

**1st Quarter Accounts  
for the Period Ended  
September 30, 2014**

**D.S INDUSTRIES LIMITED**



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# Company Information

Board of Directors	Mr. Pervez Ahmed Mr. Ali Pervez Ahmed Mr. Hassan Ibrahim Ahmed Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chief Executive
Audit Committee	Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chairman
HR and Remuneration Committee	Mr. Ali Pervez Ahmed Mr. Atta ur Rehman Mr. Muntazir Mehdi	Chairman
Chief Financial Officer	Mr. Qamar ul Zaman	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Horwath Hussain Chaudhury & Co. Chartered Accountants	
Legal Advisor	Cornelius, Lane & Mufti Advocates & Solicitors	
Banks	Burj Bank Limited MCB Bank Limited Habib Bank Limited Askari Bank Limited KASB Bank Limited Meezan Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited NIB Bank Limited Al Baraka Bank (Pakistan) Limited National Bank of Pakistan Dubai Islamic Bank Silk Bank	
Registered Office	20-K, Gulberg II, Lahore.	
Share Registrars	THK Associates (Pvt.) Limited Ground Floor, State Life Building No 3, Dr. Ziauddin Ahmed Road, Karachi - 75530	
Mill	11-km Sheikhpura Faisalabad Road, Sheikhpura	
Website	<a href="http://www.dsil.com.pk">www.dsil.com.pk</a>	

## **DIRECTORS' REPORT**

On behalf of the Board of Directors of D.S. Industries Limited, it is my pleasure to present the unaudited financial information of the Company, for the first quarter ended September 30, 2014.

### **Financial Results of the Company**

During the quarter ended September 30, 2014, Company earned gross profit of Rs. 5.99 million on sale of Rs. 276.79 million as compared to gross profit of Rs. 18.95 million on sale of Rs. 283.44 million for the corresponding period of last year. During the quarter ended September 30, 2014, Company incurred net loss of Rs. 25.25 million as compared to net loss of Rs. 15.08 million during the corresponding period of last year.

Day to day fluctuation in prices of cotton and yarn have effected the profit margin. Furthermore, electricity shutdowns made production losses.

The textile sector is a significant pillar of Pakistan's economy. Increasing production cost, prolonged power & gas shut downs have made it very difficult for the textile industry to survive and compete in the market. However, the management is committed to run the affairs of the Company in profitable manner by changing production mix and exploring other markets.

### **Acknowledgement**

The Board of directors would like to place on record their appreciation to the valued shareholders, bankers, the Securities & Exchange Commission and to the management of Karachi & Lahore Stock Exchanges for their valuable support, assistance and guidance. The Board also express its appreciation to the staff and workers of the Company for their services, loyalty and efforts being continuously rendered

For & on behalf of the Board

Lahore  
October 30, 2014

Pervez Ahmed  
Chief Executive

**D.S. INDUSTRIES LIMITED**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)  
AS AT SEPTEMBER 30, 2014

	Note	September 30, 2014 (Un-audited) Rupees	June 30, 2014 (Audited) Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized capital: 100,000,000 (June 30, 2014: 100,000,000) ordinary shares of Rs. 10 each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital		600,000,000	600,000,000
Accumulated loss		<u>(1,012,952,724)</u>	<u>(989,760,578)</u>
		(412,952,724)	(389,760,578)
<b>Surplus on Revaluation of Property, Plant and Equipment</b>		99,955,614	101,987,403
<b>Non Current Liabilities</b>			
Long term financing	4	483,465,432	486,196,255
Staff retirement benefits		16,130,734	15,125,814
Deferred tax liability		23,990,909	28,057,189
		523,587,075	529,379,258
<b>Current Liabilities</b>			
Trade and other payables		362,833,377	339,321,191
Accrued mark up		842,102	535,100
Current portion of long term financing	4	74,183,676	110,721,003
Provision for taxation		14,073,750	11,305,853
		451,932,905	461,883,147
<b>Contingencies and Commitments</b>	5	-	-
		<u>662,522,870</u>	<u>703,489,230</u>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	6	426,584,838	436,192,675
Long term investments		114,271,144	134,059,495
Long term deposits		19,072,394	19,072,394
		559,928,376	589,324,564
<b>Current Assets</b>			
Stores and spares		1,666,807	1,372,437
Stock in trade		21,015,636	27,355,669
Trade debts		66,522,004	72,630,475
Advances, prepayments and other receivables		5,094,762	4,177,123
Short term investment		849,974	639,765
Tax refunds due from Government		5,854,521	5,272,474
Cash and bank balances		1,590,790	2,716,723
		102,594,494	114,164,666
		<u>662,522,870</u>	<u>703,489,230</u>

