

1st Quarter Accounts
for the Period Ended
September 30, 2016

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. Suleman Ahmed Mr. Atta ur Rehman Mr. Muntazir Mehdi | Chairman |
| Chief Financial Officer | Mr. Arslan Ali | |
| Company Secretary | Mr. Salman Farooq | |
| Auditors | M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants | |
| Legal Advisor | Cornelius, Lane & Mufti Advocates & Solicitors | |
| Banks | MCB Bank Limited Silk Bank Ltd Askari 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 Ltd Burj Bank Limited | |
| 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 | 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 first quarter ended September 30, 2016.

Financial Results of the Company

During the quarter ended September 30, 2016, the Company has suffered gross loss of Rs. 19.72 million on sale of Rs. 206.83 million as compared to gross loss of Rs. 11.48 million on sale of Rs. 102.18 million for the corresponding period of last year. During the quarter ended September 30, 2016, Company incurred net loss of Rs. 6.46 million as compared to net loss of Rs. 24.24 million during the corresponding period of last year.

Financial results of the company has been affected mainly due to under utilization of company's production facilities, decline in demand of yarn and depressed yarn prices in local market.

Pakistan's economy is largely based on textile sector. Increasing electricity cost, decreasing yarn demand & yarn prices 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 Pakistan Stock Exchange 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 31, 2016

Pervez Ahmed
Chief Executive

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2016

| | Note | September 30, 2016 | June 30, 2016 |
|--|------|-------------------------------|--------------------------|
| | | (Un-audited) | (Audited) |
| | | Rupees | Rupees |
| CAPITAL AND LIABILITIES | | | |
| Share Capital and Reserves | | | |
| Authorized capital: | | | |
| 100,000,000 (June 30, 2016: 100,000,000) ordinary shares of Rs. 10 each | | 1,000,000,000 | 1,000,000,000 |
| Issued, subscribed and paid up capital | | 600,000,000 | 600,000,000 |
| Accumulated loss | | (790,093,531) | (787,865,190) |
| | | (190,093,531) | (187,865,190) |
| Advances against issue of ordinary shares | | 63,017,255 | 63,017,255 |
| Total Equity | | (127,076,276) | (124,847,935) |
| Surplus on Revaluation of Property, Plant and Equipment | | 221,125,851 | 225,389,518 |
| Non Current Liabilities | | | |
| Long term financing - Secured | 4 | - | - |
| Staff retirement benefits | | 19,885,079 | 18,982,138 |
| Deferred tax | | (13,314,622) | 5,769,525 |
| | | 6,570,457 | 24,751,663 |
| Current Liabilities | | | |
| Trade and other payables | | 334,254,717 | 344,819,003 |
| Accrued mark up | | 226,244 | 226,244 |
| Short term borrowing | | 121,137,934 | 110,912,675 |
| Current portion of long term financing | 4 | 149,279,505 | 151,189,524 |
| Provision for taxation | | - | - |
| | | 604,898,400 | 607,147,446 |
| Contingencies and Commitments | 5 | - | - |
| | | 705,518,432 | 732,440,692 |
| | | September 30, 2016 | June 30, 2016 |
| ASSETS | | | |
| Non Current Assets | | | |
| Property, plant and equipment | 6 | 532,126,060 | 544,306,154 |
| Long term investments | | 80,867,747 | 80,605,558 |
| Long term deposits | | 19,072,394 | 19,072,394 |
| | | 632,066,201 | 643,984,106 |
| Current Assets | | | |
| Stores and spares | | 1,150,290 | 1,036,779 |
| Stock in trade | | 18,921,087 | 20,210,575 |
| Trade debts - Unsecured, considered good | | 30,107,214 | 38,470,837 |
| Advances, prepayments and other receivables | | 15,597,109 | 22,295,327 |
| Short term investment | | 771,590 | 753,460 |
| Advance income tax / income tax refundable | | 5,150,627 | 4,707,434 |
| Cash and bank balances | | 1,754,314 | 982,174 |
| | | 73,452,231 | 88,456,586 |
| | | 705,518,432 | 732,440,692 |

