

ANNUAL
REPORT
2018



DAR ES SALAAM

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COMPANY INFORMATION

Board of Directors	Mrs. Nilofar Mukhtar Mr. Faisal Mukhtar Mrs. Mahwesh Faisal Mukhtar Ms. Abida Mukhtar Mr. Muhammad Gul Nawaz Mr. Muhammad Yousaf Mr. Ejaz Hussain	Chairperson & Director Chief Executive Officer
Audit Committee	Mr. Muhammad Gul Nawaz Ms. Abida Mukhtar Mrs. Nilofar Mukhtar	Chairman Member Member
HR & Remuneration Committee	Mr. Muhammad Yousaf Ms. Abida Mukhtar Mrs. Nilofar Mukhtar	Chairman Member Member
Chief Financial Officer Company Secretary	Mr. Shahid Amin Chaudhry	
Share Registrar	M/S Corplink (Pvt) Ltd Wing Arcade, 14-K, Commercial, Model Town, Lahore. Tel: 042-35839182, 042-35869037	
Auditors	M/s Hassan Naeem & Co. Chartered Accountants	
Bankers	National Bank of Pakistan The Bank of Punjab United Bank Limited Faysal Bank Limited Silk Bank Limited Summit Bank Limited	
Registered Office	176-N, Scotch Corner, Upper Mall Lahore. Phones: (042) 35878643-44 Fax : (042) 35878642	
Factory	10th Km Muridke-Sheikupura Road, Muridke.	

Vision Statement

To achieve the highest possible return on investment through a process of continuous improvement and while upholding the highest standards of integrity in all operations.

Mission Statement

To be a result-oriented and profitable Company by consistently improving in terms of productivity, quality, technological expertise, diversity, presentation, reliability and customer acceptance.

To establish the company as a growing concern while ensuring optimum return on investment for shareholders.

To be a responsible employer and create an environment where a professional, highly-motivated management team can prosper.

To be a good corporate citizen who supports charitable causes and follows environmentally friendly policies.

Statement of Ethics and Business Practices

Continuous improvement in total quality performance by achieving high standards in our products and providing these to our customers without error, on time and every time. We are dedicated to supply the product of highest quality and standards, yet at a reasonable cost for our national and international customer's satisfaction. All of our commitments, actions and products must be recognized as an expression of quality. We are committed to improve our skills and know-how, competency, practical experience and training of employees by implementing quality system. We continuously improve the performance of quality standards through practical participation of our employees at all levels. Our mission is to meet National and International Standards, Customers' Satisfaction and Continuous Improvements in our standards through use of latest methods and employees satisfaction. We believe that a complete code of ethics is essential for the maintenance of integrity and professionalism in the day-to-day functioning of Dar Es Salaam Textile Mills Limited. We always place the Company's interest first through resource management namely human, financial and other infra structural facilities and to ensure reasonable return to all the shareholders. Conduct business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objective and supports unconditionally the Compliance with best Practices of Corporate Governance for the betterment of corporate culture. We develop and observe cost effective practices in our activities and strive for excellence and quality. We encourage initiative and self-realization in employees through meaningful empowerment.

CHAIRPERSON'S REVIEW

I am pleased to present the review for the year ended 30 June 2018 highlighting the Company's performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

During the year; the Company remained committed to following its new business strategy that was announced in the Extra Ordinary General Meeting held on 30th April 2018. The Company is focusing to improve its liquidity and strengthening its business. The focus of the Company's management is to settle the Company's liabilities towards lenders and other creditors and to utilize available funds for implementation of alternate business plan. I am confident that the Company will be successful in meeting the future challenges and targets.

During the year; the Board played an effective role in managing the affairs of the Company in the following manner:

