECP under section 18A of the Securities & Exchange Ordinance 1969. The amount deposited is treated as confiscated and share capital is reduced accordingly on the ground that no allotment for these shares have been made.

| | Note | 2009 Rupees | 2008 Rupees |
|---|-------------|------------------------|------------------------|
| 10. LONG TERM LOANS | | | |
| Secured - from banking companies | | | |
| Faysal Bank Limited | 10.1 | 143,948,806 | 143,948,806 |
| Syndicate loan | 10.2 | 737,359,431 | 737,359,431 |
| Saudi Pak Industrial and Agricultural Investment Company Limited. | 10.3 | 50,000,000 | 50,000,000 |
| | | 931,308,237 | 931,308,237 |
| Current maturity | | 219,320,536 | 325,694,445 |
| Overdue portion | | 325,694,445 | - |
| Current and overdue portion of long term loan | | 545,014,981 | 325,694,445 |
| | | 386,293,256 | 605,613,792 |

10.1. The Company has arranged a Murabaha Finance facility aggregating to Rs. 150 million from Faysal Bank Limited for setting up the project and repayment of letter of credit facility. The facility is secured against first pari passu charge by way of mortgage of movable and immovable properties of the Company, personal guarantees of sponsors and demand promissory note in favor of the Faysal Bank Limited. The facility is repayable in 8 semi-annual installments of Rs.18.75 million commencing from after two years grace period from the final drawdown date being a date not later than 31st July 2006 or any later date as may be mutually agreed. The facility carries markup at a rate of KIBOR + 4% per annum on quarterly basis. The total loan sanctioned amounted Rs.150 million(2008 : Rs. 150 million) of which unavailed amount is Rs. 6.051 (2008: Rs. 6.051) million.

10.2. 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, Pakistan Kuwait Investment Company (Private) Limited and The Royal Bank of Scotland 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 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 (2008 : Rs.775 million) of which unavailed amount is Rs. 37.640 (2008 : 37.640) million.

10.3. The Company has arranged finance facility of Rs.50 million from Saudi Pak Industrial and Agricultural Investment Company 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 (2008 : Rs. Nill).

| | Note | 2009 Rupees | 2008 Rupees |
|-----------------------------|------|--------------------|--------------------|
| 11. SHORT TERM LOANS | | | |
| Loan From related parties | 11.1 | 40,926,286 | - |
| Loan From Directors | 11.2 | 192,458,121 | 188,458,121 |
| | | <u>233,384,407</u> | <u>188,458,121</u> |

11.1. The loans from related parties are unsecured and interest free. The loan is repayable within twelve months.

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

12. TRADE AND OTHER PAYABLES

| | | |
|------------------|-------------------|-------------------|
| Trade creditors | 51,273,308 | 33,478,822 |
| Accrued expenses | 6,920,434 | 6,078,803 |
| | <u>58,193,742</u> | <u>39,557,625</u> |

13. CONTINGENCIES AND COMMITMENTS

Pakistan Kuwait Investment Company (Private) Limited (the lender) has claimed for recovery of Rs.122,197,136. The lender has advanced the loan as a part of consortium syndicate as discussed in note 10.2 The management is confident the suit is likely to be rejected as the lender has filed a suit without the approval of agent of the consortium syndicate as required under the finance agreement.

The Company is committed to capital expenditure amounting to Rs. 50.893 million (2008: Rs. 81.822 million) as at the balance sheet date.

