

**3rd Quarter &
Nine Months Accounts**
for the Period ended
31st March, 2014

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 NIB Bank Limited Al Baraka Bank National Bank of Pakistan Dubai Islamic Bank Silk 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 third quarter and nine months period ended March 31, 2014.

Financial Results of the Company

During the nine months period ended March 31, 2014, Company made gross profit of Rs. 28.79 million on sale of Rs. 831.06 million as compared to gross profit of Rs. 130.31 million on sale of Rs. 801.07 million for the corresponding period of last year. During the nine month ended March 31, 2014, Company suffered loss after tax of Rs. 35.44 million as compared to net profit of Rs. 82.78 million during the corresponding period of last year. The main reason of operating loss is decrease in the prices of yarn during this quarter. Whereas net loss is mainly attributable to impairment of long term investments. Moreover, during the period electricity & gas remained unavailable for the Company for 8 hours and 18 hours respectively on daily basis.

Although there is a tough period ahead to maintain the improved profitability of the Company. But the management is committed to run the affairs of the Company in profitable manner by converting and shifting its production capacity to relatively more profitable yarn counts, provided that economic condition remain favorable.

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

For & on behalf of the Board

Lahore
April 30 , 2014

Pervez Ahmed
Chief Executive

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2014

	Note	March 31, 2014	June 30, 2013
CAPITAL AND LIABILITIES		(Un-audited)	(Audited)
Share Capital and Reserves		Rupees	Rupees
Authorized capital:			
100,000,000 (June 30, 2013: 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
Accumulated loss		<u>(979,275,132)</u>	<u>(949,916,994)</u>
		(379,275,132)	(349,916,994)
Surplus on Revaluation of Property, Plant and Equipment		93,738,177	99,821,719
Non Current Liabilities			
Long term financing	4	501,760,457	592,438,557
Staff retirement benefits		15,134,015	13,002,962
Deferred tax liability		30,050,049	34,155,927
		546,944,521	639,597,446
Current Liabilities			
Trade and other payables		330,149,530	294,790,830
Accrued mark up		276,559	706,817
Current and overdue portion of long term financing	4	113,311,774	86,501,004
Provision for taxation		8,308,968	5,427,537
		452,046,831	387,426,188
Contingencies and Commitments	5	-	-
		<u>713,454,397</u>	<u>776,928,359</u>
ASSETS			
Non Current Assets			
Property, plant and equipment	6	432,458,836	456,599,201
Long term investments		112,365,134	140,354,382
Long term deposits		19,072,394	19,072,394
		563,896,364	616,025,977
Current Assets			
Stores and spares		2,413,200	1,413,376
Stock in trade		52,667,788	37,454,353
Trade debts		69,501,852	49,445,960
Advances, prepayments and other receivables		6,953,849	4,545,957
Short term investment		751,998	455,620
Tax refunds due from Government		6,389,663	7,814,832
Cash and bank balances		10,879,683	59,772,284
		149,558,033	160,902,382
		<u>713,454,397</u>	<u>776,928,359</u>

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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2014**

	Note	Nine Months Ended March 31,		Quarter Ended March 31,	
		2014	2013	2014	2013
----- (Un-audited) -----					
		Rupees	Rupees	Rupees	Rupees
Sales		831,057,272	801,065,433	238,431,013	305,787,270
Cost of sales	7	<u>(802,267,695)</u>	<u>(670,751,911)</u>	<u>(245,916,432)</u>	<u>(236,853,069)</u>
Gross Profit / (Loss)		28,789,577	130,313,522	(7,485,419)	68,934,201
Operating expenses					
- Distribution cost		<u>(1,752,303)</u>	<u>(5,463,227)</u>	<u>(612,707)</u>	<u>(663,237)</u>
- Administrative expenses		<u>(29,690,725)</u>	<u>(25,521,942)</u>	<u>(9,599,807)</u>	<u>(10,368,624)</u>
		<u>(31,443,028)</u>	<u>(30,985,169)</u>	<u>(10,212,514)</u>	<u>(11,031,861)</u>
Operating (Loss) / Profit		(2,653,451)	99,328,353	(17,697,933)	57,902,340
Other operating expenses		(90,000)	(3,537,867)	719,653	(2,080,669)
Finance cost		(1,412,478)	(26,425,658)	(187,333)	(8,163,595)
Other operating income		908,192	1,272,554	167,218	328,949
(Impairment loss) / reversal of impairment on investment		(60,001,956)	6,102,047	(51,027,336)	(3,382,386)
Share of profit / (loss) of associated companies - net		<u>32,012,708</u>	<u>1,702,966</u>	<u>52,125,372</u>	<u>83,265</u>
(Loss) / Profit before Taxation		(31,236,985)	78,442,395	(15,900,359)	44,687,904
Taxation		(4,204,695)	4,332,586	(3,138,743)	1,269,346
(Loss) / Profit after Taxation		<u>(35,441,680)</u>	<u>82,774,981</u>	<u>(19,039,102)</u>	<u>45,957,250</u>
(Loss) / Earnings per Share - Basic		<u>(0.59)</u>	<u>1.38</u>	<u>(0.32)</u>	<u>0.77</u>