- I. The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as laid down in the Code and has taken required initiatives to implement the requirements of new Code in its true letter and spirit.
- II. The Board has ensured that members of the Board and its respective committees possess adequate skills, experience and knowledge to manage the affairs of the Company. The Board shall ensure that the directors shall be provided with the requisite training to enable them to perform their duties in an effective manner to ensure that directors seek certification in accordance with the Code;
- III. The Board remain updated with respect to achievement of Company's objectives, goals, strategies and financial performance through review of reports from management and other consultants;
- IV. The Board recognizes that well defined corporate governance processes is vital in enhancing corporate accountability and is committed to ensure high standards of corporate governance to preserve and maintain stakeholder value.
- V. The Board shall complete evaluation of the Board in line with requirements of Code of Corporate Governance within time stipulated time period in the Code. The main focus shall remain on strategic growth, business opportunities risk management, and composition of the board. The Board, apart from the Board Audit Committee and Board Human Resource Committee meetings, normally meets once every quarter to consider and approve financial and operating results.
- VI. All the significant issues were presented before the Board or its committees to strengthen and formalize the corporate decision-making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendations of the Audit Committee;
- VII. The Board has ensured that sound system of internal controls are in place and appropriateness and effectiveness of same is considered by internal auditors on regular basis;

Being Chairperson of the Board, I will remain firmly committed to ensure that the Company complies with all the relevant provisions of the Code and other regulations and ensuring that our management team continues to take decision that will create value for you in the short, medium and long term.

Lahore: October 05, 2018

Nilofar Mukhtar
Chairperson Board of Directors

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Shareholders of Dar Es Salaam Textile Mills Limited will be held on Saturday the 27th October 2018 at 11:00 a.m., at the Registered Office of the Company, 176-N, Scotch Corner, Upper Mall Lahore to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on November 27th 2017.
2. To receive, consider and adapt the Income Statement and Balance Sheet for the year ended June 30,2018 and the Director's Report and Auditor's Report thereon.
3. To appoint auditor and to fix their remuneration. The auditors of the Company M/s UHY Hassan Naeem & Co Chartered Accountants, retire and being eligible offer themselves for re-appointment for the financial year ending June 30,2019
4. Under special business to elect Seven Directors of the Company for a period of three years from 01/11/2018 to 30/10/2021 under section 159 of the Companies Act 2017. The Board of Directors of the Company fixed the number of Directors to be elected as Seven. The following Directors of the Company would retire from 30/10/2018 and are eligible to offer themselves for re-election.

- | | |
|---------------------------|--------------------------------|
| 1. Mr. Faisal Mukhtar | 2. Mr. Muhammad Yousaf |
| 3. Mr. Ejaz Hussain | 4. Mrs. Nilofar Mukhtar |
| 5. Miss Abida Mukhtar | 6. Mrs. Mahwesh Faisal Mukhtar |
| 7. Ch. Muhammad Gul Nawaz | |

3. To transact any other business with the permission of the Chair

By the order of the Board

Date: October 06, 2018

Place: LAHORE

Shahid Amin Chaudry

Company Secretary

NOTES:

1. The Share Transfer Books of the company will remain closed from 20/10/2018 to 27/10/2018 (both days inclusive).
2. Any shareholder who seeks to contest election to the office of Director shall file with the Company not later than fourteen days before the date of meeting, a notice of his intention to offer himself for election as a Director in terms of Section 159 of the Companies Act, 2017.
3. A member entitled to vote at the meeting may appoint any other member as his/her proxy. Proxies in order to be effective must be received at the registered office of the company duly stamped, signed and witnessed not later than 48 hours before the meeting.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her National Identity Card. Representatives of corporate members should bring with them the usual documents required for such purpose.
5. Shareholders are requested to notify the company's share registrar of any change in their addresses M/s Corplink (pvt) limited, Wing Arcade, 1- K Commercial, Model Town, Lahore

اطلاع برائے سالانہ اجلاس عام

بذریعہ اشتہار مطلع کیا جاتا ہے کہ کمپنی کا اٹھائیسواں (28) سالانہ اجلاس عام بروز ہفتہ 27 اکتوبر 2018- صبح 11 بجے کمپنی کے رجسٹرڈ آفس 176-N- سکارچ کارنر اپر مال لاہور مندرجہ ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عمومی امور

