

1st Quarter Accounts
for the Period Ended
September 30, 2017

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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. Suleman Ahmed Mr. Atta ur Rehman Mr. Muntazir Mehdi	Chairman
Chief Financial Officer	Mr. Mohammad Rafique Qureshi	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants	
Legal Advisor	Cornelius, Lane & Mufti Advocates & Solicitors	
Banks	Al Baraka Bank (Pakistan) Limited MCB Bank Limited Askari Bank Limited Silk Bank Meezan Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited NIB Bank Limited National Bank of Pakistan Dubai Islamic Bank	
Registered Office	20-K, Gulberg II, Lahore.	
Share Registrars	THK Associates (Pvt.) Limited First Floor, 40-C, Block - 6 P.E.C.H.S Karachi - 75400	
Mill	11-km Sheikhpura Faisalabad Road, Sheikhpura	
Website	www.dsil.com.pk	

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 quarter ended September 30, 2017.

Financial Results of the Company

During the quarter ended September 30, 2017 the Company has incurred gross loss of Rs. 8.066 million on sale of Rs. 82.843 million as compared to gross loss of Rs. 19.728 million on sale of Rs. 206.837 million for the corresponding period of last year. During the quarter ended September 30, 2017; Company has suffered net loss of Rs. 4.543 million as compared to net loss of Rs. 6.462 million during the corresponding period of last year.

Financial results for the Quarter ended September 30, 2017 of the Company has been affected mainly due to under utilization of company's production facilities and decline in yarn prices in local market.

Future Outlook

The textile sector is a significant pillar of Pakistan's economy. After a long spell of adverse yarn market due to power crisis and higher cost of production it seems that market taking turn around. Taking advantage of new market conditions, management is committed to run the affairs of the Company in profitable manner by changing production mix and utilizing the Company's production capacity at optimum level.

Acknowledgement

The Board of directors would like to place on record their appreciation to the valued shareholders, bankers, the Securities & Exchange Commission of Pakistan and to the management of Pakistan Stock Exchange Limited 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, 2017

Pervez Ahmed
Chief Executive

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2017

	Note	September 30, 2017 (Un-Audited) Rupees	June 30, 2017 (Audited) Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
100,000,000 (June 30, 2017: 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		836,856,310	836,856,310
Discount on issue of shares		(82,899,709)	(82,899,709)
Accumulated loss		<u>(698,625,572)</u>	<u>(697,192,244)</u>
		55,331,029	56,764,357
Advance against issue of ordinary shares		-	-
TOTAL EQUITY		<u>55,331,029</u>	<u>56,764,357</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		211,137,948	214,247,198
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>	4	-	-
Employees retirement benefits		17,625,959	18,825,729
Deferred taxation		-	-
		17,625,959	18,825,729
CURRENT LIABILITIES			
Trade and other payables		153,144,217	180,501,573
Accrued interest/markup		1,590,540	1,434,286
Short term borrowings		112,954,059	90,854,324
Provision for taxation		9,275,242	8,239,700
Current portion of non-current liabilities	4	<u>115,788,192</u>	<u>128,139,833</u>
		392,752,250	409,169,716
TOTAL LIABILITIES		<u>410,378,209</u>	<u>427,995,445</u>
CONTINGENCIES AND COMMITMENTS	5	-	-
TOTAL EQUITY AND LIABILITIES		<u>676,847,186</u>	<u>699,007,000</u>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	502,791,444	510,776,302
Long term investments		96,478,266	96,706,153
Long term deposits - <i>unsecured, considered good</i>		19,072,394	19,072,394
Deferred taxation		<u>933,456</u>	<u>933,456</u>
		619,275,560	627,488,305
CURRENT ASSETS			
Stores, spares and loose tools		1,049,204	1,049,204
Stock in trade		24,315,885	35,215,391
Trade debts - <i>unsecured, considered good</i>		10,473,114	14,473,497
Advances, prepayments and other receivables		11,480,251	12,923,324
Advance income tax/income tax refundable		7,047,206	6,758,559
Bank balances		<u>3,205,966</u>	<u>1,098,720</u>
		57,571,626	71,518,695
TOTAL ASSETS		<u>676,847,186</u>	<u>699,007,000</u>