The annexed notes form an integral part of this condensed interim financial information (un-audited).

**CHIEF EXECUTIVE****DIRECTOR**

**D.S. INDUSTRIES LIMITED****CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

		<b>Quarter Ended September 30, 2014</b>	<b>Quarter Ended September 30, 2013</b>
	Note	<b>(Un-Audited) Rupees</b>	<b>(Un-Audited) Rupees</b>
Sales		276,789,714	283,443,744
Cost of sales	7	<u>(270,798,847)</u>	<u>(264,494,803)</u>
<b>Gross Profit</b>		5,990,867	18,948,941
Operating expenses			
- Distribution cost		<u>(677,569)</u>	<u>(548,368)</u>
- Administrative expenses		<u>(11,832,175)</u>	<u>(10,171,303)</u>
		<u>(12,509,744)</u>	<u>(10,719,671)</u>
<b>Operating (Loss) / Profit</b>		(6,518,877)	8,229,270
Finance cost		(491,281)	(649,934)
Other operating expenses		-	(374,014)
Other operating income		276,191	322,446
Impairment loss on investment in associated companies		(6,806,423)	(6,930,728)
Share of loss of associated companies - net		<u>(12,981,928)</u>	<u>(14,653,113)</u>
<b>Loss before Taxation</b>		(26,522,318)	(14,056,073)
Taxation		1,298,383	(1,022,294)
<b>Loss after Taxation</b>		<u>(25,223,935)</u>	<u>(15,078,367)</u>
<b>Loss per Share - Basic</b>		<u>(0.42)</u>	<u>(0.25)</u>

The annexed notes form an integral part of this condensed interim financial information (un-audited).

CHIEF EXECUTIVE

DIRECTOR

**D.S. INDUSTRIES LIMITED**

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	<b>Quarter Ended September 30, 2014</b>	<b>Quarter Ended September 30, 2013</b>
	<b>(Un-Audited)</b> Rupees	<b>(Un-Audited)</b> Rupees
<b>Loss after Taxation</b>	(25,223,935)	(15,078,367)
Other comprehensive income		
Transfer from surplus on revaluation of property, plant and equipment net of deferred tax in respect of incremental depreciation charged in current period	2,031,789	2,027,848
<b>Total Comprehensive Loss for the Period</b>	<u>(23,192,146)</u>	<u>(13,050,519)</u>