- 1- کمپنی کے 27 واں سالانہ اجلاس عام منعقدہ 27 نومبر 2017 کی کاروائیوں کی توثیق۔
- 2- 30 جون 2018 ختم شدہ سال کیلئے کمپنی کے سالانہ آڈٹ شدہ حسابات بشمول ان پراڈیٹرز اور ڈائریکٹرز کی رپورٹوں کی وصولی غور و خوض اور منظوری۔
- 3- کمپنی کے ایکٹ 2017 کے سیکشن 159 کے تحت نومبر 2018 سے 30 اکتوبر 2021 تک تین سال کی مدت کیلئے کمپنی کے سات ڈائریکٹرز کو منتخب کرنے کیلئے خصوصی کاروبار کے تحت کمپنی کے بورڈ آف ڈائریکٹرز۔ ڈائریکٹرز کی تعداد کو سات کے طور پر منتخب کیا جائیگا۔ کمپنی کے مندرجہ ذیل 30 اکتوبر 2018 سے ریٹائر کیا جائیگا اور دوبارہ انتخاب کیا جائیگا۔
- 1- جناب فیصل مختار- 2- جناب محمد یوسف- 3- جناب اعجاز حسین- 4- جناب محمد گل نواز
- 5- محترمہ نیلوفر مختار- 6- محترمہ عابدہ مختار- 7- مہوش فیصل مختار
- 4- چیئرمین کی اجازت کیساتھ کسی اور کاروبار کو منتقل کرنے کیلئے۔

بورڈ کے ذریعہ

شاہد امین چوہدری

کمپنی سیکرٹری لاہور 6 اکتوبر 2018

نوٹ

- 1- کمپنی کے حصص کی منتقلی کی کتابیں 20 اکتوبر سے 2018ء 27 اکتوبر 2018 تک بند رہیں گی۔ (بشمول دونوں ایام)
- 2- اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر پر کسی فارم کے ذریعے کسی دوسرے کو منتخب کر سکتا ہے۔ پر کسی فارم کے موثر ہونے کیلئے ضروری ہے کہ وہ باقاعدہ مہر شدہ، دستخط کے ساتھ اجلاس سے 48 گھنٹے پہلے کمپنی کے رجسٹرڈ میں جمع کروانا لازمی ہے۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر اپنی شناخت کے لیے اپنا کمپیوٹرائزڈ شناختی کارڈ ہمراہ لائیں۔ پر کسی کی صورت میں اپنے شناختی کارڈ کی تصدیق شدہ فوٹو کاپی منسلک کریں کارپوریٹ ممبران کے نمائندے اپنی دستاویزات حسب معمول لے کر آئیں۔
- 4- حصہ داروں سے درخواست کی جاتی ہے کہ وہ اپنے شناختی کارڈ کی فوٹو کاپی کمپنی کے شیئرز رجسٹرار کو بھجوائیں کمپنیز آرڈیننس 1984 کے شیڈول ایک اور تین کی دفعات کے مطابق ٹرانسفر ڈیڈ اور فارم۔ اے پر شناختی کارڈ کے نمبر کا اندراج ضروری ہے۔
- 5- حصہ داروں سے یہ بھی درخواست کی جاتی ہے کہ وہ اپنے نام و پتہ میں کسی بھی قسم کی تبدیلی سے فوراً کمپنی کے شیئرز رجسٹرار میسرز کارپولنک (پرائیویٹ) لمیٹڈ۔ ونگ آرکیڈ۔ اے۔ کے۔ کمرشل، ماڈل ٹاؤن لاہور کو مطلع کریں

DIRECTOR'S REPORT

The Directors of Dar es Salaam Textile Mills Limited ("the Company") take pleasure in presenting the 28th Annual Report together with your Company's Annual Audited Financial Statements for the year ended June 30th, 2018.

Economic Outlook / Business, Risk, Challenges and Future Outlook

The Financial Year 2017-18 remains challenging for the spinning industries within Pakistan as the last year continued to witness closure of many units. Growth remained subdued due to the adverse factors such as increasing oil price and interest rates and the threat of trade barriers. Moreover, the country witnessed a lacklustre last quarter because of election preparation, combined with the inertia of the care taker government and declining foreign reserves that resulted in tough conditions in the textile sector. Nevertheless, the recent depreciation of the rupee and a new government being sworn in, may lead to the much-needed breather in the sector.