| | | 2009 | 2008 |
|---|------|-------------------|-------------------|
| | Note | Rupees | Rupees |
| 14. ADMINISTRATIVE EXPENSES | | | |
| Salaries and other benefits | | 5,990,510 | 5,187,349 |
| Traveling and conveyance | | 292,720 | 20,687 |
| Rent, rates and taxes | | 590,333 | 70,000 |
| Vehicle running and maintenance | | 960,040 | 819,834 |
| Legal and professional charges | | 498,245 | 2,059 |
| Entertainment expenses | | 181,111 | 137,054 |
| Printing and stationery | | 76,236 | 144,706 |
| Bank charges and commission | | 523,886 | 31,366 |
| Telephone, postage and couriers | | 329,344 | 161,145 |
| Communication charges | | 216,000 | - |
| Fees and subscription | | 130,250 | 151,040 |
| Preliminary expenses | 14.1 | - | 19,541,663 |
| Shares Transfer Expenses | | 455,376 | 1,111,322 |
| Utilities | | 312,739 | 73,254 |
| Repairs and maintenance | | 383,080 | 141,465 |
| Advertising expenses | | 24,500 | 43,240 |
| General expenses | | 41,840 | 41,550 |
| Auditors' remuneration | 14.2 | 205,000 | 227,500 |
| Depreciation | 4.1 | 1,772,083 | 1,733,613 |
| | | 12,983,293 | 29,638,847 |
| 14.1. Preliminary expenses | | | |
| 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 |
| | | - | 19,541,663 |
| 14.2. Auditors' remuneration | | | |
| Audit fee | | 132,000 | 150,000 |
| Interim review fees and other certification | | 70,000 | 75,000 |
| Out of pocket expenses | | 3,000 | 2,500 |
| | | 205,000 | 227,500 |

| | Note | 2009 Rupees | 2008 Rupees |
|--|------|--------------------------|---------------------|
| 15. SELLING AND DISTRIBUTION EXPENSE | | | |
| Freight and transportation expense | | - | 551,132 |
| Loading and Unloading charges | | - | 62,210 |
| Salaries of Marketing sales staff | | - | 1,324,065 |
| | | <u>-</u> | <u>1,937,407</u> |
| 16. OTHER INCOME | | | |
| Income from other financial assets | | | |
| Interest on deposits | 16.1 | 175,500 | 175,500 |
| Return on bank deposits | | 27,778 | 16,904 |
| Gain on trading of steel bars | 16.2 | - | 3,693,817 |
| | | <u>203,278</u> | <u>3,886,221</u> |
| 16.1. 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. | | | |
| 16.2. Gross proceeds from trading of steel bars | | | |
| | | - | 24,831,019 |
| Less: Sales Tax | | - | (297,833) |
| Net Sales | | <u>-</u> | <u>24,533,186</u> |
| Less: Cost of Sales | | | |
| | | - | (20,839,369) |
| | | <u>-</u> | <u>3,693,817</u> |
| 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. | | | |
| 17. TAXATION | | | |
| Current | | - | 122,666 |
| Prior | | - | 4,455,694 |
| Deferred | | 873,907 | (873,907) |
| | | <u>873,907</u> | <u>3,704,453</u> |
| 18. BASIC AND DILUTED LOSS PER SHARE | | | |
| Loss attributable to ordinary shareholders | | <u>(13,653,922)</u> | <u>(31,394,486)</u> |
| Weighted average number of ordinary shares in | 18.1 | <u>67,467,200</u> | <u>56,876,712</u> |
| Loss per share - basic | | <u>(0.20)</u> | <u>(0.55)</u> |

18.1 Weighted average number of shares for the year ended 30 June 2009 have been adjusted for the effect of shares confiscated by SECP during the year.

19. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

19.1. Risk management policies

Risk management is carried out by the management under policies 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. The Company's activities expose it to a variety of financial risks. These are:

19.2. Financial instruments

The company has exposures to the following risks from its use of financial instruments:

- a) Credit Risk**
- b) Liquidity Risk**
- c) Market Risk**

a) Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables and bank balances. Out of the total financial assets of Rs. 25.143 million (2008: Rs.26.568 million), the financial assets which are subject to credit risk amounted to Rs. 1.689 million (2008: Rs. 3.120 million).

