1st Quarter Accounts
for the Period Ended
September 30, 2018

DS INDUSTRIES LIMITED

CONTENTS

Company Information

Board of Directors	Mr. Pervez Ahmed	Chief Executive
	Mr. Ali Pervez Ahmed	
	Mr. Suleman Ahmed	
	Mr. Atta ur Rehman	
	Mr. Khawar Mahmud	
	Mr. Mazhar Pervaiz Malik	
	Mrs. Rukhsana Khalid	
Audit Committee	Mr. Atta ur Rehman	Chairman
	Mr. Khawar Mahmud	
	Mr. Mazhar Pervaiz Malik	
HR and Remuneration Committee	Mr. Suleman Ahmed	Chairman
	Mr. Atta ur Rehman	
	Mrs. Rukhsana Khalid	
Chief Financial Officer	Mr. Muhammad Rafique Qureshi	
Company Secretary	Mr. Salman Farooq	
Auditors	M/s Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants	
Legal Advisor	Cornelius, Lane & Mufti Advocates & Solicitors	
Banks	Al Baraka Bank (Pakistan) Limited MCB Bank Limited Silk Bank Meezan Bank Limited Bank Al-Falah Limited Bank Al-Habib Limited NIB Bank Limited National Bank of Pakistan Dubai Islamic Bank	
Registered Office	20-K, Gulberg II, Lahore.	
Share Registrars	THK Associates (Pvt.) Limited First Floor, 40-C, Block - 6 P.E.C.H.S Karachi - 75400	
Mill	11-km Sheikhupura Faisalabad Road, Sheikhupura	
Website	www.dsil.com.pk	

DIRECTORS' REPORT

Dear Members,

The Directors of your Company take pleasure in presenting before you the un-audited financial information of the Company for the first quarter ended September 30, 2018

Financial highlights

During the quarter ended September 30, 2018 the Company has earned gross profit of Rs. 19.822 million on sale of Rs. 257.583 million as compared to gross loss of Rs. 8.065 million on sale or Rs. 82.843 million for the corresponding period of last year. During the quarter ended September 30, 2018; Company has earned net profit of Rs. 0.431 million as compared to net loss of Rs. 4.542 million during the corresponding period of last year.

The improvement in results as 7.7% gross margin and slightly net profit is mainly due to imroved local yarn market conditions, our shift to better product mix and increased utilization of Company's production facility.

Future Outlook

The prices of raw materials (particularly imported material) have increased due to PKR devaluation. Local markets have not fully absorbed increase in prices of raw materials as yet. However, the management of your Company is committed to run the affairs of the Company in profitable manner by inceasing efficiency and exploring new markets.

Acknowledgement

The Board of directors would like to place on record their appreciation to the valued shareholders, bankers, the Securities & Exchange Commission of Pakistan and to the management of Pakistan Stock Exchange Limited 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 29, 2018