**CHIEF EXECUTIVE**

**DIRECTOR**

**D.S. INDUSTRIES LIMITED****CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	<b>Quarter Ended September 30, 2014 (Un-audited) Rupees</b>	<b>Quarter Ended September 30, 2013 (Un-audited) Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(26,522,318)	(14,056,073)
<b>Adjustments for:</b>		
- Depreciation	10,387,337	10,489,700
- Gain on re-measurement of investment at fair value through profit or loss	(210,209)	(47,480)
- Impairment loss on investment in associates	6,806,423	6,930,728
- Provision for gratuity	1,986,439	1,757,571
- Share of loss of associated undertakings	12,981,928	14,653,113
- Finance cost	411,581	649,934
- Provision for workers' (profit) participation fund	-	374,014
- Interest on workers' (profit) participation fund	79,700	-
	<u>32,443,199</u>	<u>34,807,580</u>
<b>Operating profit before working capital changes</b>	5,920,881	20,751,507
(Increase) / decrease in current assets:		
- Stores and spares	(294,370)	(1,460,076)
- Stock in trade	6,340,033	946,752
- Trade debts	6,108,471	(510,985)
- Advances, deposits, prepayments and other receivables	(917,639)	(2,869,387)
- Tax refunds due from Government	(474,376)	172,404
Increase in current liabilities:		
- Trade and other payables	24,397,758	24,294,709
	<u>35,159,877</u>	<u>20,573,417</u>
<b>Cash generated from Operations</b>	41,080,758	41,324,924
Income tax paid	(107,671)	(298,522)
Finance cost paid	(104,579)	(801,395)
Gratuity paid	(981,519)	(541,015)
Workers' (profit) participation fund paid	(965,272)	(1,334,000)
	<u>(2,159,041)</u>	<u>(2,974,932)</u>
<b>Net Cash Generated from Operating Activities</b>	38,921,717	38,349,992
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment purchased	(779,500)	-
Capital work in progress	-	(485,035)
<b>Net Cash Used in Investing Activities</b>	(779,500)	(485,035)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finance	(52,438,741)	(21,724,253)
Loan from Director	13,170,591	-
<b>Net Cash Used in Financing Activities</b>	<u>(39,268,150)</u>	<u>(21,724,253)</u>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	(1,125,933)	16,140,704
Cash and cash equivalents at the beginning of the period	2,716,723	59,772,284
<b>Cash and Cash Equivalents at the End of the Period</b>	<u>1,590,790</u>	<u>75,912,988</u>



**D.S. INDUSTRIES LIMITED**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	<b>Share Capital</b>	<b>Accumulated Loss</b>	<b>Total</b>
	----- Rupees	<b>(Un-audited)</b> Rupees	----- Rupees
<b>Balance as at June 30, 2013</b>	600,000,000	(949,916,994)	(349,916,994)
Total comprehensive loss for the quarter ended September 30, 2013	-	(13,050,519)	(13,050,519)
<b>Balance as at September 30, 2013</b>	<u>600,000,000</u>	<u>(962,967,513)</u>	<u>(362,967,513)</u>
<b>Balance as at June 30, 2014</b>	600,000,000	(989,760,578)	(389,760,578)
Total comprehensive loss for the quarter ended September 30, 2014	-	(23,192,146)	(23,192,146)
<b>Balance as at September 30, 2014</b>	<u>600,000,000</u>	<u>(1,012,952,724)</u>	<u>(412,952,724)</u>

CHIEF EXECUTIVE

DIRECTOR

**D.S. INDUSTRIES LIMITED**

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION  
(UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Note 1

**The Company and its Operations**

**1.1** The Company was incorporated in Pakistan on September 09, 1980 as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a Public Company on February 21, 2005. The Company is listed on Karachi and Lahore Stock Exchanges. The Company has its registered office at 20-K, Gulberg-II Lahore, Pakistan. The principal activity of the Company is manufacturing and selling of yarn.

**1.2 Going concern assumption**

The Company has incurred net loss of Rs. 25.247 million during the year and has accumulated loss of Rs. 1,012.976 million (June 30, 2014: Rs. 989.761 million) as at the balance sheet date. The current liabilities of the Company exceed its current assets by Rs. 349.361 million (June 30, 2014: Rs. 347.718 million) and its total liabilities exceed its total assets by Rs. 313.020 million (June 30, 2014: Rs. 287.773 million) as at the balance sheet date. These factors raise doubts about the Company being a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, any adjustments relating to the recoverability of recorded assets and liabilities have not been incorporated in these financial statements as the management is confident to obtain continuous support from its sponsoring directors. Further, the directors have injected Rs. 29.250 million in the Company, to repay the outstanding liability of KASB Bank Limited. Moreover, suits filed by KASB Bank Limited and Askari Bank Limited have also been withdrawn owing to the repayment of long term financing as per the repayment schedule. Keeping in view all these factors, the going concern assumption is considered appropriate and, therefore, these financial statements have been prepared on a going concern basis.

