

Quarterly Report

March 31, 2013



Dost Steels Limited

Registered Office: Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900
Phone: (92-21) 35110421-2 Fax: (92-21) 5110423 E-mail: ho@doststeels.com

www.doststeels.com

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COMPANY INFORMATION

Board of Directors

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

Audit Committee

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

Chief Financial Officer

Mr. Sajid Ahmed Ashrafi

Company Secretary

Mr. Zahid Iftakhar

Bankers

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

Auditors

Haroon Zakaria & Company
Chartered Accountants

Legal Advisor

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

Shares Registrar

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

Registered/Head Office

Plot # 222, Sector – 39,
Korangi Creek Industrial Area,
Karachi – 74900
Ph # 021-36105944 / Fax # 021-35110423

Mills

Bhai Pheru, 52 Km Lahore
Multan Road

Web Presence

www.doststeels.com



DOST STEELS LIMITED

Directors review:

It is my pleasure to present the un-audited financial statements of the company for the nine months ending on March 31, 2013.

Company's review

The management is still pursuing a financial restructuring with the National Bank of Pakistan in pursuance of the mandate given to the ARG. The company also received a facility letter on the 9th September 2012 in this respect. A bank syndicate meeting was held at the National Bank of Pakistan Head Office on the 26th December 2013 where the company restructuring proposal was tabled to all the syndicating banks. The individual credit approvals in light of the restructuring package proposed by National Bank of Pakistan is being followed up. Approvals by all the bank syndicate members are anticipated in the next stage.

Future outlook

Presently there is a deficiency in the quality and quantity of the ASTM, BS and EURO standards compliant rebar produced under these standards. The defense and allied sectors require grade compliant rebar. There is demand for high strength deformed steel bars from this sector for special grades that have hitherto been imported from abroad and can now be catered to by DSL from its range of production. There is a need to bring DSL into production to be able to start catering to the demand. The earthquake tremors of 16th April 2013 is a crude reminder to improve building code compliances to world prevailing standards before it is too late. Seismic resistance Deformed Steel Bars are an importance constituent of this compliance.

For and on behalf of the Board of Directors

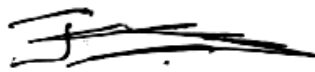
Jamal Iftakhar
Chief Executive Officer

Karachi: April 25, 2013

DOST STEELS LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2013

	<i>Note</i>	<i>(Unaudited)</i> <i>March 31,</i> <i>2013</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2012</i> <i>Rupees</i>
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	6	2,023,296,584	2,019,541,584
Long term security deposits		19,333,345	20,503,345
		2,042,629,929	2,040,044,929
Current assets			
Advances		1,235,000	970,780
Tax refund due from government		568,575	514,173
Other receivable		25,964	58,568
Cash and bank balances		154,577	528,755
		1,984,116	2,072,276
Total assets		2,044,614,045	2,042,117,205
<u>EQUITY AND LIABILITIES</u>			
Share capital and reserves			
Authorized capital			
70,000,000 Ordinary shares of Rs. 10 each		700,000,000	700,000,000
Issued, subscribed and paid-up capital			
67,464,500 Ordinary shares of Rs. 10 each fully paid in cash		674,645,000	674,645,000
Accumulated losses		(87,180,051)	(82,779,212)
Shareholders' equity		587,464,949	591,865,788
Non-current liabilities			
Provision for Gratuity	7	582,300	4,749,409
Current liabilities			
Current and overdue portion of long term loans	8	931,308,237	931,308,237
Short term borrowings		273,587,585	267,338,781
Trade and other payables		251,670,974	246,854,990
		1,456,566,796	1,445,502,008
Contingency and commitment	9	-	-
Total capital and liabilities		2,044,614,045	2,042,117,205

