

QUARTERLY REPORT

30th September, 2010

Registered Office: 20-K Gulberg II, Lahore. | Ph: (042) 3575 9621, 3575 9464, 3571 4810 | Fax: (042) 3571 0312

D.S. INDUSTRIES LIMITED

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Company Information

Board of Directors	<p>Mr. Pervez Ahmad Mr. Ali Pervez Ahmad Mr. Hassan Ibrahim Ahmad Mr. Suleman Ahmed Mr. Atta ur Rehman Mr. Muhammad Yousuf Mr. Muntazir Mehdi</p>	Chief Executive
Audit Committee	<p>Mr. Suleman Ahmad Mr. Hassan Ibrahim Ahmad Mr. Atta ur Rehman</p>	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	<p>MCB Bank Limited Dawood Islamic Bank Limited Habib Bank Limited Askari Bank Limited KASB Bank Limited Meezan Bank Limited Bank Al-Falah Limited</p>	
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 1st quarter accounts for the period ended September 30, 2010.

Financial Overview:

During the period under review the sales of the Company grew by 43% to Rs.313.06 million as compared to Rs.217.72 million in the corresponding period ended September 30, 2009. However, this increase in sales could not be translated into hefty gross profit. The gross profit of the Company remained at Rs.2.01 million showed meager increase from comparable period last year. The main reason behind this meager figure was the steep rise in cotton prices. Cotton prices during the period under review touched ever high of Rs.7,500 per mound. Moreover, the rate of increase in cotton yarn prices has been much less than the rate of increase in cotton prices. Higher cotton prices, unprecedented rise in power tariff, power break downs and galloping inflation were the main factors which depressed the gross margins. During the period under review the Company incurred a net loss of Rs.31.56 million as against net loss of Rs.32.93 million incurred during the comparable period last year.

Future Outlook

Future profitability of the Company is mainly dependant on raw material prices. First quarter of current financial year witnessed highest ever cotton prices both in international and local markets. Particularly, domestic cotton market has been very speculative throughout this quarter and cotton rate swelled to Rs.8,600 per mound as of this report date. The main reason behind this volatility is the uncertainty about the extent of damage to the cotton crop due to the recent floods.

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 of Directors

Lahore: October 30, 2010

Pervez Ahmad
(Chief Executive)

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2010

	Note	September 30, 2010 (Un-audited) Rupees	June 30, 2010 (Audited) Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
100,000,000 (June 30, 2010: 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		(938,408,282)	(909,633,204)
		(338,408,282)	(309,633,204)
Surplus on Revaluation of Property, Plant and Equipment	4	127,257,560	130,040,887
Non Current Liabilities			
Long term financing		160,604,095	192,500,000
Deferred liabilities		77,713,614	80,282,701
		238,317,709	272,782,701
Current Liabilities			
Trade and other payables		223,557,393	211,422,989
Accrued mark up		147,227,485	118,000,761
Short term borrowings		280,752,789	282,712,789
Current portion of long term financing		140,213,217	128,528,217
Provision for taxation		7,571,761	5,859,245
Dividend payable		337,563	337,563
		799,660,208	746,861,564
Contingencies and Commitments	5	-	-
		826,827,195	840,051,948
		826,827,195	840,051,948
ASSETS			
Non Current Assets			
Property, plant and equipment		582,166,467	596,566,150
Long term investments		94,185,339	101,947,478
Long term deposits		19,072,394	19,072,394
		695,424,200	717,586,022
Current Assets			
Stores and spares		1,418,622	612,062
Stock in trade		38,113,770	27,413,907
Trade debts (Unsecured - considered good)		42,173,659	46,100,616
Advances, deposits, prepayments and other receivables		31,142,177	25,580,738
Tax refunds due from Government		13,540,668	11,280,231
Short term investment		254,188	229,009
Cash and bank balances		4,759,911	11,249,363
		131,402,995	122,465,926
		826,827,195	840,051,948

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	Quarter ended September, 30 2010 (Un-audited) Rupees	Quarter ended September, 30 2009 (Un-audited) Rupees
Sales		313,061,727	217,715,183
Cost of sales	6	(311,018,845)	(215,878,737)
Gross Profit		2,042,882	1,836,446
Operating expenses:			
- Distribution costs		1,369,204	126,420
- Administrative expenses		4,979,187	3,673,852
		(6,348,391)	(3,800,272)
Operating Loss		(4,305,509)	(1,963,826)
Finance cost		(20,801,844)	(29,097,616)
Other operating expenses		(1,239)	(122,298)
Other operating income		106,080	54,661
Impairment loss on investment in associate		(7,339,530)	-
Share of loss of associated company		(358,419)	(1,331,800)
Loss before Taxation		(32,700,461)	(32,460,879)
Taxation		1,142,056	(464,293)
Loss after Taxation		(31,558,405)	(32,925,172)
Loss per Share - Basic		(0.53)	(0.55)