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	<i>Note</i>	Quarter Ended September 30, 2017	Quarter Ended September 30, 2016
		(Un-Audited) Rupees	(Un-Audited) Rupees
Turnover - net		82,843,383	206,836,810
Cost of sales	7	(90,908,930)	(226,564,692)
Gross loss		<u>(8,065,547)</u>	<u>(19,727,882)</u>
Selling and distribution expenses		(284,814)	(504,417)
Administrative and general expenses		(6,941,427)	(5,235,849)
Other expenses		(512,245)	(286,938)
		(7,738,486)	(6,027,204)
		<u>(15,804,033)</u>	<u>(25,755,086)</u>
Other income		14,173,519	23,395
Operating loss		<u>(1,630,514)</u>	<u>(25,731,691)</u>
Finance cost		(1,648,635)	(76,722)
Share of (loss) / Profit of associates		(227,887)	262,189
Loss before taxation		<u>(3,507,036)</u>	<u>(25,546,224)</u>
Taxation		(1,035,542)	19,084,147
Loss after taxation		<u>(4,542,578)</u>	<u>(6,462,077)</u>
Earnings per share - basic		<u>(0.05)</u>	<u>(0.11)</u>

The annexed notes form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter Ended September 30, 2017 (Un-Audited) Rupees	Quarter Ended September 30, 2016 (Un-Audited) Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-
<i>Items that will not be reclassified to profit or loss</i>		
Incremental depreciation	3,109,250	4,263,667
Remeasurements of defined benefit obligation	-	(29,931)
	<u>3,109,250</u>	<u>4,233,736</u>
Other comprehensive income	3,109,250	4,233,736
Loss for the period	(4,542,578)	(6,462,077)
Total comprehensive loss	<u>(1,433,328)</u>	<u>(2,228,341)</u>

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter Ended September 30, 2017	Quarter Ended September 30, 2016
	(Un-Audited) Rupees	(Un-Audited) Rupees
CASH GENERATED FROM OPERATIONS		
Loss before taxation	(3,507,036)	(25,546,224)
Adjustments for non-cash and other items		
Liabilities written back	(1,817,211)	-
Waiver of debt finances and accrued markup thereon	(12,351,641)	-
Gain on sale of investments	-	-
Reversal of impairment/impairment loss on investment in associates	-	(18,130)
Share of profit/(loss) of associates	227,887	(262,189)
Finance cost	1,590,540	76,722
Provision for employees retirement benefits	1,863,740	2,019,485
Depreciation	7,984,859	12,180,094
	<u>(2,501,826)</u>	<u>13,995,982</u>
Operating loss before working capital changes	(6,008,862)	(11,550,242)
Changes in working capital		
Stores, spares and loose tools	-	(113,511)
Stock in trade	10,899,506	1,289,488
Trade debts	4,000,383	8,363,623
Advances, prepayments and other receivables	1,443,073	6,698,218
Tax refunds due from Government	-	(443,193)
Trade and other payables	(25,540,147)	(10,564,286)
	<u>(9,197,185)</u>	<u>5,230,339</u>
CASH FLOW FROM OPERATING ACTIVITIES	(15,206,047)	(6,319,903)
Payments for:		
Employees retirement benefits	(3,063,510)	(1,146,475)
Interest/markup	(1,434,286)	(76,722)
Income tax	(288,647)	-
	<u>(4,786,443)</u>	<u>(1,223,197)</u>
Net cash used in operating activities	(19,992,490)	(7,543,100)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	-	-
Proceeds from sale of investments	-	-
Net cash generated from investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term finances	-	(1,910,019)
Net increase in short term borrowings	22,099,735	10,225,259
Net cash generated from financing activities	22,099,735	8,315,240
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,107,245	772,140
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,098,720	982,174
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>3,205,965</u>	<u>1,754,314</u>

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)****FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Issued subscribed and paid-up capital <i>Rupees</i>	Discount on issue of shares <i>Rupees</i>	Accumulated loss <i>Rupees</i>	Total equity <i>Rupees</i>
Balance as at June 30, 2016	600,000,000	-	(787,865,190)	(124,847,935)
Total comprehensive loss for the quarter ended September 30, 2016	-	-	(2,228,341)	(2,228,341)
Total comprehensive loss	-	-	(2,228,341)	(2,228,341)
Balance as at September 30, 2016	<u>600,000,000</u>	<u>-</u>	<u>(790,093,531)</u>	<u>(127,076,276)</u>
Balance as at June 30, 2017	836,856,310	(82,899,709)	(697,192,244)	56,764,357
Comprehensive income				
Profit after taxation	-	-	(4,542,578)	(4,542,578)
Other comprehensive income	-	-	3,109,250	3,109,250
Total comprehensive income	-	-	(1,433,328)	(1,433,328)
Balance as at September 30, 2017	<u>836,856,310</u>	<u>(82,899,709)</u>	<u>(698,625,572)</u>	<u>55,331,029</u>