The annexed notes form an integral part of these financial statements



Chief Executive

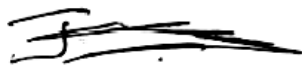


Director

DOST STEELS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013

	<i>Nine months period ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2013</i>	<i>March 31, 2012</i>	<i>March 31, 2013</i>	<i>March 31, 2012</i>
	----- Rupees -----			
Administrative expenses	(5,120,823)	(6,733,274)	(1,666,016)	622,203
Financ cost	(8,126)	-	-	-
Other income	728,110	102,502	221,601	102,025
Recognized (loss) / profit before taxation	(4,400,839)	(6,630,772)	(1,444,415)	724,228
Recognized (loss) / profit after taxation	(4,400,839)	(6,630,772)	(1,444,415)	724,228
(Loss) / profit per share - basic and diluted	(0.065)	(0.098)	(0.021)	0.011

The annexed notes form an integral part of these financial statements



Chief Executive

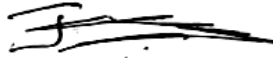


Director

DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	<i>Nine months ended</i>		<i>Quarter ended</i>	
	<i>March 31, 2013</i>	<i>March 31, 2012</i>	<i>March 31, 2013</i>	<i>March 31, 2012</i>
	----- Rupees -----			
(Loss) / profit after tax for the period	(4,400,839)	(6,630,772)	(1,444,415)	724,228
Other comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / profit for the period	(4,400,839)	(6,630,772)	(1,444,415)	724,228

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



Chief Executive

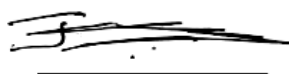


Director

DOST STEELS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013

	<i>March 31, 2013 Rupees</i>	<i>March 31, 2012 Rupees</i>
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(4,400,839)	(6,630,772)
Adjustments for non cash items		
Gratuity	-	139,277
	(4,400,839)	(6,491,495)
Working capital changes		
Decrease / (increase) in current assets:		
Advances	(264,220)	138,094
Other receivable	32,604	38,611
Increase in current liabilities:		
Trade and other payables	4,815,984	2,621,357
Cashflows after working capital changes	183,529	(3,693,433)
Taxes paid	(54,402)	(57,616)
Gratuity paid	(4,167,109)	-
Security deposit - net	1,170,000	1,170,000
Net cash used in operating activities	(2,867,982)	(2,581,049)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Capital work in progress	(3,755,000)	(5,114,031)
Net cash used in investing activities	(3,755,000)	(5,114,031)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Short term Financing	6,248,804	8,307,521
Net cash generated from financial activities	6,248,804	8,307,521
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(374,178)	612,441
Cash and cash equivalents at beginning of the nine months period	528,755	129,421
Cash and cash equivalents at end of the nine months period	154,577	741,862

The annexed notes form an integral part of these financial statements



 Chief Executive

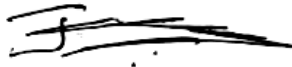


 Director

DOST STEELS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013

<i>Description</i>	<i>Issued, subscribed and paid up capital</i>	<i>Accumulated loss</i>	<i>Total</i>
	----- <i>Rupees</i> -----		
Balance as at July 01, 2011	674,645,000	(74,182,488)	600,462,512
Loss for the nine months period	-	(6,630,772)	(6,630,772)
Balance as at March 31, 2012	674,645,000	(80,813,260)	593,831,740
Balance as at July 01, 2012	674,645,000	(82,779,212)	591,865,788
Loss for the nine months period	-	(4,400,839)	(4,400,839)
Balance as at March 31, 2013	674,645,000	(87,180,051)	587,464,949

The annexed notes form an integral part of these financial statements



Chief Executive



Director

DOST STEELS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2013

1 THE COMPANY AND ITS OPERATIONS

Dost Steels Limited was incorporated in Pakistan on March 19, 2004 as a private limited company under the Companies Ordinance, 1984. The company was converted into public limited company as on May 20, 2006 and then listed on the Karachi Stock Exchange (Guarantee) Limited with effect from November 26, 2007. The registered office of the Company is situated at Plot No. 222, Sector 39, Korangi Creek Industrial Area, Karachi-74900. The Principal business of the Company include manufacturing of steel, direct reduced iron, sponge iron, hot briquetted iron, carbon steel, pig iron and special alloy steel in different forms.

