

HALF YEARLY REPORT

31st December, 2010

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, I am pleased to present the financial statements of the Company for the half year ended December 31, 2010. These are un-audited and have been reviewed by the auditors.

During the period under review the sales of the Company grew by 39% to Rs.665.99 million as compared to Rs.478.91 million in the corresponding period ended December 31, 2009. The gross profit of the Company decreased to Rs.6.80 million during the half year ended December 31, 2010 as compared to Rs.9.53 million in the corresponding period last year. This decrease in profitability, despite increase in sales, is due to depressed selling prices on one side and increase in production costs on the other side. Actually, the rate of increase in yarn prices was much less than the rate of increase in cotton prices, which squeezed the gross margins and hence resulted in operating loss of Rs.14.13 million. During the period under review the Company incurred net loss of Rs.52.14 million as against net loss of Rs.47.95 million incurred during the comparable period last year.

During the half year under review, the Company faced very tight liquidity position. Due to the unavailability of the working capital lines from the financial institutions, the company was unable to purchase and stock bulk quantity of cotton. To finance the working capital needs, sometimes the company has to sell yarn at low rates and purchase cotton at higher prices.

As regard auditors' modification in their report, we are of the opinion that the availability of continuous support from sponsoring directors and favourable negotiations with financial institutions will significantly improve financial position of the Company in the coming years.

In this regard, the sponsoring directors of the Company are actively pursuing to get all the liabilities restructured at favourable terms. During the period under review, restructuring arrangements with one of its bankers have been finalized while with other banks negotiations are at final stages and expected to finalize before the year end. We are also working with some banks to get the working capital lines and hopeful to negotiate it soon.

To improve the profitability, we are planning to focus on manufacturing the fine counts which will be manufactured from imported cotton. In this regard the company has booked imported cotton at very good rates.

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. The Board also expresses 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
February 28,2011

Perez 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, 2010 and the related condensed profit and loss account, condensed statement of comprehensive income, condensed interim cash flow statement and condensed 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. Management is responsible for the preparation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion 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, 2010 and December 31, 2009 have not been reviewed and we do not express a conclusion thereon as we are required to review only the cumulative figures for the half year ended December 31, 2010.

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 interim 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

Without qualifying our review report, we draw attention to Note 1.2 to the interim financial information, which indicates that the Company has net loss for the half year ended of Rs. 52.142 million, accumulated loss of Rs. 956.209 million and its current liabilities exceed its current assets by Rs. 658.491 million as at the balance sheet date. These conditions along with other matters as explained in Note 1.2 to the interim financial information indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern.

Lahore:
Dated : 28 February, 2011

HORWATH HUSSAIN CHAUDHARY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2010

	Note	December, 31 2010 (Un-audited) Rupees	June, 30 2010 (Audited) 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>(956,208,601)</u>	<u>(909,633,204)</u>
		(356,208,601)	(309,633,204)
Surplus on Revaluation of Property, Plant and Equipment		124,474,236	130,040,887
Non Current Liabilities			
Long term financing	4	190,691,668	192,500,000
Deferred liabilities		72,963,383	80,282,701
		263,655,051	272,782,701
Current Liabilities			
Trade and other payables	5	267,472,856	211,422,989
Accrued mark up		121,026,720	118,000,761
Short term borrowings		280,062,550	282,712,789
Current portion of long term financing		145,396,312	128,528,217
Provision for taxation		12,850,933	5,859,245
Dividend payable		337,563	337,563
		827,146,934	746,861,564
Contingencies and Commitments	6	-	-
		<u>859,067,620</u>	<u>840,051,948</u>
ASSETS			
Non Current Assets			
Property, plant and equipment	7	567,766,784	596,566,150
Long term investments		103,572,605	101,947,478
Long term deposits		<u>19,072,394</u>	<u>19,072,394</u>
		690,411,783	717,586,022
Current Assets			
Stores and spares		535,836	612,062
Stock in trade		57,337,601	27,413,907
Trade debts		56,857,935	46,100,616
Advances, prepayments and other receivables		16,613,227	25,580,738
Tax refunds due from Government		15,390,095	11,280,231
Short term investment		263,780	229,009
Cash and bank balances		21,657,363	11,249,363
		168,655,837	122,465,926
		<u>859,067,620</u>	<u>840,051,948</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

