

INTERIM FINANCIAL STATEMENTS

Nine Months Period Ended March 31, 2011

D.S. INDUSTRIES LIMITED

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Company Information

Board of Directors	Mr. Pervez Ahmad Mr. Ali Pervez Ahmad Mr. Hassan Ibrahim Ahmad Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi	Chief Executive
Audit Committee	Mr. Suleman Ahmad Mr. Hassan Ibrahim Ahmad Mr. Atta ur Rehman	Chairman
Chief Financial Officer	Mr. Ghulam Abbas ACA	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Horwath Hussain Chaudhury & Co. Chartered Accountants, 25-E, Main Market, Gulberg II, Lahore.	
Bankers	MCB Bank Limited Dawood Islamic Bank Limited Habib Bank Limited Askari Bank Limited KASB Bank Limited Meezan Bank Limited Bank Al-Falah Limited	
Head Office & Registered Office	20-K Gulberg II, Lahore.	
Share Registrars	Ganjees Registrar Services (Pvt.) Limited. 516-Clifton Center, Khayaban-e-Roomi, Block 5, Clifton, Karachi.	
Mills:	11-KM, Sheikhpura Faisalabad Road, Sheikhpura.	

Directors' Report

On behalf of the Board of Directors of D.S. Industries Limited, it is my pleasure to present the nine months and 3rd quarter accounts for the period ended March 31, 2011.

Performance Overview

During the period under review the sales of the Company grew by 34% to Rs.1,056.27 million as compared to Rs.693.44 million in the corresponding period ended March 31, 2010. However, this increase in sales revenue could not be translated into gross profit. The gross profit of the Company remained at Rs.2.85 million as against Rs.60.64 million in corresponding period ended March 31, 2010. The main reason behind this decrease in gross profit is that during the 3rd quarter ended March 31, 2011, yarn prices remained sluggish while cotton prices remained stable at around 12,500 per mound. Unprecedented rise in power tariff and frequent power break downs were other factors which further depressed the gross margins. During the period under review the Company incurred a net loss of Rs.93.89 million as against net loss of Rs.30.83 million incurred during the comparable period last year.

During the 3rd quarter of the period under review, world wide decline in yarn demand was witnessed which lead to sharp fall in yarn prices in the local market. This fall in yarn prices coupled with meager demand forced the spinners to cut down their production to avoid inventory built up. Further, in order to avoid inventory losses in falling market, every one tried to liquidate their inventories resulting in increased supply and hence put the pressure on selling rates.

In this process of rationalization of yarn prices, the positive thing for the company is that the cotton rate has come down by 35% to Rs.8,000 per mound as of this report date. Since, the company did not hold much cotton stock therefore, would benefit from this price. Another positive thing is that now the chances of the availability of cotton till the start of new season are high.

The management is making efforts to improve the performance of the Company by concentrating on production mix and striving to cut down costs of production, operating expenses and financial charges. Moreover, the management is actively negotiating with its bankers for the restructuring of loans. We are positive in this regard and are hopeful to end up with favorable terms in foreseeable future.

Acknowledgement

The Board of Directors would like to place on record their appreciation to its valued shareholders, bankers, Securities & Exchange Commission of Pakistan and to the management of Karachi & Lahore Stock Exchanges for their valuable support, assistance and guidance.

For and on behalf of the Board

Lahore: April 29, 2011

*Pervez Ahmad
(Chief Executive)*

D.S. INDUSTRIES LIMITED
BALANCE SHEET AS AT MARCH 31, 2011

Note	March, 31 2011 Rupees	June, 30 2010 Rupees
CAPITAL AND LIABILITIES		
Share Capital and Reserves		
Authorized capital: 100,000,000 (2010: 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
Reserves	<u>(995,182,070)</u>	<u>(909,633,204)</u>
	(395,182,070)	(309,633,204)
Surplus on Revaluation of Property, Plant and Equipment	121,690,908	130,040,887
Non Current Liabilities		
Long term financing	196,941,768	192,500,000
Deferred liabilities	73,181,343	80,282,701
	270,123,111	272,782,701
Current Liabilities		
Trade and other payables	243,183,941	211,422,989
Accrued interest / mark up	139,334,107	118,000,761
Short term borrowings	279,942,550	282,712,789
Current portion of long term financing	138,903,312	128,528,217
Provision for taxation	16,793,312	5,859,245
Dividend payable	337,563	337,563
	818,494,785	746,861,564
Contingencies and Commitments	5	-
	<u>815,126,734</u>	<u>840,051,948</u>
	March, 31 2011 Rupees	June, 30 2010 Rupees
ASSETS		
Non Current Assets		
Property, plant and equipment	553,571,136	596,566,150
Long term investments	97,170,258	101,947,478
Long term deposits	19,072,394	19,072,394
	669,813,788	717,586,022
Current Assets		
Stores and spares	410,529	612,062
Stock in trade	28,408,156	27,413,907
Trade debts	58,896,108	46,100,616
Advances, prepayments and other receivables	31,052,916	25,580,738
Tax refunds due from Government	15,209,553	11,280,231
Short term investment	262,341	229,009
Cash and bank balances	11,073,343	11,249,363
	145,312,946	122,465,926
	<u>815,126,734</u>	<u>840,051,948</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011

