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HALF YEARLY ACCOUNTS

31st December, 2012

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
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	
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 half yearly accounts of the Company for the period ended December 31, 2012.

Financial Results of the Company

During the half year ended December 31, 2012, Company earned gross profit of Rs. 61.38 million on sale of Rs. 495.28 million as compared to gross loss of Rs. 4.87 million on sale of Rs. 467.44 million during the corresponding period of last year. In the half year ended December 31, 2012 Company earned profit after tax of Rs. 36.82 million as compared to net loss of Rs. 68.07 million during the corresponding period of last year. Although the cost of production has been increased due to increase in energy prices and other factory overheads, but the Company could able to posted reasonable profits mainly due to better combination of production mix.

Future profitability of the Company is mainly dependent on the continuous and uninterrupted supply of fuel and power. However the management is committed to run the affairs of the Company in profitable manner

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

Lahore
February 26, 2013

For & on behalf of the Board

Pervez Ahmed
Chief Executive

D.S. INDUSTRIES LIMITED
AUDITOR'S REPORT TO THE MEMBERS ON
REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **D.S. Industries Limited** as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the six months period then ended. This interim financial information is the responsibility of the Company's management. Our responsibility is to issue a report on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended on December 31, 2011 and December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

Scope of Review

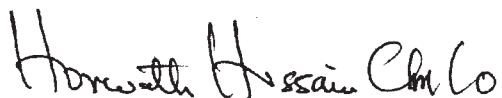
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to Note 1.2 to the interim financial information, which indicates that the Company has accumulated loss of Rs. 1,059.702 million and its current liabilities exceed its current assets by Rs. 567.542 million (June 30, 2012: Rs. 578.382 million) and its total liabilities exceed its total assets by Rs. 356.668 million (June 30, 2012: Rs. 393.485 million) as at the balance sheet date. These conditions along with other matters as explained in Note 5 to the interim financial information indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our report is not qualified with regard to this matter.



Lahore:
Dated : 26.02.2013

HORWATH HUSSAIN CHAUDHARY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

Half Yearly Accounts December 31, 2012

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2012

	December, 31 2012	June, 30 2012
Note	(Un-audited) Rupees	(Audited) Rupees
CAPITAL AND LIABILITIES		
Share Capital and Reserves		
Authorized capital: 100,000,000 (June 30, 2012: 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
Reserves	(1,059,701,782)	(1,100,957,741)
	(459,701,782)	(500,957,741)
Surplus on Revaluation of Property, Plant and Equipment	103,034,159	107,472,387
Non Current Liabilities		
Long term financing	307,584,790	340,951,167
Deferred liabilities	59,729,614	64,220,775
	367,314,404	405,171,942
Current Liabilities		
Trade and other payables	302,981,780	246,544,515
Accrued mark up	125,998,638	112,998,228
Short term borrowings	213,835,526	220,175,526
Current portion of long term financing	58,674,996	74,391,312
Provision for taxation	2,645,641	9,434,127
	704,136,581	663,543,708
Contingencies and Commitments	-	-
	714,783,362	675,230,296
ASSETS		
Non Current Assets		
Property, plant and equipment	457,108,541	480,092,648
Long term investments	102,007,864	90,903,731
Long term deposits	19,072,394	19,072,394
	578,188,799	590,068,773
Current Assets		
Stores and spares	1,090,719	464,981
Stock in trade	39,804,251	26,823,270
Trade debts	26,868,269	23,808,901
Advances, prepayments and other receivables	38,695,845	3,912,191
Short term investment	323,970	219,417
Tax refunds due from Government	3,720,075	14,209,867
Cash and bank balances	26,091,434	15,722,896
	136,594,563	85,161,523
	714,783,362	675,230,296

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Note	Half Year Ended December, 31		Quarter Ended December, 31	
		2012	2011	2012	2011
----- (Un-audited) -----					
		Rupees	Rupees	Rupees	Rupees
Sales		495,278,163	467,440,377	267,880,462	226,478,641
Cost of sales	7	(433,898,842)	(472,306,706)	(222,298,862)	(224,376,095)
Gross Profit / (Loss)		61,379,321	(4,866,329)	45,581,600	2,102,546
Operating expenses					
- Distribution cost		(4,799,990)	(549,286)	(211,389)	(369,286)
- Administrative expenses		(15,153,318)	(12,087,616)	(8,409,311)	(7,073,953)
		(19,953,308)	(12,636,902)	(8,620,700)	(7,443,239)
Operating Profit / (Loss)		41,426,013	(17,503,231)	36,960,900	(5,340,693)
Finance cost		(18,262,063)	(38,795,224)	(10,696,458)	(18,512,237)
Other operating expenses		(1,457,198)	(14,401,733)	(1,457,198)	(12,016,567)
Other operating income		10,428,038	235,057	7,628,140	118,059
Share of profit / (loss) of associated companies - net		1,619,701	(2,501,229)	1,494,951	(1,809,736)
Profit / (Loss) before Taxation		33,754,491	(72,966,360)	33,930,335	(37,561,174)
Taxation		3,063,240	4,900,988	4,200,229	4,318,686
Profit / (Loss) after Taxation		36,817,731	(68,065,372)	38,130,564	(33,242,488)
Earnings / (Loss) per Share - Basic		0.61	(1.13)	0.64	(0.55)