Description	June 30, 2018 Rupees	June 30, 2017** Rupees
Sale	-	-
Cost of Sales*	39,647,449	51,716,687
Gross Profit/ (Loss)	(39,647,449)	(51,716,687)
Finance Cost	(263,573)	(23,732,938)
Other income	10,444,969	3,689,957
Other operating expenses	(112,338,715)	(1,822,641)
Taxation	83,319,270	(723,663)
Loss after taxation	(73,920,330)	(81,066,375)

* comprising mainly of depreciation for the year; **Restated

The Company obtained approval from shareholders in Annual General Meeting held on November 27, 2017 to evaluate available options either to let out or sale of property, plant and equipment to settle the obligations of the Company towards its lenders. Accordingly, the board of directors of the Company explored all the viable options to revive the Company and at the same time to settle its obligations towards lenders and other creditors. The board of directors of the Company in its meeting held on April 06, 2018 has approved an alternate business strategy to revive the Company after settling its liabilities towards financial institutions and creditors by disposing off its property, plant and equipment. Accordingly, the Company held an Extra Ordinary General Meeting on April 30, 2018 to approve the sale of land, building, plant and machinery in order to settle its obligation towards financial institutions and trade and other payables and also approved an alternate business plan as recommended by the board of directors.

Presently, the Company has partially executed the plan and is working towards disposal of land, building and machinery to pay down its liabilities. Despite the adverse opinion of the Auditor, the management is confident that it will achieve its business plan in the stipulated time and aims towards implementation of its alternate business plan.

Evaluation of the Board

The Board shall complete evaluation of the Board in line with requirements of Code of Corporate Governance within time stipulated time period in the Code. The main focus shall remain on strategic growth, business opportunities risk management, Board composition and providing oversight to the management. The Board, apart from the Board Audit Committee and Board Human Resource Committee meetings, normally meets once every quarter to consider and approve financial and operating results.

Corporate Social Responsibility (CSR)

The Company gives high priority to its social responsibilities and is committed to the highest standards of corporate behaviour despite of the fact that it has increased its cost of doing business. The Company believes in having shared value and having healthy work place. Since the operations of the Company have been suspended for the time being hence much monetary spending on CSR initiatives is not being carried out. The Company upon implementation of its alternate business plans aims to continue its CSR initiatives in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities.

Related Party transactions

All related party transactions during the financial year ended on 30 June 2018 were placed before the Audit Committee and the Board for their review and subsequently approved. These transactions were reviewed by the Audit Committee and approved by the Board. All these transactions were in line with the transfer pricing methods and the policy for related parties approved by the Board.

Code of Conduct

The Company strives to enhance corporate governance as one of the most important tasks for its management, based on the Company's basic principle, in order to strengthen the trust of our shareholders, customers & society and seek sustainable growth and enhance corporate value.

Corporate and Financial Reporting Framework

The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity. The Company is committed to good corporate governance. The financial statements together with notes have been drawn up with in conformity with the provisions of the Companies Act, 2017. International Financial Reporting Standards have been followed in preparation of these financial statements and accounting policies have been consistently applied in preparation of the financial statements.

Compliance with the Code of Corporate Governance

The new Code of Corporate Governance has marked a various changes to bring local companies governance in line with the global norms. The Company has taken initiatives to implement amendments in the new Code. The representation of independent directors has been linked with the restructuring of the Board not later than next election of Directors. The remuneration policy for Board of Directors (for Executive, Non-Executive and Independent Directors) are being prepared. The Board lays great emphasis on adding and practicing good Corporate Governance, with a view to achieve transparency in its operations, so as to boost the confidence of important stakeholders. The objective of this policy is to ensure that the Executive & Non-executive directors' are governed by comprehensive compensation criteria that is based on merit and contributions towards the strategic guidance and success of the Company. The Statement of compliance with the Code of Corporate Governance is annexed.

The Board of Directors

The existing term of company directors expires on 30 October 2018 and the restructuring of the Board, as per requirement of the Code shall be approved in this election. The Company shall ensure that it has complied with required representation of Independent and non-Executive directors on the board.

The Board of Directors is composed of seven members, with statutory representation of different category of directors, which includes an independent director, non-executive directors and executive directors as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017. The Board is responsible for making strategic decisions with respect to important management matters, including the execution of important business activities and other matters as prescribed by law. These decisions are made after deliberating matters according to established criteria: assessing risks and giving due consideration to ground realities. The Board is also responsible for supervising and monitoring conduct guidelines.