	Note	Nine Months Ended March, 31		Quarter Ended March, 31	
		2011	2010	2011	2010
		Rupees	Rupees	Rupees	Rupees
Sales		1,056,269,835	693,442,300	390,279,979	214,529,369
Cost of sales	6	<u>(1,053,422,166)</u>	<u>(632,799,852)</u>	<u>(394,235,647)</u>	<u>(163,415,859)</u>
Gross Profit/(Loss)		2,847,669	60,642,448	(3,955,668)	51,113,510
Operating expenses					
- Distribution cost		<u>(4,422,023)</u>	<u>(529,589)</u>	<u>(1,475,338)</u>	<u>(189,165)</u>
- Administrative expenses		<u>(26,177,626)</u>	<u>(13,071,340)</u>	<u>(8,185,708)</u>	<u>(5,387,780)</u>
		<u>(30,599,649)</u>	<u>(13,600,929)</u>	<u>(9,661,046)</u>	<u>(5,576,945)</u>
Operating (Loss)/profit		(27,751,980)	47,041,519	(13,616,714)	45,536,565
Other operating expenses		(71,239)	(263,590)	-	(16,786)
Finance cost		(58,082,055)	(80,280,442)	(18,042,401)	(21,444,745)
Other operating income		695,630	229,194	480,591	73,854
Impairment loss on investment in associate		(6,349,845)	(4,963,511)	(6,349,845)	(1,968,636)
Share of Profit/(loss) of associated companies		<u>1,636,815</u>	<u>(6,779,552)</u>	<u>(52,502)</u>	<u>(6,779,552)</u>
(Loss)/Profit before Taxation		(89,922,674)	(45,016,382)	(37,580,871)	15,400,700
Taxation		(3,976,171)	14,186,930	(4,175,925)	1,717,438
(Loss)/Profit after Taxation		<u>(93,898,845)</u>	<u>(30,829,452)</u>	<u>(41,756,796)</u>	<u>17,118,138</u>
(Loss)/Earning per Share - Basic		<u>(1.56)</u>	<u>(0.51)</u>	<u>(0.70)</u>	<u>0.29</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine Months Ended March, 31		Quarter Ended March, 31	
	2011	2010	2011	2010
	Rupees	Rupees	Rupees	Rupees
Loss after Taxation	(93,898,845)	(30,829,452)	(41,756,796)	17,118,138
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 year	8,349,979	9,277,755	2,783,327	3,092,585
Total Comprehensive Loss for the period	(85,548,866)	(21,551,697)	(38,973,469)	20,210,723

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(89,922,674)	(45,016,382)
Adjustments for:		
- Depreciation	43,200,764	44,202,271
- Loss on sale of investments	1,239	-
- Impairment loss on investment in associates	6,349,845	4,963,511
- (Loss)/Gain on remeasurement of investment at fair value through profit or loss	(33,332)	203,591
- Provision for gratuity	1,726,189	1,726,188
- Share of net (profit) / loss of associates	(1,636,815)	6,779,552
- Finance cost	58,082,055	80,280,442
	<u>107,689,945</u>	<u>138,155,555</u>
Operating profit before working capital changes	17,767,271	93,139,173
(Increase) / decrease in current assets:		
- Stores and spares	201,533	(280,583)
- Stock in trade	(994,249)	(7,471,536)
- Trade debts	(12,795,492)	632,545
- Advances, deposits, prepayments and other receivables	(5,472,178)	(31,612,786)
- Tax refunds due from Government	(3,929,322)	(2,947,046)
Increase / (decrease) in current liabilities:		
- Trade and other payables	32,609,452	1,422,716
Cash generated / (used in) from Operations	9,619,744	(40,256,690)
Finance cost paid	(2,452,946)	(14,564,145)
Gratuity paid	(1,869,651)	(2,279,743)
Workers' (profit) participation fund paid	(848,500)	(693,225)
Net Cash Generated from Operating Activities	22,215,918	35,345,370
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipment	(205,750)	(191,201)
Proceed from sale of long term investment	62,951	-
Long term deposits and advances	-	(14,672,352)
Loan from a Director	15,000,000	-
Net Cash Generated / (Used in) Investing Activities	14,857,201	(14,863,553)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance	(34,478,900)	(11,280,706)
Short term borrowings	(2,770,239)	(8,055,109)
Net Cash Used in Financing Activities	(37,249,139)	(19,335,815)
Net (Decrease) / Increase in Cash and Cash Equivalents	(176,020)	1,146,002
Cash and cash equivalents at the beginning of the period	11,249,363	2,547,207
Cash and Cash Equivalents at the End of the Period	<u>11,073,343</u>	<u>3,693,209</u>