Note 2

**Basis of Preparation**

**2.1** This condensed interim financial information of the Company for the quarter ended on September 30, 2014 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.

**2.2** This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2014. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2014 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative statement of changes in equity and comparative cash flows statement are stated from unaudited interim financial information for the quarter ended on September 30, 2013.

**2.3** This condensed interim financial information is unaudited.

Note 3

**Significant Accounting Policies**

The accounting policies and methods of computation of this interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended on June 30, 2014.

Note 4

**Long Term Financing**

	<b>September 30, 2014</b>	<b>June 30, 2014</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	Rupees	Rupees
<b>Loan from financial institutions - Secured</b>	544,478,517	596,917,258
Less: Current portion	<u>(74,183,676)</u>	<u>(110,721,003)</u>
	470,294,841	486,196,255
Loan from Director - Unsecured	<u>13,170,591</u>	<u>-</u>
	<u><u>483,465,432</u></u>	<u><u>486,196,255</u></u>

## Note 5

**Contingencies and Commitments**

## Contingencies

There are no material contingencies outstanding as at the balance sheet date (June 30, 2014: Nil).

## Commitments

There are no commitments outstanding as at the balance sheet date (June 30, 2014: Nil).

## Note 6

**Property, Plant and Equipment**

	<b>September 30, 2014</b>	<b>June 30, 2014</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	Rupees	Rupees
Opening written down value	436,192,675	437,429,417
Additions during the period / year (at cost)	779,500	29,629,143
Disposal during the period / year (at WDV)	-	(122,239)
	<u>436,972,175</u>	<u>466,936,321</u>
Depreciation charge for the period / year	(10,387,337)	(43,404,136)
Revaluation adjustments - net	-	12,660,490
	<u><u>426,584,838</u></u>	<u><u>436,192,675</u></u>

## Note 7

**Cost of Sales**

	<b>Quarter Ended September 30, 2014</b>	<b>Quarter Ended September 30, 2013</b>
	<b>(Un-audited)</b>	<b>(Un-audited)</b>
	Rupees	Rupees
Raw materials consumed	176,674,007	161,548,832
Stores and spares consumed	5,474,993	5,189,662
Salaries, wages and benefits	27,961,119	24,272,514
Fuel and power	47,941,556	58,177,596
Traveling and conveyance	185,713	109,421
Repairs and maintenance	132,118	175,464
Insurance	549,187	413,348
Entertainment	279,378	298,353
Miscellaneous	85,710	62,582
Depreciation	<u>10,127,047</u>	<u>10,159,122</u>
	269,410,828	260,406,894
Work in process:		
- Opening stock	15,982,699	9,426,862
- Closing stock	(13,989,184)	(7,239,984)
	<u>1,993,515</u>	<u>2,186,878</u>
	271,404,343	262,593,772
Finished goods:		
- Opening stock	3,759,315	6,882,408
- Closing stock	(4,364,811)	(4,981,377)
	<u>(605,496)</u>	<u>1,901,031</u>
	<u><u>270,798,847</u></u>	<u><u>264,494,803</u></u>

Note 8

**Transactions with Related Parties**

Related parties and associated undertaking comprise related group companies, associated companies, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

	<b>Quarter Ended September 30, 2014 (Un-audited)</b>	<b>Quarter Ended September 30, 2013 (Un-audited)</b>
	Rupees in "million"	Rupees in "million"
Services provided / material sold	1.311	1.506

Note 9

**General**

- 9.1 This condensed interim financial information is authorized for issue on October 30, 2014 by the Board of Directors of the Company.
- 9.2 Figures have been rounded off to the nearest rupee, unless stated otherwise; and
- 9.3 Corresponding figures have been re-arranged wherever necessary to facilitate comparison. No material rearrangement has been made during the period.

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