	Note	Half Year Ended December, 31		Quarter Ended December, 31	
		2010 (Un-audited) Rupees	2009 (Un-audited) Rupees	2010 (Un-audited) Rupees	2009 (Un-audited) Rupees
Sales		665,989,856	478,912,931	352,928,129	261,197,748
Cost of sales	8	(659,186,519)	(469,383,993)	(348,167,674)	(253,505,256)
Gross Profit		6,803,337	9,528,938	4,760,455	7,692,492
Operating expenses					
- Distribution cost		(2,946,685)	(340,424)	(1,577,481)	(214,004)
- Administrative expenses		(17,991,918)	(7,683,560)	(13,012,731)	(4,009,708)
		(20,938,603)	(8,023,984)	(14,590,212)	(4,223,712)
Operating (Loss) / Profit		(14,135,266)	1,504,954	(9,829,757)	3,468,780
Other operating expenses		(71,239)	(246,804)	(70,000)	(124,506)
Finance cost		(40,039,654)	(58,835,697)	(19,237,810)	(29,738,081)
Other operating income		215,039	155,340	108,959	100,679
Impairment loss on investment in associate		-	(2,994,875)	-	(2,994,875)
Share of profit of associated companies - net		1,689,317	-	9,387,266	-
Loss before Taxation		(52,341,803)	(60,417,082)	(19,641,342)	(29,288,003)
Taxation		199,754	12,469,492	(942,302)	12,933,785
Loss after Taxation		(52,142,049)	(47,947,590)	(20,583,645)	(16,354,218)
Loss per Share - Basic		(0.87)	(0.80)	(0.34)	(0.27)

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

	Half Year Ended December, 31		Quarter Ended December, 31	
	2010	2009	2010	2009
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	Rupees	Rupees	Rupees	Rupees
Loss after Taxation	(52,142,049)	(47,947,590)	(20,583,644)	(16,354,218)
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	5,566,652	6,185,170	2,783,325	6,185,170
Total Comprehensive Loss for the Year	<u>(46,575,397)</u>	<u>(41,762,420)</u>	<u>(17,800,319)</u>	<u>(10,169,048)</u>

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

CHIEF EXECUTIVE

DIRECTOR

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	December 31, 2010	December 31, 2009
	(Un-audited)	(Un-audited)
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(52,341,803)	(60,417,082)
Adjustments for:		
- Depreciation	28,799,366	29,468,181
- Loss on sale of investments	1,239	-
- Impairment loss on investment in associates	-	2,994,875
- Gain on remeasurement of investment at fair value through profit or loss	(34,771)	186,804
- Provision for gratuity	1,150,793	1,150,793
- Dividend income	(31,229)	-
- Share of net profit of associates	(1,689,317)	-
- Finance cost	40,039,654	58,835,697
	<u>68,235,735</u>	<u>92,636,350</u>
Operating profit before working capital changes	15,893,932	32,219,268
(Increase) / decrease in current assets:		
- Stores and spares	76,226	49,876
- Stock in trade	(29,923,694)	682,177
- Trade debts	(10,757,319)	(3,091,920)
- Advances, deposits, prepayments and other receivables	8,967,511	(12,293,854)
- Tax refunds due from Government	(2,285,921)	(1,235,957)
Increase / (decrease) in current liabilities:		
- Trade and other payables	56,118,858	13,259,584
Cash generated from / (used in) Operations	22,195,661	(2,630,094)
Income tax paid	(1,823,943)	(145,001)
Finance cost paid	(2,252,423)	(4,271,747)
Gratuity paid	(1,278,669)	(1,584,866)
Workers' (profit) participation fund paid	(534,500)	(360,850)
Net Cash Generated from Operating Activities	32,200,058	23,226,710
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed from sale of long term investment	62,952	-
Long term deposits and advances	-	(13,969,000)
Dividends received	31,229	-
Net Cash Used in Investing Activities	94,181	(13,969,000)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finance	(12,946,059)	(1,600,000)
Short term borrowings	(8,940,180)	(7,615,529)
Net Cash Used in Financing Activities	(21,886,239)	(9,215,529)
Net Increase in Cash and Cash Equivalents	10,408,000	42,181
Cash and cash equivalents at the beginning of the year	11,249,363	2,547,207
Cash and Cash Equivalents at the End of the Year	<u>21,657,363</u>	<u>2,589,388</u>

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

D.S. INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	Share Capital	Accumulated 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 half year ended December 31, 2009	-	(41,762,420)	(41,762,420)
Balance as at December 31, 2009	<u>600,000,000</u>	<u>(940,384,026)</u>	<u>(340,384,026)</u>
Balance as at June 30, 2010	600,000,000	(909,633,204)	(309,633,204)
Total comprehensive loss for the half year ended December 31, 2010	-	(46,575,397)	(46,575,397)
Balance as at December 31, 2010	<u>600,000,000</u>	<u>(956,208,601)</u>	<u>(356,208,601)</u>