Pervez Ahmed
Chief Executive

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

	Note	September 30, 2018 (Un-Audited) Rupees	June 30, 2018 (Audited) Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
Issued, subscribed and paid-up capital		**836,856,310**	836,856,310
Discount on issue of shares		**(82,899,709)**	(82,899,709)
Surplus on revaluation of property, plant and equipment		**203,263,616**	203,909,733
Accumulated loss		**(756,963,053)**	(760,317,860)
		200,257,164	197,548,474
Advance against issue of ordinary shares		**-**	-
TOTAL EQUITY		**200,257,164**	197,548,474
NON-CURRENT LIABILITIES			
Long term finances - *secured*	3	**78,745,085**	82,745,085
Employees retirement benefits		**15,228,112**	14,834,639
Deferred taxation		**16,171,153**	19,778,854
		110,144,350	117,358,578
CURRENT LIABILITIES			
Trade and other payables		**202,575,117**	188,264,259
Unclaimed dividend		**337,563**	337,563
Accrued interest/markup		**3,326,035**	2,864,344
Short term borrowings		**161,015,638**	159,404,421
Provision for taxation		**12,192,871**	8,973,077
Current portion of non-current liabilities	3	**13,000,000**	13,000,000
		392,447,224	372,843,664
TOTAL LIABILITIES		**502,591,574**	490,202,242
CONTINGENCIES AND COMMITMENTS	4		
TOTAL EQUITY AND LIABILITIES		**702,848,738**	687,750,716
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**471,580,587**	478,921,989
Long term investments		**85,333,435**	85,463,366
Long term deposits - *unsecured, considered good*		**19,072,394**	19,072,394
Deferred taxation		**-**	-
		575,986,416	583,457,749
CURRENT ASSETS			
Stores, spares and loose tools		**4,141,660**	1,109,133
Stock in trade		**27,711,935**	54,110,390
Trade debts - *unsecured, considered good*		**72,944,587**	30,809,522
Advances, prepayments and other receivables		**15,859,216**	12,594,092
Advance income tax/income tax refundable		**4,656,825**	3,330,422
Bank balances		**1,548,099**	2,339,408
		126,862,322	104,292,967
TOTAL ASSETS		**702,848,738**	687,750,716

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

CHIEF EXECUTIVE **DIRECTOR**

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

	Note	Quarter Ended September 30, 2018 (Un-Audited) Rupees	Quarter Ended September 30, 2017 (Un-Audited) Rupees
Sales - *net*		**257,583,547**	82,843,383
Cost of sales	*6*	**(237,761,546)**	(90,908,930)
Gross Profit / (loss)		**19,822,001**	(8,065,547)
Selling and distribution expenses		**(693,166)**	(284,814)
Administrative and general expenses		**(9,967,124)**	(6,941,427)
Other expenses		**(2,844,868)**	(512,245)
		(13,505,158)	(7,738,486)
		6,316,843	(15,804,033)
Other income		**15,104**	14,173,519
Operating profit / (loss)		**6,331,947**	(1,630,514)
Finance cost		**(3,881,233)**	(1,648,635)
Share of loss of associates		**(129,931)**	(227,887)
Profit / (loss) before taxation		**2,320,783**	(3,507,036)
Taxation		**(1,889,298)**	(1,035,542)
Profit / (loss) after taxation		**431,485**	(4,542,578)
Earnings / (loss) per share - *basic and diluted*		**0.01**	(0.05)

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

CHIEF EXECUTIVE **DIRECTOR**

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

	Quarter Ended September 30, 2018 (Un-Audited) *Rupees*	Quarter Ended September 30, 2017 (Un-Audited) *Rupees*
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligation	-	-
Deferred tax on remeasurements of defined benefit obligation	-	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	2,277,205	3,109,250
	2,277,205	3,109,250
Other comprehensive income	2,277,205	3,109,250
Profit/(loss) for the year	431,485	(4,542,578)
Total comprehensive (loss)/income	2,708,690	(1,433,328)

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

CHIEF EXECUTIVE **DIRECTOR**

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30,2018

	Quarter Ended September 30, 2018 (Un-Audited) *Rupees*	Quarter Ended September 30, 2017 (Un-Audited) *Rupees*
CASH GENERATED FROM OPERATIONS		
Loss before taxation	2,320,783	(3,507,036)
Adjustments for non-cash and other items		
Interest/markup on borrowings	3,417,691	1,590,540
Impairment for doubtful debts	-	-
Liabilities written back	-	(1,817,211)
Waiver of debt finances and accrued markup thereon	-	(12,351,641)
Gain on sale of investments	-	-
Share of loss/(profit) of associates	129,931	227,887
Provision for employees retirement benefits	944,015	1,863,740
Depreciation	7,341,402	7,984,859
	11,833,039	(2,501,826)
Operating loss before changes in working capital	14,153,822	(6,008,862)
Changes in working capital		
Stores, spares and loose tools	(3,032,527)	-
Stock in trade	26,398,455	10,899,506
Trade debts	(42,135,065)	4,000,383
Advances, prepayments and other receivables	(3,265,124)	1,443,073
Trade and other payables	14,310,858	(25,540,147)
	(7,723,403)	(9,197,185)
CASH FLOW FROM OPERATING ACTIVITIES	6,430,419	(15,206,047)
Payments for:		
Employee retirement benefits	(550,542)	(3,063,510)
Interest/markup	(2,956,000)	(1,434,286)
Income tax	(1,326,403)	(288,647)
	(4,832,945)	(4,786,443)
Net Cash used in operating activities	1,597,474	(19,992,490)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	-	-
Proceeds from sale of investments	-	-
Net cash (used in)/generated from investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term finances	(4,000,000)	-
Net increase in short term borrowings	1,611,217	22,099,735
Net cash generated from financing activities	(2,388,783)	22,099,735
NET INCREASE IN CASH AND CASH EQUIVALENTS	(791,309)	2,107,245
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER	2,339,408	1,098,720
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	1,548,099	3,205,965