CHIEF EXECUTIVE**DIRECTOR**

D.S. INDUSTRIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

1 REPORTING ENTITY

D.S. Industries Limited ('the Company') is incorporated in Pakistan as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a Public Limited Company. The Company is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 20-K, Gulberg II, Lahore. The manufacturing facility is located at 11 KM, Sheikhpura Faisalabad Road, Sheikhpura, in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Going concern assumption

The Company has been facing operational losses since the previous year mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 8.065 million and loss before taxation of Rs. 3.507 million during the period ended September 30, 2017. As at September 30, 2017 the Company has accumulated losses of Rs. 698.625 million. Its current liabilities exceed its current assets by Rs. 335.181 million. The Company has been unable to repay its long debts on due dates. These factors indicate existence of material uncertainty that raise doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- a) "The Company has continued financial support of its related parties in the form of interest free loans. During the year, related parties provided financial support amounting to Rs. 17.09 million in the form of long term interest free loans.
- b) The Company is making efforts to repay its long term finances in accordance with the repayment schedules to avail the interest/markup waiver offered by the lending banks. Banks have agreed to waive off an aggregate amount of Rs. 116 million subject to timely repayment of principal liabilities.
- c) The waiver of interest/markup is expected to make available sufficient working capital to the Company which will allow the Company to achieve its target of sustainable capacity utilization.

The management is confident that through above measures, the Company will turnaround into a profitable company, subject to impact, if any, of uncontrollable circumstances including power crises and global market conditions.

- 2.2 This condensed interim financial information of the Company for the quarter ended on September 30, 2017 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.
- 2.3 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2017. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2017 whereas comparative profit and loss account, comparative statements 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, 2016.
- 2.4 This condensed interim financial information is unaudited.

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, 2017

4 LONG TERM FINANCES - SECURED	September 30, 2017	June 30, 2017
	(Un-audited)	(Audited)
	Rupees	Rupees
These represent long term finances utilized under interest/markup arrangements from banking companies		
Askari Bank Limited	-	12,351,641
MCB Bank Limited	115,788,192	115,788,192
	115,788,192	128,139,833
Current maturity and overdue amounts presented under current liabilities	(115,788,192)	(128,139,833)
	-	-
5 Contingencies and Commitments		
5.1 Contingencies		
The Company and others have filed a petition before the Lahore High Court ('LHC') against the levy of Gas Infrastructure Development Surcharge ('GIDC') amounting. The Lahore High Court has provided an interim relief to the petitioners by staying the levy of GIDC. The petition is pending for final arguments for which no date has yet been fixed by the LHC. The amount of potential liability is Rs. 14.48 million. However, on the basis of the advice of the Company's legal advisors, the management expects a favourable outcome.		
5.2 Commitments		
There are no commitments outstanding as at balance sheet date (June 30, 2017: Nil).		
6 Property, Plant and Equipment	September 30, 2017	June 30, 2017
	(Un-audited)	(Audited)
	Rupees	Rupees
Opening written down value	510,776,302	544,306,154
Additions during the period at cost	-	1,107,010
	510,776,302	545,413,164
Depreciation charge for the period	(7,984,858)	(34,636,862)
	502,791,444	510,776,302
7 Cost of Sales	Quarter Ended September 30, 2017	Quarter Ended September 30, 2016
	(Un-audited)	(Un-audited)
	Rupees	Rupees
Raw material consumed	52,283,024	143,940,007
Stores and spares consumed	2,160,936	5,182,141
Salaries, wages and benefits	14,180,713	25,988,950
Power and fuel	10,702,673	41,169,167
Traveling and conveyance	165,254	167,170
Repair and maintenance	285,551	210,450
Insurance	293,521	294,026
Entertainment	124,607	253,131
Depreciation	7,797,308	12,010,732
Others	277,651	260,675
	88,271,238	229,476,449
Work in process		
As at beginning of the period	12,868,500	10,751,777
As at end of the period	(10,816,500)	(13,392,500)
	2,052,000	(2,640,723)
	90,323,238	226,835,726
Finished goods		
As at beginning of the period	2,675,348	4,571,553
As at end of the year period	(2,089,656)	(4,842,587)
	585,692	(271,034)
	90,908,930	226,564,692

8 Transactions with Related Parties

Related parties from the Company's perspective comprise sponsors of the Company, associated companies and undertakings 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:

	Quarter Ended September 30, 2017	Quarter Ended September 30, 2016
	(Un-audited)	(Un-audited)
	Rupees in "million"	Rupees in "million"
Services provided / material sold	-	14.481

9 General

- 9.1 This condensed interim financial information is authorized for issue on October 30, 2017 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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