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	(Un-audited) Rupees	(Un-audited) Rupees
Loss after Taxation for the Period	(31,558,405)	(32,925,172)
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	2,783,327	3,092,585
Total Comprehensive Loss for the period	<u>(28,775,078)</u>	<u>(29,832,587)</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	Quarter ended September 30, 2010	Quarter ended September 30, 2009
	(Un-audited) Rupees	(Un-audited) Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(32,700,461)	(32,460,879)
Adjustments for:		
- Depreciation	14,399,683	14,734,090
- Impairment loss on investment in associate	7,339,530	-
- Share of net loss of associate	358,419	1,331,800
- Gain on remeasurement of investment at fair value through profit & loss	(25,179)	-
- Other Operating Charges	1,239	122,298
- Provision for gratuity	575,396	575,397
- Finance cost	20,801,844	29,097,616
	<u>43,450,932</u>	<u>45,861,201</u>
Operating profit before working capital changes	10,750,471	13,400,322
(Increase) / decrease in current assets:		
- Stores and spares	(806,560)	83,596
- Stock in trade	(10,699,863)	4,141,424
- Trade debts	3,926,957	(226,257)
- Advances, deposits, prepayments and other receivables	(5,561,439)	(1,970,793)
- Tax refunds due from Government	(2,084,441)	(284,252)
Increase / (decrease) in current liabilities:		
- Trade and other payables	12,437,154	19,302,590
Cash (used in) / generated from Operations	(2,788,192)	21,046,308
Income tax paid	(175,990)	(65,772)
Finance cost paid	(471,025)	(9,963,412)
Gratuity paid	(289,911)	(623,682)
Workers' (profit) participation fund paid	(302,750)	-
Net Cash generated from Operating Activities	6,722,603	23,793,764
CASH FLOW FROM INVESTING ACTIVITIES		
Long term deposits and advances	-	(13,959,000)
Investments held for sale	62,945	-
Net Cash generated from / (used in) Investing Activities	62,945	(13,959,000)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loan	(11,315,000)	-
Short term borrowings	(1,960,000)	(7,332,258)
Net Cash used in Financing Activities	(13,275,000)	(7,332,258)
Net (Decrease) / Increase in Cash and Cash Equivalents	(6,489,452)	2,502,506
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>4,759,911</u>	<u>5,049,713</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

Particulars	Share Capital	Fair Value Reserve	Accumulated Profit/(Loss)	Total
	Rupees		Rupees	Rupees
Balance as at June 30, 2009	600,000,000	(18,174,488)	(880,447,118)	(298,621,606)
Total comprehensive loss for the quarter ended September 30, 2009	-	-	(29,832,587)	(29,832,587)
Balance as at September 30, 2010	<u>600,000,000</u>	<u>(18,174,488)</u>	<u>(910,279,705)</u>	<u>(328,454,193)</u>
Balance as at June 30, 2010	600,000,000	(18,174,488)	(891,458,716)	(309,633,204)
Total comprehensive loss for the quarter ended September 30, 2010	-	-	(28,775,078)	(28,775,078)
Balance as at September 30, 2010	<u>600,000,000</u>	<u>(18,174,488)</u>	<u>(920,233,794)</u>	<u>(338,408,282)</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**NOTES TO THE CONDENSED INTERIM
UNAUDITED FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

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.

Note 2

Basis of Preparation

2.1 This condensed interim financial information has been prepared in accordance with the International Accounting Standard - 34 (Interim Financial Reporting) and being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

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, 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, 2009.

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

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

Note 4

Surplus on Revaluation of Property, Plant and Equipment

	Quarter Ended September 30, 2010	Year Ended June 30, 2010
	(Un-audited) Rupees	(Audited) Rupees
Land - freehold	18,707,832	18,707,832
Buildings on freehold land	32,950,445	36,611,606
Plant and machinery	75,048,467	83,387,186
Electric installations	3,334,143	3,704,603
	<u>130,040,887</u>	<u>142,411,227</u>
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the period / year transferred to statement of comprehensive income	(2,783,327)	(12,370,340)
	<u>127,257,560</u>	<u>130,040,887</u>

Note 5

Contingencies and Commitments

Contingencies

The Company has not accounted for accrued mark up of Rs. 17 million (approx.) (2009: 9 million) being differential of mark up calculated at timely payment mark up rate (TPMR) and at standard mark up rate (SMR) in respect of overdue balance of loan of MCB demand finance due to negotiation for the restructuring of loan as at the balance sheet date. The Company is of the view that outcome of negotiation shall be in the favor of Company and therefore, no accrual has been recorded in these financial statements.

Commitments

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

Note 6

Cost of Sales

	Quarter Ended September 30, 2010	Quarter Ended September 30, 2009
	(Un-audited)	(Un-audited)
	Rupees	Rupees
Raw materials consumed	220,334,392	142,099,765
Stores and spares consumed	4,422,462	5,009,367
Salaries, wages and benefits	25,521,100	16,503,683
Fuel and power	48,186,279	38,153,366
Processing charges	6,273,064	1,032,720
Traveling and conveyance	668,558	63,269
Repairs and maintenance	166,399	35,078
Insurance	424,405	382,091
Entertainment	111,797	66,548
Depreciation	14,200,174	14,563,368
Miscellaneous	193,902	54,283
	<u>320,502,532</u>	<u>217,963,538</u>
Work in process		
- Opening stock	11,766,834	5,522,303
- Closing stock	(20,628,008)	(5,105,702)
	<u>(8,861,174)</u>	<u>416,601</u>
	311,641,358	218,380,139
Finished goods		
- Opening stock	4,705,980	6,857,869
- Closing stock	(5,328,493)	(9,359,271)
	<u>(622,513)</u>	<u>(2,501,402)</u>
	<u>311,018,845</u>	<u>215,878,737</u>

Note 7

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, 2010	Quarter Ended September 30, 2009
	Rupees in "million"	Rupees in "million"
Material / services purchased	6.70	1.03
Sale of goods	<u>0.60</u>	<u>0.00</u>

Note 8

General

8.1 This condensed interim financial information is authorized for issue on October 30, 2010 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.

CHIEF EXECUTIVE

DIRECTOR