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

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Share Capital	Accumulated Profit/(Loss)	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2009	600,000,000	(898,621,606)	(298,621,606)
Total comprehensive loss for the nine months ended March 31, 2010	-	(21,551,697)	(21,551,697)
Balance as at March 31, 2010	<u>600,000,000</u>	<u>(920,173,303)</u>	<u>(320,173,303)</u>
Balance as at June 30, 2010	600,000,000	(909,633,204)	(309,633,204)
Total comprehensive loss for the nine months ended March 31, 2011	-	(85,548,866)	(85,548,866)
Balance as at March 31, 2011	<u>600,000,000</u>	<u>(995,182,070)</u>	<u>(395,182,070)</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM
UNAUDITED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2011

Note 1

The Company and its Operations

1.1 D.S. Industries Limited is a Public Limited Company incorporated in Pakistan under the Companies Act, 1913 (now the Companies Ordinance, 1984). Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company manufactures and deals in all types of yarn. The registered office of the Company is situated at 20-K, Gulberg - II, Lahore.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 995.182 million (June 30, 2010: Rs. 909.633 million) as at the balance sheet date and net loss for the period ended of Rs. 93.899 million (loss for the nine months ended March 31, 2010: Rs. 30.829 million). Current liabilities of the Company exceed its current assets by Rs. 673.181 million (June 30, 2010: Rs. 624.396 million) and its total liabilities exceed its total assets by Rs. 273.492 million (June 30, 2010: Rs. 179.592 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 its business.

However, any adjustments relating to the recoverability of recorded assets and liabilities have not been incorporated in these interim financial information as the management is confident to obtain continuous support from its sponsoring directors and favorable negotiation with lenders. The management has been successful in rescheduling one of its long term financing and trying to reschedule long term financing from other lenders on favourable terms. Keeping in view all these factors, the going concern assumption is considered appropriate and, therefore, these interim financial information has been prepared on going concern basis.

Note 2

Basis of Preparation

2.1 This condensed interim financial report of the company for the nine months period ended March 31, 2011 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, 2010. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2010 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 nine months period ended on March 31, 2010.

2.3 This condensed interim financial information is unaudited.

2.4 This condensed interim financial information is presented in Pak rupees, which is the Company's functional and presentational currency.

Note 3

Significant Accounting Policies

The accounting policies and methods of computation of the interim financial statements are the same as those followed in the preparation of annual financial statements for the preceding financial year ended on June 30, 2010.

Note 4

Trade and Other Payables

This includes a claim of a broker that has been incorporated in the accounts as per the statement provided by the broker. The amount is under reconciliation as at the balance sheet date.

Note 5

Contingencies and Commitments

Contingencies

There are no material contingencies outstanding as at the balance sheet date (June 30, 2010: Nil).

Commitments

Aggregate amount of Commitments outstanding in respect of letters of credit for raw materials as at balance sheet date is of Rs. 44.848 million (June 30, 2010: Nil).

Note 6

Cost of Sales

	Nine Months Ended March 31,		Quarter Ended March 31,	
	2011	2010	2011	2010
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	Rupees	Rupees	Rupees	Rupees
Raw materials consumed	760,174,558	403,360,923	278,228,737	87,974,340
Stores and spares consumed	15,090,532	14,421,548	4,908,603	497,780
Salaries, wages and benefits	63,459,944	49,903,154	19,395,086	15,612,088
Fuel and power	114,197,044	105,915,632	31,287,157	39,568,924
Processing charges	17,482,848	6,265,762	5,523,043	-
Traveling and conveyance	1,732,381	250,402	571,901	105,044
Repairs and maintenance	791,684	253,805	124,341	76,438
Insurance	1,148,548	1,138,880	442,352	798,260
Entertainment	283,423	155,022	141,888	20,833
Depreciation	42,602,237	43,690,104	14,201,889	14,563,368
Miscellaneous	313,677	157,535	95,006	56,542
	1,017,276,876	625,512,767	354,920,003	159,273,617
Work in process				
- Opening stock	11,766,834	5,522,303	25,624,401	3,334,788
- Closing stock	(17,404,275)	(2,518,536)	(17,404,275)	(2,518,536)
	(5,637,441)	3,003,767	8,220,126	816,252
	1,011,639,434	628,516,534	363,140,128	160,089,869
Finished goods				
- Opening stock	4,705,980	6,857,869	17,434,176	5,900,541
- Purchases	38,873,004	-	15,457,595	-
- Closing stock	(1,796,252)	(2,574,551)	(1,796,252)	(2,574,551)
	41,782,732	4,283,318	31,095,519	3,325,990
	1,053,422,166	632,799,852	394,235,647	163,415,859

Note 7

Transactions with Related Parties

Related parties and associated undertakings 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:

	Nine Months ended March 31, 2011	Nine Months ended March 31, 2010
	Rupees in "million"	Rupees in "million"
Material / services purchased	10.965	6.266
Sale of goods	14.609	42.774

Note 8

General

8.1 This condensed interim financial information is authorized for issue on April 29, 2011 by the Board of Directors of the Company.

8.2 Corresponding figures have been re-arranged wherever necessary to facilitate comparison. No material rearrangement has been made during the period.

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