CHIEF EXECUTIVE **DIRECTOR**

D.S. INDUSTRIES LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE FIRST QUARTER ENEDED SEPTEMBER 30, 2018

	Share capital	Capital reserves			Revenue reserves	
	Issued subscribed and paid-up capital	Advance against issue of ordinary shares	Discount on issue of shares	Surplus on revaluation of property, plant and equipment	Accumulated loss	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2017	836,856,310	-	(82,899,709)	214,247,198	(697,192,244)	271,011,555
Comprehensive income						
Loss after taxation	-	-	-	-	(4,542,578)	(4,542,578)
Other comprehensive income/(loss)	-	-	-	3,109,250	-	3,109,250
Total comprehensive income	-	-	-	3,109,250	(4,542,578)	(1,433,328)
Balance as at September 30, 2017	836,856,310	-	(82,899,709)	217,356,448	(701,734,822)	269,578,227
Balance as at June 30, 2018	**836,856,310**	**-**	**(82,899,709)**	**203,909,733**	**(760,317,860)**	**197,548,474**
Comprehensive income						
Loss after taxation	**-**	**-**	**-**	**-**	**431,485**	**431,485**
Other comprehensive income	**-**	**-**	**-**	**2,277,205**	**-**	**2,277,205**
Total comprehensive income/(loss)	**-**	**-**	**-**	**2,277,205**	**431,485**	**2,708,690**
Incremental depreciation	**-**	**-**	**-**	**(2,923,322)**	**2,923,322**	**-**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at September 30, 2018	**836,856,310**	**-**	**(82,899,709)**	**203,263,616**	**(756,963,053)**	**200,257,164**

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

CHIEF EXECUTIVE **DIRECTOR**

D.S. INDUSTRIES LIMITED

NOTES TO THE CONDENSED INTERM FINANCIAL INFORMATION (UN-AUDITED) FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2018

1 LEGAL STATUS AND OPERATIONS

D.S. Industries Limited ['the Company'] is incorporated in Pakistan as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017) and was subsequently converted into a Public Limited Company. The Company is listed onPakistan Stock Exchange LimitedThe Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 20-K, Gulberg II, Lahore. The manufacturing facility is located at 11 KM, Sheikhupura Faisalabad Road, Sheikhupura, in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard [IAS 34] Interim Financial Reporting, issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

2.2 Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3 This condensed interim financial information is being submitted to the shareholders as required by section 237 of the Companies Act, 2017.

2.4 Going concern assumption

The Company has accumulated losses of Rs. 756.963 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 265.585 million. The Company has been unable to repay its long debts on due dates. These factors indicates existense of material uncertainty that raise doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of bussiness. However, these financial statements have been prepared on going concern basis based on the following:

a) The Company has continued financial support of its related parties in the form of interest free loans.

b) The Company is making efforts to repay its long term finances in accordance with the repayment schedules to avail the interest/markup waiver offered by the lending banks. MCB Bank Limited has agreed to waive off an amount of Rs. 85.043 million subject to timely repayment of principal liabilities.

c) The waiver of interest/markup 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.