Board Meeting and Attendance

During the year five meetings of the Board of Directors of the company were held attendance by each director is shown below

No.	Name	Attendance
1	Mrs Nilofar Mukhtar	5
2	Mr. Faisal Mukhtar	5
3	Mrs. Mahwesh Faisal Mukhtar	5
4	Ms. Abida Mukhtar	5
5	Ejaz Hussain	5
6	Mr. Muhammad Rafique Khan	2
7	Mr. Muhammad Yousaf	5
8	Muhammad Gul Nawaz	3

Audit Committee Meeting and Attendance

During the year five meetings of the audit committee of the company were held; attendance by each member is as under

No.	Name	Attendance
1	Mr. Muhammad Rafique Khan	2
2	Ms. Abida Mukhtar	5
3	Mrs Nilofar Mukhtar	5
4	Muhammad Gul Nawaz	3

HR and Remuneration Committee

During the year, one meeting of HR and Remuneration Committee of the company was held; attendance by each member is as under.

No.	Name	Attendance
1	Ms. Abida Mukhtar	1
2	Mrs Nilofar Mukhtar	1
3	Mr. Muhammad Yousaf	1

Changes in Board and its Committees

The directors wish to report that during 2018 Mr. Muhammad Rafique Khan resigned from the Board on January 20th 2018 and Mr. Muhammad Gul Nawaz was appointed by the Board to fill the casual vacancy occurred on January 23rd, 2018.

Internal Financial Controls

A system of sound internal control is established and implemented at all levels within the Company. The system of internal control is sound in design for ensuring achievement of company's objectives, operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

Financial Statements

The financial statements of the company have been duly audited and signed by the auditors of the Company, M/S Hassan Naeem & Co. Chartered Accountants, and their report is attached with the financial statements. confident that it will be able to fulfil its plan and is extremely perplexed by the auditor's conservative view. The response of your Directors with respect to it are as follows:

Adverse Opinion	Justification
<p>The Company incurred loss before taxation of Rs. 157.24 million during the year ended June 30, 2018 and, as of that date; the Company's current liabilities exceeded its total assets by Rs. 472.78 million. As stated in note 3.2, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The effect of this matter has not been adjusted appropriately in these financial statements.</p>	<p>The management of the Company tried its utmost to restart plant but due to inability to raise investment in the unit to update old and outdated machinery, continuous losses in the past few years that had eroded equity, unfavourable debt ratios, and pressure from creditors, it was not a viable option. Therefore, an alternate business plan was discussed with the Board of Directors meeting on April 6th 2018. The alternate business plan is only viable option to counter increasing losses, deterioration of plant and machinery, increasing debt burden and the overall challenging times in the textile industry. The plan involves generating income through trading of yarn in local and export markets in the next twenty-four months. The plan is two-pronged, first step is to dispose-of plant and machinery and use the proceeds to pay down partial debt. In the second phase, the management will focus on selling off the land & Building and plant and other assets and commence trading of yarn.</p> <p>Accordingly alternate business plan was approved by the shareholders in its Extra Ordinary General Meeting held on 30th April 2018. Subsequent to approval of the shareholders meeting, the Company partially disposed off its plant and machinery in accordance with the consent of the lenders. The remaining assets shall be disposed off upon completion of execution of settlement agreement and thereafter obligations towards lenders and other parties shall be settled.</p> <p>Upon realization of proceeds; the Company shall be implemented alternate business plan as envisaged and approved by the shareholders in its meeting held on April 30, 2018</p>