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, 2016**

| | | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|--|------|---|---|
| | Note | (Un-Audited) Rupees | (Un-Audited) Rupees |
| Sales | | 206,836,810 | 102,186,921 |
| Cost of sales | 7 | <u>(226,564,692)</u> | <u>(113,668,385)</u> |
| Gross (Loss) | | (19,727,882) | (11,481,464) |
| Operating expenses | | | |
| - Distribution cost | | (504,417) | (420,788) |
| - Administrative expenses | | (5,235,849) | (5,491,999) |
| | | <u>(5,740,266)</u> | <u>(5,912,787)</u> |
| Operating (Loss) | | (25,468,148) | (17,394,251) |
| Finance cost | | (76,722) | (2,968,778) |
| Other operating expenses | | (286,938) | (558,647) |
| Other operating income | | 23,395 | 71,789 |
| Share of Profit/(Loss) of associated companies - net | | <u>262,189</u> | <u>(754,614)</u> |
| (Loss) before Taxation | | (25,546,224) | (21,604,501) |
| Taxation | | 19,084,147 | 1,661,079 |
| (Loss) after Taxation | | <u>(6,462,077)</u> | <u>(19,943,422)</u> |
| (Loss) per Share - Basic | | <u>(0.11)</u> | <u>(0.33)</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, 2016

| | Quarter Ended September 30, 2016 (Un-Audited) Rupees | Quarter Ended September 30, 2015 (Un-Audited) Rupees |
|---|---|---|
| Items that may be reclassified subsequently to profit or loss | - | - |
| Items that will not be reclassified to profit or loss | | |
| Incremental depreciation | 4,263,667 | 1,855,912 |
| Remeasurements of defined benefit obligation | (29,931) | (134,277) |
| | <hr/> | <hr/> |
| Other comprehensive income | 4,233,736 | 1,721,635 |
| Loss for the period | (6,462,077) | (19,943,422) |
| Total comprehensive (loss) | <hr/> (2,228,341) | <hr/> (18,221,787) |

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|---|---|---|
| | (Un-audited) | (Un-audited) |
| | Rupees | Rupees |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (25,546,224) | (21,604,501) |
| Adjustments for: | | |
| - Depreciation | 12,180,094 | 9,418,598 |
| - Gain on re-measurement of investment at fair value through profit or loss | (18,130) | (62,880) |
| - Impairment loss on investment in associates | - | - |
| - Provision for gratuity | 2,019,485 | 1,980,135 |
| - Share of Profit of associated undertakings | (262,189) | 754,614 |
| - Finance cost | 76,722 | 2,741,741 |
| - Interest on workers' (profit) participation fund | - | 227,037 |
| | <u>13,995,982</u> | <u>15,059,245</u> |
| Operating profit before working capital changes | (11,550,242) | (6,545,256) |
| (Increase) / Decrease in current assets: | | |
| - Stores and spares | (113,511) | (134,547) |
| - Stock in trade | 1,289,488 | (467,484) |
| - Trade debts | 8,363,623 | 17,063,581 |
| - Advances, deposits, prepayments and other receivables | 6,698,218 | 2,730,940 |
| - Tax refunds due from Government | (443,193) | (101,079) |
| (Decrease) / Increase in current liabilities: | | |
| - Trade and other payables | (10,564,286) | (38,809,094) |
| | <u>5,230,339</u> | <u>(19,717,683)</u> |
| Cash generated from Operations | (6,319,903) | (26,262,939) |
| Income tax paid | - | - |
| Finance cost paid | (76,722) | (145,402) |
| Gratuity paid | (1,146,475) | (3,597,423) |
| Workers' (profit) participation fund paid | - | - |
| | <u>(1,223,197)</u> | <u>(3,742,825)</u> |
| Net Cash (Used in) / Generated from Operating Activities | (7,543,100) | (30,005,764) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Property, plant and equipment purchased | - | - |
| Net Cash Used in Investing Activities | - | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long term finance | (1,910,019) | (12,195,136) |
| Loan from related parties obtained | - | 39,319,311 |
| Increase in short term borrowing | 10,225,259 | 2,500,000 |
| Net Cash Generated from / (Used in) Financing Activities | <u>8,315,240</u> | <u>29,624,175</u> |
| Net Decrease in Cash and Cash Equivalents | 772,140 | (381,589) |
| Cash and cash equivalents at the beginning of the period | 982,174 | 1,302,910 |
| Cash and Cash Equivalents at the End of the Period | <u>1,754,314</u> | <u>921,321</u> |