The annexed notes form an integral part of this condensed interim financial information (un-audited).

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

	Nine Months Ended March 31,		Quarter Ended March 31,	
	2014	2013	2014	2013
	----- (Un-audited) -----			
	Rupees	Rupees	Rupees	Rupees
(Loss) / Profit after Taxation	(35,441,680)	82,774,981	(19,039,102)	45,957,250
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	6,083,542	6,657,342	2,027,848	2,219,114
Total Comprehensive (Loss) / Profit for the Period	(29,358,138)	89,432,323	(17,011,254)	48,176,364

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT(UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014

	Nine Months Ended March 31,	
	2014	2013
	----(Un-audited)----	
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(31,236,985)	78,442,395
Adjustments for:		
- Depreciation	32,593,791	34,476,161
- Impairment loss / (reversal of impairment) on investment in associates - net	60,001,956	(6,102,047)
- Gain on re-measurement of investment at fair value through profit or loss	(296,378)	(230,208)
- Provision for gratuity	5,272,713	3,714,311
- Excess mark-up written back	-	(661,999)
- Share of loss / (profit) of associated undertakings	(32,012,708)	(1,702,966)
- Provision for workers' (profit) participation fund	-	3,517,867
- Finance cost	1,412,478	26,303,575
	<u>66,971,852</u>	<u>59,314,694</u>
Operating profit before working capital changes	35,734,867	137,757,089
(Increase) / decrease in current assets:		
- Stores and spares	(999,824)	(2,216,225)
- Stock in trade	(15,213,435)	(44,108,082)
- Trade debts	(20,055,892)	3,678,723
- Advances, deposits, prepayments and other receivables	(2,407,892)	(22,312,448)
- Tax refunds due from Government	453,798	(282,744)
Increase in current liabilities:		
- Trade and other payables	35,921,450	24,258,024
Cash used in Operations	(2,301,795)	(40,982,752)
Income tax paid	(4,457,771)	(1,658,202)
Finance cost paid	(1,842,736)	(617,857)
Gratuity paid	(3,141,660)	(2,059,363)
Workers' (profit) participation fund paid	(562,750)	(114,194)
Net Cash Generated from Operating Activities	23,428,155	92,324,721
CASH FLOW FROM INVESTING ACTIVITIES		
Capital work in progress	(6,370,426)	-
Property, plant and equipment purchased	(2,083,000)	-
Net Cash Used in Investing Activities	(8,453,426)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance	(63,867,330)	(67,412,406)
Short term borrowings	-	(12,700,000)
Net Cash Used in Financing Activities	(63,867,330)	(80,112,406)
Net (Decrease) / Increase in Cash and Cash Equivalents	(48,892,601)	12,212,315
Cash and cash equivalents at the beginning of the period	59,772,284	15,722,896
Cash and Cash Equivalents at the End of the Period	<u>10,879,683</u>	<u>27,935,211</u>

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014

	Share Capital	Accumulated Loss	Total
	----- Rupees	(Un-audited) Rupees	----- Rupees
Balance as at June 30, 2012	600,000,000	(1,100,957,741)	(500,957,741)
Total comprehensive profit for the nine months ended March 31, 2013	-	89,432,323	89,432,323
Balance as at March 31, 2013	<u>600,000,000</u>	<u>(1,011,525,418)</u>	<u>(411,525,418)</u>
Balance as at June 30, 2013	600,000,000	(949,916,994)	(349,916,994)
Total comprehensive loss for the nine months ended March 31, 2014	-	(29,358,138)	(29,358,138)
Balance as at March 31, 2014	<u>600,000,000</u>	<u>(979,275,132)</u>	<u>(379,275,132)</u>

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

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. 979.28 million (June 30, 2013: Rs. 949.92 million) as at the condensed interim balance sheet date. Current liabilities of the Company exceed its current assets by Rs. 302.49 million (June 30, 2013: Rs. 226.52 million) and its total liabilities exceed its total assets by Rs. 285.54 million (June 30, 2013: Rs. 250.10 million) as at the condensed interim 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 this interim financial information as the management is confident to obtain continuous support from its sponsoring directors and favorable negotiation with lenders. The management has entered into settlement plans with the financial institutions for restructuring of its long term and short term finances during the year ended June 30, 2013. 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 nine months period ended on March 31, 2014 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, 2013. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2013 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 ended on March 31, 2013.