As of June 30, 2009, trade debts of Rs. 1,013,468 (2008: Rs. 1,152,190) are overdue for more than 360 days but these are not impaired. Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes that trade debtors past due upto one year do not require any impairment and no impairment allowance is necessary in respect of remaining portion of past due over one year.

b) Liquidity 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. The Company is in process of negotiating with the lenders for rescheduling of long term loans. Further, the Company is working with syndicate consortium to arrange for working capital need to commence commercial production.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

| 2009 | | | | | | |
|-------------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|--------------------|
| Carrying amount | Contractual Cash Flow | One Year or Less | One Year to Two Year | Two Year to Three Year | More than Three Year | |
| ← RUPEES → | | | | | | |
| Long term loans | 931,308,237 | (1,344,735,410) | (864,557,738) | (283,098,310) | (191,019,697) | (6,059,665) |
| Short term loans | 233,384,407 | (233,384,407) | (233,384,407) | - | - | - |
| Trade and other payable | 58,193,742 | (58,193,742) | (58,193,742) | - | - | - |
| Accrued Mark-up | 203,850,020 | (203,850,020) | (203,850,020) | - | - | - |
| | <u>1,426,736,406</u> | <u>(1,840,163,580)</u> | <u>(1,359,985,907)</u> | <u>(283,098,310)</u> | <u>(191,019,697)</u> | <u>(6,059,665)</u> |

| 2008 | | | | | | |
|-------------------------|-----------------------|------------------------|----------------------|------------------------|----------------------|----------------------|
| Carrying amount | Contractual Cash Flow | One Year or Less | One Year to Two Year | Two Year to Three Year | More than Three Year | |
| ← RUPEES → | | | | | | |
| Long term loans | 931,308,237 | (1,490,398,875) | (690,678,446) | (319,542,757) | (283,098,310) | (197,079,362) |
| Short term loans | 188,458,121 | (188,458,121) | (188,458,121) | - | - | - |
| Trade and other payable | 58,193,742 | (58,193,742) | (58,193,742) | - | - | - |
| Accrued markup | 32,866,858 | (32,866,858) | (32,866,858) | - | - | - |
| | <u>1,177,960,100</u> | <u>(1,737,050,738)</u> | <u>(937,330,309)</u> | <u>(319,542,757)</u> | <u>(283,098,310)</u> | <u>(197,079,362)</u> |

c) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At year end, the Company is not exposed to any currency risk.

ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments are:

| | 2009 | 2008 |
|---|-------------|------|
| Financial asset | Rate | Rate |
| Fixed rate - Long term security deposit | 1.5% | 1.5% |

Financial liabilities

| | | |
|---------------------------------|---------------------|---------------------|
| Variable rate - Long term loans | 19.50% to 16.77% | 13.59% to 14.17% |
|---------------------------------|---------------------|---------------------|

Interest rate risk cash flow sensitivity

The Company follows the allowed alternative treatment in respect of borrowing costs incurred during the year under *IAS-23 Borrowing costs*, therefore, a change in interest rates at the reporting date would not be sensitive to profit and loss account and equity.

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 issue new shares and take other measures commensurating the circumstances.

Consistent with others in the industry, the Company monitors the capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

| | 2009 | 2008 |
|------------------------------|----------------------|---------------|
| | Rupees | Rupees |
| Total borrowings | | |
| Long term loans | 931,308,237 | 931,308,237 |
| Short term loans | 233,384,407 | 188,458,121 |
| | 1,164,692,644 | 1,119,766,358 |
| Less: Cash and bank balances | (174,321) | (1,967,390) |
| Net debt | 1,164,518,323 | 1,117,798,968 |
| Total Equity | 621,756,910 | 635,765,832 |
| Total Capital | 1,786,275,233 | 1,753,564,800 |
| Gearing ratio | 65% | 64% |

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 TRANSACTIONS WITH RELATED PARTIES

Related parties include associated companies, directors of the company, companies where directors also hold directorship, related group companies, key management personnel, staff retirement funds and entities over which directors are able to exercise influence. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes, i.e. comparable uncontrolled price method except short term loan which are unsecured and interest free. There are no transactions with the key management personnel other than under their terms of employment / entitlements.