<p>Stores and spares amounting to Rs. 2.94 million could not be physically observed and remained unverified.</p>	<p>The auditors did not carry out physical inspection of stores and spares despite the fact they had visited factory for cut off procedures and physical inspection. The management recommended the auditors to provide required provision in these financial statements, however they disagreed to our recommendations.</p>
<p>The Company has receivable against operating lease amounting to Rs. 32.96 million remained unverified in the absence of balance confirmation</p>	<p>It is in the knowledge of the Auditors that the previous tenant, has not yet settled overdue rental payments. The Company is still working and negotiating with the tenant for recovery of overdue amount.</p>
<p>As disclosed in note 14, the Company's trade and other payables amounting to Rs. 133.12 million could not be verified in absence of direct confirmation. Further as disclosed in note 26, during the period liabilities amounting to Rs. 4.55 million are written off which could not be verified in absence of confirmation from the relevant payables. The effect of this matter has not been adjusted appropriately in these financial statements.</p>	<p>Most of these amounts are older than five-years and are time barred in accordance with the Limitation Act. Nevertheless, the management provided details and address of parties for confirmation and provided required information with regard to amount written back. However, the Auditors disagreed to our stance and disregarded the fact that these amounts were outstanding for last many years. The auditors could have performed alternate procedures to evaluate genuineness of outstanding amount as they did in previous years.</p>
<p>As disclosed in note 15, the Company has short term borrowings amounting to Rs. 148.78 million and the relevant accrued mark-up amounting to Rs. 55.15 million remained unconfirmed in the absence of direct confirmation. The effect of this matter has not been adjusted appropriately in these financial statements.</p> <p>As disclosed in note 16, the Company has long-term loan amounting to Rs. 150.27 million. Out of the total long-term loans, direct confirmation against bank liability of Rs. 136.34 million and the relevant accrued markup amounting to Rs. 47.31 million remained unconfirmed in the absence of direct confirmation. The effect of this matter has not been adjusted appropriately in these financial statements.</p>	<p>Auditors were provided with letters from banks stating the principal amount. These amounts were also verified from our correspondence with banks pertaining to consents provided by the bank for disposal of land, building & machinery. The Auditors communicated the list of pending confirmation from banks on the very last moment and did not provide ample time to us to request the banks to issue confirmation letters to the auditors directly.</p>
<p>During the year, the Company has not accrued a markup amounting to Rs. 25.25 million on the outstanding amount of long term and short term loans as disclosed in note 16 and note 15 respectively. The effect of this matter has not been accounted for in these financial statements.</p>	<p>As discussed with the Auditors, the restructuring/settlement agreement negotiated with the banks allows for a waiver in mark up. By charging excessive mark up that is not being accrued by banks, results in a false position of the debt of the Company.</p>

As disclosed in note 18, deferred tax asset amounting to Rs. 71.44 million has been recognized in financial statements. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which this asset can be utilized. As stated in note 3.2, that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Since, going concern assumptions is not valid, probability of future taxable profits is very remote. Accordingly, this asset should be reversed in these financial statements. Had this adjustment been accounted for, Company's net assets would have decreased by the amount of deferred tax asset. The effect of this matter has not been adjusted appropriately in these financial statements.

It is reiterated that upon realization of proceeds from sale of property, plant and equipment; the Company shall implement alternate business plan as envisaged and approved by the shareholders and the Company is of the view that these losses primarily relating unabsorbed depreciation shall be used against future earnings of the Company.

As highlighted earlier, the Management of the Company is in process of restructuring and considers the adverse opinion to be unmerited.

Pattern of Shareholding

The Company is listed on Pakistan Stock Exchange Limited. The pattern of shareholding as at June 30, 2018 along with disclosure as required under the Code of Corporate Governance is included in this Annual Report. The Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children have not traded in the shares of the Company.

Auditors

The present auditors M/S. Hassan Naeem & Co Chartered Accountants retire and being eligible to offer themselves for re-appointment as auditors of the company for the year 2018-19. The audit committee has recommended the appointment of aforesaid auditors M/S Hassan Naeem & Co. Chartered Accountants, as external auditor for the year ended June 30, 2018.

Chairperson's Review

The accompanied Chairperson's review deals with the performance of the Company for the year ended 30 June 2018 and future outlook. The directors endorse the contents of the review.

Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the company's banker, buyers and suppliers for their cooperation.

For and on behalf of the Board

Lahore: October 05, 2018


FAISAL MUKHTAR
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) June 30, 2017

Dar Es Salaam Textile Mills Limited ("the Company") has compiled with the requirements of the Listed Companies (Code of Corporate Governance) Regulation 2017 ("the Regulations") in the following manner:

- I. The total number of Directors are seven as per the following
 - a) Male: Four
 - b) Female: Three
- II. The composition of the Board of Directors ("the Board") is as follows:

Category	Names of Individuals
Independent Directors	Muhammad Gul Nawaz
	Mr. Muhammad Yousaf Khan
Other Non-Executive Directors	Mrs. Nilofar Mukhtar (Chairperson)
	Mrs. Mahwesh Faisal Mukhtar
	Ms. Abida Mukhtar
	Mr. Ejaz Hussain
Executive Director	Mr. Faisal Mukhtar

*Number of Independent Directors as prescribed by the Regulations, shall be implemented in accordance with the timeline given in proviso of Regulation 6 of the Regulations, i.e. not later than expiry of its current term pursuant to provisions of the Regulations.