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | Share Capital | Accumulated Loss | Total |
|--|--------------------------|-----------------------------|----------------------|
| | ----- Rupees | (Un-audited) Rupees | ----- Rupees |
| Balance as at June 30, 2015 | 600,000,000 | (813,991,466) | (213,991,466) |
| Total comprehensive loss for the quarter ended September 30, 2015 | - | (18,221,787) | (18,221,787) |
| Balance as at September 30, 2015 | <u>600,000,000</u> | <u>(832,213,253)</u> | <u>(232,213,253)</u> |
| Balance as at June 30, 2016 | 600,000,000 | (787,865,190) | (187,865,190) |
| Total comprehensive loss for the quarter ended September 30, 2016 | - | (2,228,341) | (2,228,341) |
| Balance as at September 30, 2016 | <u>600,000,000</u> | <u>(790,093,531)</u> | <u>(190,093,531)</u> |

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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 gross loss of Rs. 19.72 million and loss of before taxation of Rs. 25.54 million during the period ended September 30, 2016. As at September 30, 2016, the Company has accumulated losses of Rs. 790.093 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 531.446 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

- The Company has continued financial support from sponsors in the form of interest free loans.
- The waiver of interest/mark-up 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.

Note 2

Basis of Preparation

- 2.1** This condensed interim financial information of the Company for the quarter ended on September 30, 2015 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, 2016. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2016 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, 2015.
- 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, 2016.

Note 4

Long Term Financing

| | September 30, 2016 | June 30, 2016 |
|---|-------------------------------|--------------------------|
| | (Un-audited) | (Audited) |
| | Rupees | Rupees |
| Loan from financial institutions - Secured | 149,279,505 | 229,995,001 |
| Less: Current portion | <u>(149,279,505)</u> | <u>(145,839,649)</u> |
| | <u>-</u> | <u>84,155,352</u> |

Note 5

Contingencies and Commitments

Contingencies

There are no material contingencies outstanding as at the balance sheet date (June 30, 2016: Nil).

Commitments

There are no commitments outstanding as at the balance sheet date (June 30, 2016: Nil).

Note 6

Property, Plant and Equipment

| | September 30, 2016 | June 30, 2016 |
|--|-------------------------------|--------------------------|
| | (Un-audited) | (Audited) |
| | Rupees | Rupees |
| Opening written down value | 544,306,154 | 615,642,525 |
| Additions during the period / year (at cost) | - | - |
| | <u>544,306,154</u> | <u>615,642,525</u> |
| Depreciation charge for the period / year | <u>(12,180,094)</u> | <u>(71,336,371)</u> |
| | <u>532,126,060</u> | <u>544,306,154</u> |

Note 7

Cost of Sales

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|------------------------------|---|---|
| | (Un-audited) | (Un-audited) |
| | Rupees | Rupees |
| Raw materials consumed | 143,940,007 | 61,519,020 |
| Stores and spares consumed | 5,182,141 | 2,794,422 |
| Salaries, wages and benefits | 25,988,950 | 20,390,207 |
| Fuel and power | 41,169,167 | 18,272,496 |
| Traveling and conveyance | 167,170 | 164,546 |
| Repairs and maintenance | 210,450 | 136,235 |
| Insurance | 294,026 | 12,351 |
| Entertainment | 253,131 | 215,173 |
| Miscellaneous | 260,675 | 202,856 |
| Depreciation | <u>12,010,732</u> | <u>9,208,732</u> |
| | 229,476,449 | 112,916,038 |
| Work in process: | | |
| - Opening stock | 10,751,777 | 12,663,970 |
| - Closing stock | <u>(13,392,500)</u> | <u>(13,683,432)</u> |
| | <u>(2,640,723)</u> | <u>(1,019,462)</u> |
| | 226,835,726 | 111,896,576 |
| Finished goods: | | |
| - Opening stock | 4,571,553 | 3,666,788 |
| - Closing stock | <u>(4,842,587)</u> | <u>(1,894,979)</u> |
| | <u>(271,034)</u> | <u>1,771,809</u> |
| | <u>226,564,692</u> | <u>113,668,385</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:

| | Quarter Ended September 30, 2016 | Quarter Ended September 30, 2015 |
|-----------------------------------|---|---|
| | (Un-audited) | (Un-audited) |
| | Rupees in "million" | Rupees in "million" |
| Services provided / material sold | <u>14.481</u> | <u>0.618</u> |

Note 9

General

- 9.1 This condensed interim financial information is authorized for issue on October 31, 2016 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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