Transactions with related parties and associated undertakings, other than those disclosed elsewhere in these financial statements, are follows:

| | 2009 Rupees | 2008 Rupees |
|---|----------------|----------------|
| Entities over which directors have significant influence | | |
| Receipt of short term loan | 48,662,332 | - |
| Repayment of short term loan | 7,736,045 | - |
| Loans from directors | | |
| Receipt of short term loan | 4,000,000 | 188,458,121 |

21. 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 | |
|-------------------------|------------|----------|-----------------|----------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | ← Rupees → | | | | | |
| Managerial remuneration | - | - | - | - | 4,515,000 | 8,268,213 |
| House rent | - | - | - | - | 1,478,220 | - |
| Utilities | - | - | - | - | 456,780 | - |
| Reimbursable expenses | - | - | - | - | - | - |
| Others | - | - | - | - | - | - |
| | - | - | - | - | 6,450,000 | 8,268,213 |
| Number of persons | 7 | 7 | 1 | 1 | 8 | 10 |

22. RECLASSIFICATION

The following have been reclassified for the purpose of better presentation.

| Note | Reclassification | | 2009 |
|------|------------------|---------------|------------------|
| | From | To | Amount in Rupees |
| 5 | Rent Deposit | Other Deposit | 50,000 |

23. INSTALLED CAPACITY

As the plant has not been completely installed to start production, therefore installed capacity could not be determined.

24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 25th September 2009.

25. GENERAL

Figures have been rounded off to nearest rupee.

Chief Executive

Director

Pattern of holding of the shares held by the Shareholders of
Dost Steels Limited as at June 30, 2009



| Number of Shareholding | Shareholding From | To | Total Shares Held |
|------------------------|-------------------|-----------|-------------------|
| 46 | 1- | 100 | 1,176 |
| 10,449 | 101- | 500 | 5,218,945 |
| 2,117 | 501- | 1,000 | 2,112,857 |
| 2,473 | 1,001- | 5,000 | 6,579,528 |
| 410 | 5,001- | 10,000 | 3,215,480 |
| 105 | 10,001- | 15,000 | 1,329,700 |
| 60 | 15,001- | 20,000 | 1,086,000 |
| 34 | 20,001- | 25,000 | 779,183 |
| 20 | 25,001- | 30,000 | 572,156 |
| 14 | 30,001- | 35,000 | 469,000 |
| 7 | 35,001- | 40,000 | 275,500 |
| 5 | 40,001- | 45,000 | 221,500 |
| 11 | 45,001- | 50,000 | 542,000 |
| 9 | 50,001- | 55,000 | 474,050 |
| 5 | 55,001- | 60,000 | 293,576 |
| 5 | 60,001- | 65,000 | 317,001 |
| 3 | 65,001- | 70,000 | 206,000 |
| 1 | 70,001- | 75,000 | 75,000 |
| 2 | 75,001- | 80,000 | 158,000 |
| 3 | 80,001- | 85,000 | 251,000 |
| 1 | 85,001- | 90,000 | 90,000 |
| 2 | 90,001- | 95,000 | 186,800 |
| 4 | 95,001- | 100,000 | 395,500 |
| 1 | 100,001- | 105,000 | 104,000 |
| 2 | 105,001- | 110,000 | 214,500 |
| 1 | 110,001- | 115,000 | 112,500 |
| 1 | 125,001- | 130,000 | 128,000 |
| 1 | 130,001- | 135,000 | 134,000 |
| 1 | 150,001- | 155,000 | 152,300 |
| 1 | 160,001- | 165,000 | 160,648 |
| 1 | 175,001- | 180,000 | 180,000 |
| 1 | 215,001- | 220,000 | 218,000 |
| 1 | 305,001- | 310,000 | 306,500 |
| 1 | 325,001- | 330,000 | 325,500 |
| 1 | 380,001- | 385,000 | 385,000 |
| 1 | 395,001- | 400,000 | 400,000 |
| 1 | 460,001- | 465,000 | 463,500 |
| 1 | 500,001- | 505,000 | 505,000 |
| 1 | 2,890,001- | 2,895,000 | 2,890,500 |
| 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 |
| 15,809 | | | 67,464,500 |