- III. The directors have confirmed that none of them is serving as a director in more than five listed companies including this Company (excluding the listed subsidiaries of holding Companies where applicable)
- IV. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- V. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- VI. All the power of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act 2017, ("the Act") and these Regulations.
- VII. The meetings of the Board were presided over by the Chairperson and, in his/her absence, by a director elected by the Board for this purpose. The Board have complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
- VIII. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these regulations.
- IX. The Board remained fully compliant with the provision with regard to their directors' training program. Out of total of seven directors, one director has obtained training while by June 30th 2019, at least half will obtain their trainings.

- X. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the regulations.
- XI. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
- XII. The Board has formed committees comprising of members as given below
- a. Audit Committee
 - i. Ch Muhammad Gul Nawaz (Chairperson)
 - ii. Ms. Abida Mukhtar
 - iii. Mrs. Nilofar Mukhtar
 - b. HR and Remuneration Committee
 - i. Mr. Muhammad Yousaf Khan (Chairperson)
 - ii. Ms. Abida Mukhtar
 - iii. Mrs. Nilofar Mukhtar
- XIII. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- XIV. The frequency of meetings of the aforesaid committees were as per following:
- a) Audit Committee: Five meetings during the financial year ended June 30, 2018
 - b) HR and Remuneration Committee: One meeting during the financial year ended June 30, 2018
- XV. The Board has set-up effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of the Company.
- XVI. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan ("the ICAP") and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all of its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- XVII. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations and or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- XVIII. We confirm that all other requirements of the Regulations have been Complied with.

For and on behalf of the Board


FAISAL MUKHTAR
Chief Executive Officer

Lahore: October 05, 2018

AUDITORS' REVIEW REPORT
On the Statement of Compliance with Listed Companies
(Code Of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dar Es Salaam Textile Mills Limited (the Company) for the year ended June 30, 2018 to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any noncompliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2018.

Karachi :October 05, 2018

UHY Hassan Naeem & Co.
Chartered Accountants
Imran Afzal, FCA

KEY OPERATING FINANCIAL DATA

Rs. in 000	2018	2017	2016	2015	2014	2013
		Restated	Restated			
Sales		-	-	32,585	1,363,715	1,707,872
Export Sales	-	-	-	-	-	409,844
Gross Profit / (loss)	(39,647)	(51,717)	(57,088)	(81,759)	(120,100)	118,266
Profit /(Loss) Before Taxation	(157,240)	(80,343)	(81,524)	(80,697)	(123,246)	(36,681)
Profit /(Loss) After Taxation	(73,920)	(81,066)	(55,785)	(65,891)	(110,228)	(37,509)
Shareholders' Equity + Revaluation Surplus	(31,060)	82,293	138,860	168,645	234,536	248,031
Fixed ssets Net	377,545	611,547	664,779	723,583	792,217	794,122
Total Assets	528,889	669,189	746,550	798,827	898,673	1,113,545
Total Liabilities	559,949	593,759	637,593	630,586	664,136	865,514
Current Assets	87,174	55,623	79,671	73,594	104,806	318,081
Current Liabilities	559,949	586,895	607,689	578,442	553,637	619,153
Profitability						
Gross Profit/(Loss)	0.00%	0.00%	0.00%	(250.91)	(8.81)	6.92
Profit /(Loss) Before Taxation	0.00%	0.00%	0.00%	(247.65)	(9.04)	(2.15)
Profit /(Loss) After Tax	0.00%	0.00%	0.00%	(202.21)	(8.08)	(2.20)
Return to Equity						
Return on Equity Before Tax	N/A	N/A	N/A	N/A	N/A	N/A
Return to Equity after Tax	N/A	N/A	N/A	N/A	N/A	N/A
Earning per Share	(9.24)	(10.13)	(6.97)	(8.24)	(13.78)	(4.69)
Liquidity/Leverage						
Current Ratio	(15.57)	(9.48)	(13.11)	(12.72)	(18.93)	(51.37)
Break up Value per Share	(3.88)	10.29	17.36	21.08	29.32	31.00
Total Liabilities to Equity	(18.03)	7.22	4.59	3.74	2.83	3.49