2.5 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.6 Accounting Policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparaion of audited annual financial statements for the year ended June 30, 2018.

2.7 Judgments, estimates and assumptions

The preparation of condensed interim financial informaion requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and undertainty were the same as those applied to the audited annual financial statements for the year ended June 30, 2018.

3 LONG TERM FINANCES ***SECURED***

	September 30, 2018 (Un-Audited) Rupees	June 30, 2018 (Audited) Rupees
Face value	**94,288,192**	98,288,192
Less: unamortized notional interest	**(15,543,107)**	(15,543,107)
	78,745,085	**82,745,085**
MCB Bank Limited	**107,288,192**	111,288,192
Current maturity and overdue amounts presented under current liabilities	**(13,000,000)**	(13,000,000)
	94,288,192	98,288,192

4 CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

Gas Infrastructure Development Cess ['GIDC'] has been levied with effect from December 15, 2011 on industrial gas customers firstly through OGRA notification and subsequently via GID Cess Ordinance 2014 and GID Cess Act 2015. The Company, along with other industrial concerns, has filed a writ petition in the Honorable High Court of Sindh challenging the imposition of GIDC. On October 26, 2016, the Honorable High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the constitution of Pakistan. The Company has not recognised any provision relating to GIDC aggregating to Rs. 14.48 million.

4.2 Commitments

There are no known commitments as at the reporting date.

5 PROPERTY, PLANT AND EQUIPMENT

	September 30, 2018 (Un-Audited) Rupees	June 30, 2018 (Audited) Rupees
Opening written down value	**478,921,989**	510,776,302
Additions during the period at cost	**-**	91,200
	478,921,989	510,867,502
Depreciation charge for the period	(7,341,402)	(31,945,513)
	471,580,587	478,921,989

6 Cost of Sales

	Quarter Ended September 30, 2018 (Un-Audited) Rupees	Quarter Ended September 30, 2017 (Un-Audited) Rupees
Raw material consumed	**129,282,991**	48,157,469
Cost of cotton sold	**47,182,721**	-
Cost of fabric sold	**-**	4,125,555
Stores and spares consumed	**2,897,295**	2,160,936
Salaries, wages and benefits	**23,064,130**	14,180,713
Power and fuel	**32,701,058**	10,702,673
Traveling and conveyance	**363,785**	165,254
Repair and maintenance	**440,164**	285,551
Insurance	**214,540**	293,521
Entertainment	**138,442**	124,607
Depreciation	**7,185,915**	7,797,308
Others	**248,735**	277,651
Manufacturing cost	**243,719,776**	88,271,238
Work in process		
As at beginning of the year	**9,999,900**	12,868,500
As at end of the year	**(14,684,700)**	(10,816,500)
	(4,684,800)	2,052,000
	239,034,976	90,323,238
Finished goods		
As at beginning of the year	**3,859,024**	2,675,348
As at end of the year	**(5,132,454)**	(2,089,656)
	(1,273,430)	585,692
	237,761,546	90,908,930

7 Transactions with Related Parties

Related parties from the Company's perspective comprise sponsors fo the Company, associated companies and undertaking and key management personnel. Transactions with related parties Nd associated undertakings, other than remuneration and benefits to key management under the term of their employment are as follows:

	Quarter Ended September 30, 2018 (Un-Audited) Rupees in "million	Quarter Ended September 30, 2017 (Un-Audited) Rupees in "million
Purchase of goods and services	1,018,494	-
Sale of goods and services	37,543,705	-

8 General

8.1 This condensed interim financial information is authorized for issue on October 29, 2018 by the Board of Directors of the Company

8.2 Figures have been rounded off to the nearest rupee, unless stated otherwise; and

8.3 Corresonding figures have been re-arranged whereever to facilitate comparison. No material rearrangement has been made during the perid.

CHIEF EXECUTIVE **DIRECTOR**

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