Category of Shareholding as at June 30, 2009

| S.No | Shareholders Category | Number of Shareholders | Number of Shares | Percentage |
|------|---|------------------------|-------------------|----------------|
| 1 | Individual | 15,690 | 25,255,001 | 37.43% |
| 2 | Investment Companies | 3 | 24,573 | 0.04% |
| 3 | Joint Stock Companies | 84 | 2,464,944 | 3.65% |
| 4 | Directors, Chief Executive and their Spouse and Minor Children | 12 | 39,225,500 | 58.14% |
| 5 | NIT / ICP | 1 | 29,656 | 0.04% |
| 6 | Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds | 10 | 267,334 | 0.40% |
| 7 | Foreign Investors | 5 | 141,500 | 0.21% |
| 8 | Others | 4 | 55,992 | 0.08% |
| | TOTAL | 15,809 | 67,464,500 | 100.00% |

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 | 3 | 24,573 | 0.04% |
| Directors, CEO | | | |
| MR. JAMAL IFTAKHAR | 1 | 7,150,961 | 10.60% |
| MR. ZAHID IFTAKHAR | 1 | 6,893,203 | 10.22% |
| MR. MUSTAFA JAMAL | 1 | 2,890,500 | 4.28% |
| MR. FAISAL ZAHID | 1 | 100 | 0.00% |
| MR. BILAL JAMAL | 1 | 100 | 0.00% |
| MR. HAMZA RAEES | 1 | 100 | 0.00% |
| MR. SAAD ZAHID | 1 | 100 | 0.00% |
| Directors Spouse and Minor Children | 2 | 13,321,264 | 19.75% |
| Executives | - | - | - |
| Public Sector Companies & Corporation | 84 | 2,464,944 | 3.65% |
| Banks, DFIs, NBFIs, Insurance Companies Modaraba & Mutual Funds | 10 | 267,334 | 0.40% |
| Shareholders Holding Ten Percent or more | | | |
| MR. JAMAL IFTAKHAR | | 7,150,961 | 10.60% |
| MR. ZAHID IFTAKHAR | | 6,893,203 | 10.22% |

Detail of purchase/sales of shares by Directors/Company Secretary/Chief Financial Officer and their spouses/minor children as on 30-06-2009.

| Name | Dated | Purchase | Sales | Rate |
|--------------------|------------|----------|---------|-------|
| MR. SERAJ-UL-HAQUE | 13-04-2009 | — | 100 | 10.00 |
| MR. SAAD ZAHID | 13-04-2009 | 100 | — | 10.00 |
| MR. MUSTAFA JAMAL | 11-03-2009 | — | 81,500 | 5.10 |
| MR. MUSTAFA JAMAL | 12-03-2009 | — | 200,500 | 5.03 |
| MR. MUSTAFA JAMAL | 13-03-2009 | — | 12,500 | 5.10 |
| MR. MUSTAFA JAMAL | 16-03-2009 | — | 220,000 | 6.08 |

FORM OF PROXY

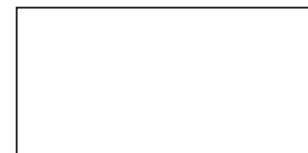
6th Annual General Meeting

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 6th Annual General Meeting of the Company to be held on 27th October 2009 at 10:30 a.m at Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900 and at any adjournment there of.

Signed this _____ day of _____, 2009

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 _____