2.3 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, 2013.

Note 4

Long Term Financing

	March 31, 2014	June 30, 2013
	(Un-audited)	(Audited)
	Rupees	Rupees
Loan from financial institutions - Secured	615,072,231	678,939,561
Less: Current portion	<u>(113,311,774)</u>	<u>(86,501,004)</u>
	<u><u>501,760,457</u></u>	<u><u>592,438,557</u></u>

Note 5

Contingencies and Commitments

Contingencies

- 5.1** There are no contingencies as at the balance sheet date (June 30, 2013: KASB Bank Limited and Askari Bank Limited filed suits against the Company for the recovery of there outstanding liabilities. The Company has entered into settlement agreements with these banks during the period).

Commitments

There are no commitments outstanding as at the balance sheet date (June 30, 2013: Nil).

Note 6

Property, Plant and Equipment

	March 31, 2014	June 30, 2013
	(Un-audited)	(Audited)
	Rupees	Rupees
Opening written down value	437,429,417	480,092,648
Additions during the period / year (at cost)	<u>27,613,210</u>	<u>3,361,000</u>
	465,042,627	483,453,648
Depreciation charge for the period / year	<u>(32,593,791)</u>	<u>(46,024,231)</u>
Operating fixed assets	432,448,836	437,429,417
Capital work in progress	10,000	19,169,784
	<u><u>432,458,836</u></u>	<u><u>456,599,201</u></u>

Note 7

Cost of Sales

	Nine Months Ended March 31,		Quarter Ended March 31,	
	2014	2013	2014	2013
	----- (Un-audited) -----			
	Rupees	Rupees	Rupees	Rupees
Raw materials consumed	518,775,163	420,548,728	177,438,343	150,607,583
Stores and spares consumed	20,355,570	19,285,156	7,048,700	7,140,701
Salaries, wages and benefits	80,912,701	75,271,935	24,910,480	27,682,402
Fuel and power	169,662,654	126,543,601	45,344,271	44,873,719
Traveling and conveyance	503,591	513,445	243,603	159,001
Repairs and maintenance	1,041,769	956,044	658,246	353,663
Insurance	965,564	1,490,145	137,759	782,614
Entertainment	981,753	571,425	293,265	126,190
Miscellaneous	421,507	260,485	253,373	102,227
Depreciation	31,602,058	33,863,740	10,840,593	11,287,913
	<u>825,222,330</u>	<u>679,304,704</u>	<u>267,168,633</u>	<u>243,116,013</u>
Work in process:				
- Opening stock	9,426,862	7,033,162	13,362,240	8,670,117
- Closing stock	(11,961,329)	(11,945,960)	(11,961,329)	(11,945,960)
	<u>(2,534,467)</u>	<u>(4,912,798)</u>	<u>1,400,911</u>	<u>(3,275,843)</u>
	822,687,863	674,391,906	268,569,544	239,840,170
Finished goods:				
- Opening stock	6,882,408	2,489,809	4,649,464	3,142,703
- Closing stock	(27,302,576)	(6,129,804)	(27,302,576)	(6,129,804)
	<u>(20,420,168)</u>	<u>(3,639,995)</u>	<u>(22,653,112)</u>	<u>(2,987,101)</u>
	<u>802,267,695</u>	<u>670,751,911</u>	<u>245,916,432</u>	<u>236,853,069</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:

	Nine Months Ended March 31,	
	2014	2013
	---- (Un-audited) ----	
	Rupees in "million"	Rupees in "million"
Sale of material, goods and services	18.50	73.10
Funds repaid to Directors	-	(15.00)

Note 9

General

- 9.1** This condensed interim financial information is authorized for issue on April 30, 2014 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.

CHIEF EXECUTIVE**DIRECTOR**

Registered Office: | 20-K Gulberg II, Lahore.

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