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half Year Ended December, 31		Quarter Ended December, 31	
	2012	2011	2012	2011
	----- (Un-audited) -----			
	Rupees	Rupees	Rupees	Rupees
Profit / (Loss) after Taxation	36,817,731	(68,065,372)	38,130,564	(33,242,488)
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	4,438,228	5,009,987	2,219,114	2,504,993
Total Comprehensive Profit / (Loss) for the Period	41,255,959	(63,055,385)	40,349,678	(30,737,495)

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Half Year Ended December 31,	
	2012	2011
	----(Un-audited)----	
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	33,754,491	(72,966,360)
Adjustments for:		
- Depreciation	22,984,107	25,619,454
- Loss on disposal of property, plant and equipment	-	7,287,591
- (Reversal of impairment) / impairment loss on investment in associates - net	(9,484,433)	7,029,586
- (Gain) / loss on remeasurement of investment at fair value through profit or loss	(104,553)	4,556
- Provision for gratuity	2,476,206	2,476,207
- Excess mark-up written back	(661,999)	-
- Share of net income / (loss) of associated undertakings	(1,619,701)	2,501,229
- Finance cost	18,262,063	38,795,224
- Provision for workers' (profit) participation fund	1,407,198	100,246
	<u>33,258,888</u>	<u>83,814,093</u>
Operating profit before working capital changes	67,013,379	10,847,733
(Increase) / decrease in current assets:		
- Stores and spares	(625,737)	102,616
- Stock in trade	(12,980,981)	43,860,617
- Trade debts	(3,059,368)	13,562,297
- Advances, deposits, prepayments and other receivables	(34,783,654)	3,216,900
- Tax refunds due from Government	1,641,544	(2,124,129)
Increase / (decrease) in current liabilities:		
- Trade and other payables	55,144,261	(14,208,291)
Cash generated from Operations	5,336,065	44,410,010
Income tax paid	(416,629)	(388,280)
Finance cost paid	(458,690)	(3,729,850)
Gratuity paid	(1,427,736)	(1,336,792)
Workers' (profit) participation fund paid	(114,194)	(1,298,000)
Net Cash Generated from Operating Activities	69,932,195	48,504,821
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	3,000,000
Property, plant and equipment purchased	-	(1,932,100)
Net Cash from Investing Activities	-	1,067,900
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance	(53,223,657)	(23,628,100)
Short term borrowings	(6,340,000)	(37,318,387)
Net Cash Used in Financing Activities	(59,563,657)	(60,946,487)
Net Increase / (Decrease) in Cash and Cash Equivalents	10,368,538	(11,373,766)
Cash and cash equivalents at the beginning of the period	15,722,896	12,767,262
Cash and Cash Equivalents at the End of the Period	<u>26,091,434</u>	<u>1,393,496</u>

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

	Share Capital	Accumulated Loss	Total
	----- Rupees	----- (Un-audited) Rupees	----- Rupees
Balance as at June 30, 2011	600,000,000	(1,090,532,193)	(490,532,193)
Total comprehensive loss for the half year ended December 31, 2011	-	(63,055,385)	(63,055,385)
Balance as at December 31, 2011	<u>600,000,000</u>	<u>(1,153,587,578)</u>	<u>(553,587,578)</u>
Balance as at June 30, 2012	600,000,000	(1,100,957,741)	(500,957,741)
Total comprehensive profit for the half year ended December 31, 2012	-	41,255,959	41,255,959
Balance as at December 31, 2012	<u>600,000,000</u>	<u>(1,059,701,782)</u>	<u>(459,701,782)</u>

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM
UNAUDITED FINANCIAL INFORMATION
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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. 1,059.702 million (June 30, 2012: Rs. 1,100.958 million) as at the condensed interim balance sheet date. Current liabilities of the Company exceed its current assets by Rs. 567.542 million (June 30, 2012: Rs. 578.382 million) and its total liabilities exceed its total assets by Rs. 356.668 million (June 30, 2012: Rs. 393.485 million) as at the condensed interim balance sheet date. As further explained in Note 5 to this interim financial information, financial institutions have filed suits against the Company for recovery of their outstanding liabilities. 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 this interim financial information as the Company has earned net profit from operations during the period and the management is confident to obtain continuous support from its sponsoring directors and favorable negotiation with lenders. The management has successfully rescheduled one of its long term financing during the year ended June 30, 2012 and is focused to reschedule financing from other lenders. Keeping in view all these factors, the going concern assumption is considered appropriate and, therefore, this interim financial information has been prepared on going concern basis.