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

CHIEF EXECUTIVE

DIRECTOR

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

1.2 Going concern assumption

The Company has accumulated loss of Rs. 956.209 million (June 30, 2010: Rs. 909.633 million) as at the balance sheet date and net loss for the half year ended of Rs. 52.142 million (loss for the half year ended December 31, 2009: Rs. 47.948 million). Current liabilities of the Company exceed its current assets by Rs. 658.491 million (June 30, 2010: Rs. 624.396 million) and its total liabilities exceed its total assets by Rs. 231.734 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 (refer to Note 4) and trying to reschedule long term financing from other lenders. 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 six months period ended December 31, 2010 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 half year ended on December 31, 2009.

2.3 This condensed interim financial information is unaudited. However, a limited scope review of this interim financial information has been performed by the 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 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

Long Term Financing

	Half Year Ended December 31, 2010	Year Ended June 30, 2010
	(Un-audited)	(Audited)
	Rupees	Rupees
Loan from financial institutions - Secured	336,087,980	321,028,217
Less: Current portion	<u>(145,396,312)</u>	<u>(128,528,217)</u>
	<u>190,691,668</u>	<u>192,500,000</u>

Loan from financial institutions include an amount of Rs. 196.250 million due to Dawood Islamic Bank Limited that has been rescheduled during the half-year. The outstanding loan is repayable in 58 equal monthly installments of Rs. 3.50 million each commencing from October 2010. The mark up on this loan, payable up to the date of rescheduling, has been deferred up to the repayment of the rescheduled loan.

Note 5

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 6

Contingencies and Commitments

Contingencies

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

Commitments

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

Note 7

Property, Plant and Equipment

	Half Year Ended December 31, 2010	Year Ended June 30, 2010
	(Un-audited)	(Audited)
	Rupees	Rupees
Opening written down value	596,566,150	610,505,310
Additions during the period / year (at cost)	-	45,781,903
	596,566,150	656,287,213
Depreciation charge for the period / year	<u>(28,799,366)</u>	<u>(59,721,063)</u>
	<u>567,766,784</u>	<u>596,566,150</u>

Note 8

Cost of Sales

	Half Year Ended December 31,		Quarter Ended December 31,	
	2010 (Un-audited) Rupees	2009 (Un-audited) Rupees	2010 (Un-audited) Rupees	2009 (Un-audited) Rupees
Raw materials consumed	481,945,821	315,386,584	261,611,429	173,286,819
Stores and spares consumed	10,181,929	13,923,768	5,759,467	8,914,401
Salaries, wages and benefits	44,064,858	34,291,066	18,543,758	17,171,616
Fuel and power	82,909,887	66,346,708	34,723,608	28,193,342
Processing charges	11,959,805	6,265,762	5,686,741	5,233,042
Traveling and conveyance	1,160,480	145,358	491,922	82,089
Repairs and maintenance	667,343	177,367	500,944	142,289
Insurance	706,196	340,620	281,791	574,295
Entertainment	141,535	134,189	29,738	67,641
Depreciation	28,400,348	29,126,736	14,200,174	14,563,368
Miscellaneous	218,671	100,993	24,769	46,710
	<u>662,356,873</u>	<u>466,239,151</u>	<u>341,854,341</u>	<u>248,275,612</u>
Work in process				
- Opening stock	11,766,834	5,522,303	20,628,008	5,105,702
- Closing stock	(25,624,401)	(3,334,788)	(25,624,401)	(3,334,788)
	<u>(13,857,567)</u>	<u>2,187,515</u>	<u>(4,996,393)</u>	<u>1,770,914</u>
	648,499,306	468,426,666	336,857,948	250,046,526
Finished goods				
- Opening stock	4,705,980	6,857,869	5,328,493	9,359,271
- Purchases	23,415,409	-	23,415,409	-
- Closing stock	(17,434,176)	(5,900,541)	(17,434,176)	(5,900,541)
	<u>10,687,213</u>	<u>957,328</u>	<u>11,309,726</u>	<u>3,458,730</u>
	<u>659,186,519</u>	<u>469,383,994</u>	<u>348,167,674</u>	<u>253,505,256</u>

Note 9

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, 2010 (Un-audited) Rupees in "million"	Half Year ended December 31, 2009 (Un-audited) Rupees in "million"
Material / services purchased	9.738	6.266
Sale of goods	<u>10.478</u>	<u>-</u>

Note 10

General

10.1 This condensed interim financial information is authorized for issue on February 28, 2011 by the Board of Directors of the Company.

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

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

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