2. GOING CONCERN ASSUMPTION

The Company has incurred loss after taxation of Rs. 4.400 (June 30, 2012 : 8.597) million. As at that date its accumulated losses are Rs. 87.180 (June 30, 2012 : 82.779) million. Its current liabilities exceeds current assets by Rs. 1,454.582 (June 30, 2012 : 1,443.429) million. Further, the Company has insufficient funds to repay its overdue liabilities, owed to banking companies amounting to Rs. 931.308(2012 : Rs. 925.752) million. Further, the Company has not been able to commence its commercial production to date due to non availability of funds required for completion of project. Due to these factors material uncertainty arises which may create doubts regarding the company's ability to continue as going concern and accordingly company may not be able to realize its assets and discharge its liabilities at the stated amounts.

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

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

3. BASIS OF PREPARATION

This condensed interim financial report of the company for the nine months period ended March 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements are unaudited but subject to limited scope review by auditors. These condensed interim financial statements do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2012.

These condensed interim financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company and the figures are rounded off to the rupees.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Accounting Convention

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2012.

5. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2012.

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>March 31,</i>	<i>June 30,</i>
	<i>2013</i>	<i>2012</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>
6. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets - tangible		
Opening book value	164,466,240	164,466,240
Depreciation for the period / year	-	-
	<u>164,466,240</u>	<u>164,466,240</u>
Capital work-in-progress	1,858,830,344	1,855,075,344
	<u>2,023,296,584</u>	<u>2,019,541,584</u>

7. PROVISION FOR GRATUITY

Employee retirement benefits - gratuity	7.1	<u>582,300</u>	<u>4,749,409</u>
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7.1. The Company has introduced the staff retirement benefit - unfunded gratuity for its employees. The benefits that are vested at the introduction of define benefit plan are recognised immediately.

8. CURRENT AND OVER DUE PORTION OF LONG TERM LOANS

Secured - from banking companies

Faysal Bank Limited	8.1	143,948,806	143,948,806
Saudi Pak Industrial and Agriculture Investment Company (Private) Limited	8.2	50,000,000	50,000,000
Syndicate loan	8.3	737,359,431	737,359,431
		<u>931,308,237</u>	<u>931,308,237</u>
Current maturity		-	5,555,552
Overdue portion		<u>931,308,237</u>	<u>925,752,685</u>
Current and overdue portion of long term loan		<u>931,308,237</u>	<u>931,308,237</u>
		-	-

8.1 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.

8.2 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.

8.3 The Company has arranged an aggregate finance facility of Rs. 775 million from National Bank of Pakistan, Askari Bank Limited, NIB Bank Limited, Bank of Khyber, 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.

9. CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

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

<i>March 31, 2013 Rupees</i>	<i>June 30, 2012 Rupees</i>
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9.2 Commitments

For capital expenditure	55,280,232	51,112,000
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10. TRANSACTIONS WITH RELATED PARTIES

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

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

<i>(Unaudited) March 31, 2013 Rupees</i>	<i>(Audited) June 30, 2012 Rupees</i>
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Entities over which directors have significant influence

Receipt of short term loan	5,248,804	10,765,623
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Loans from directors

Receipt of short term loan	1,000,000	600,145
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Loan payable to related parties at the end of nine months is Rs.49.944 (June 30, 2012: Rs.44.695) million.

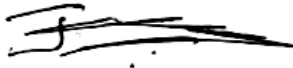
Loan payable to director at the end of nine months is Rs.223.643 (June 30, 2012 : Rs.222.64) million.

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 25th April 2013 by the Board of Directors of the Company.

12. GENERAL

The figures have been round off to the nearest rupee.



Chief Executive



Director