Note 2

Basis of Preparation

2.1 This condensed interim financial information of the Company for the six months period ended on December 31, 2012 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, 2012. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2012 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 half year ended on December 31, 2011.

2.3 This condensed interim financial information is unaudited, however, a limited scope review has been performed by the external auditors as required by the Code of Corporate Governance.

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 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, 2012.

Half Yearly Accounts December 31, 2012

Note 4

Long Term Financing

	December 31, 2012	June 30, 2012
	(Un-audited)	(Audited)
	Rupees	Rupees
Loan from financial institutions - Secured	366,259,786	400,342,479
Less: Current portion	<u>(58,674,996)</u>	<u>(74,391,312)</u>
	307,584,790	325,951,167
Loan from related parties		
Loan from Director	-	15,000,000
	<u>307,584,790</u>	<u>340,951,167</u>

Note 5

Contingencies and Commitments

Contingencies

- 5.1** KASB Bank Limited filed a suit against the Company during the year ended June 30, 2012 for the recovery of its outstanding liabilities amounting to Rs. 236.238 million along with cost of funds. The Company is in the process of agreeing on a settlement plan with the bank which is expected to be finalized subsequent to the interim financial information date.
- 5.2** Askari Bank Limited filed a suit against the Company during the year ended June 30, 2012 for the recovery of its outstanding liabilities amounting to Rs. 37.003 million along with profit and liquidated damages. The Company is in the process of agreeing on a settlement plan with the bank which is expected to be finalized subsequent to the interim financial information date.

Commitments

There are no commitments outstanding as at the balance sheet date (June 30, 2012: Nil).

Note 6

Property, Plant and Equipment

	December 31, 2012	June 30, 2012
	(Un-audited)	(Audited)
	Rupees	Rupees
Opening written down value	480,092,648	538,857,398
Additions during the period / year (at cost)	-	1,932,100
Disposals during the period / year (at WDV)	<u>-</u>	<u>(9,810,599)</u>
	480,092,648	530,978,899
Depreciation charge for the period / year	<u>(22,984,107)</u>	<u>(50,886,251)</u>
	<u>457,108,541</u>	<u>480,092,648</u>

Half Yearly Accounts December 31, 2012

Note 7

Cost of Sales

	Half Year Ended December 31,		Quarter Ended December 31,	
	2012	2011	2012	2011
	----- (Un-audited) -----			
	Rupees	Rupees	Rupees	Rupees
Raw materials consumed	269,941,145	331,177,454	133,238,654	154,365,052
Stores and spares consumed	12,144,455	8,818,497	7,046,378	3,251,011
Salaries, wages and benefits	47,589,534	35,277,589	25,365,970	17,629,141
Fuel and power	81,669,882	64,501,185	43,588,183	34,282,399
Processing charges	-	1,917,364	-	84,755
Traveling and conveyance	354,444	189,296	211,099	121,800
Repairs and maintenance	602,381	378,067	131,682	223,493
Insurance	707,531	596,947	354,052	57,510
Entertainment	445,235	47,383	29,237	24,772
Depreciation	22,575,827	25,295,840	11,287,913	12,510,711
Miscellaneous	158,258	145,622	71,554	59,275
	<u>436,188,692</u>	<u>468,345,244</u>	<u>221,324,722</u>	<u>222,609,919</u>
Work in process				
- Opening stock	7,033,162	11,266,085	-	-
- Closing stock	(8,670,117)	(7,548,072)	(694,377)	1,558,322
	<u>(1,636,955)</u>	<u>3,718,013</u>	<u>(694,377)</u>	<u>1,558,322</u>
	434,551,736	472,063,257	220,630,344	224,168,241
Finished goods				
- Opening stock	2,489,809	3,103,461	-	-
- Purchases	-	-	-	-
- Closing stock	(3,142,703)	(2,860,012)	1,668,518	207,854
	<u>(652,894)</u>	<u>243,449</u>	<u>1,668,518</u>	<u>207,854</u>
	<u>433,898,842</u>	<u>472,306,706</u>	<u>222,298,862</u>	<u>224,376,095</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:

	Half Year Ended December 31,	
	2012	2011
	---- (Un-audited) ----	
	Rupees in "million"	Rupees in "million"
Material / services purchased	-	1.828
Sale of goods	27.701	3.176
Funds repaid to Directors	(15.000)	-

Note 9

General

- 9.1 This condensed interim financial information is authorized for issue on February 26, 2013 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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