THE COMPANIES ACT, 2017
(Section 227(2)(F))
PATTERN OF SHAREHOLDING

FORM 341.1 Name of the Company **DAR-ES-SALAAM TEXTILE MILLS LTD.**2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2018**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
146	1	100	7,040
939	101	500	458,087
55	501	1,000	53,256
57	1,001	5,000	143,235
19	5,001	10,000	151,884
5	10,001	15,000	64,200
4	15,001	20,000	77,000
1	20,001	25,000	24,391
4	25,001	30,000	104,500
1	35,001	40,000	36,500
1	40,001	45,000	44,750
1	110,001	115,000	112,291
1	145,001	150,000	150,000
1	165,001	170,000	168,568
1	240,001	245,000	241,750
1	255,001	260,000	259,287
1	300,001	305,000	302,500
1	515,001	520,000	516,750
1	760,001	765,000	762,229
1	770,001	775,000	775,000
1	820,001	825,000	824,125
1	1,300,001	1,305,000	1,301,960
1	1,420,001	1,425,000	1,420,697
1244			8,000,000

2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	4,166,532	52.0817
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	-	-
2.3.3 NIT and ICP	4,200	0.0525

2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	649	0.0081
2.3.5 Insurance Companies	-	-
2.3.6 Modarabas and Mutual Funds	259,287	3.2411
2.3.7 Share holders holding 10% or more	3,858,532	48.2317
2.3.8 General Public		
a. Local	3,511,391	43.8924
b. Foreign	0	-
2.3.9 Others (to be specified)		
1- Joint Stock Companies	32,194	0.4024
2- Pension Funds	24,391	0.3049
3- Trust	1,356	0.0170

DAR-ES-SALAAM TEXTILE MILLS LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018

Sr. No.	Name	No. of Shares Held	Percentage
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Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	259,287	3.2411
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Directors and their Spouse and Minor Children (Name Wise Detail):

1	MRS NILOFAR MUKHTAR	868,875	10.8609
2	MRS. MEHWESH FAISAL MUKHTAR	302,500	3.7813
3	MR. FAISAL MUKHTAR	1,662,447	20.7806
4	MS. ABIDA MUKHTAR	1,327,210	16.5901
5	MR. EJAZ HUSSAIN	2500	0.0313
6	MR. MUHAMMAD YOUSUF	500	0.0063
7	MR. MUHAMMAD GUL NAWAZ	2500	0.0313

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

25,040 0.3130

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

1	MR. FAISAL MUKHTAR	1,662,447	20.7806
2	MS. ABIDA MUKHTAR	1,327,210	16.5901
3	MRS NELOFAR MUKHTAR	868,875	10.8609
4	MR. TAHIR MUZAFFAR RAJA (CDC)	775,000	9.6875
5	AHMED SAUD KHAN MANJ (CDC)	762,229	9.5279
6	CH. AHMED MUKHTAR (PHY + CDC)	685,318	8.5665

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
1.	CH. MUHAMMAD GUL NAWAZ	0	2500

INDEPENDENT AUDITORS' REPORT

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Dar Es Salaam Textile Mills Limited ("the Company"), which comprise the statement of financial position as at June 30, 2018, statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs for the period ended June 30, 2018 and of the profit or loss and other comprehensive income, changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

The Company incurred loss before taxation of Rs. 157.24 million during the year ended June 30, 2018 and, as of that date; the Company's current liabilities exceeded its total assets by Rs. 472.78 million. As stated in note 3.2, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The effect of this matter has not been adjusted appropriately in these financial statements.

As disclosed in note 10, stores and spares amounting to Rs. 2.94 million could not be physically observed and remained unverified.

As disclosed in note 11, the Company has receivable against operating lease amounting to Rs. 32.96 million remained unverified in the absence of balance confirmation.

As disclosed in note 14, the Company's trade and other payables amounting to Rs. 133.12 million could not be verified in absence of direct confirmation. Further as disclosed in note 26, during the period liabilities amounting to Rs. 4.55 million are written off which could not be verified in absence of confirmation from the relevant payables. The effect of this matter has not been adjusted appropriately in these financial statements.

As disclosed in note 15, the Company has short term borrowings amounting to Rs. 148.78 million and the relevant accrued markup amounting to Rs. 55.15 million remained unconfirmed in the absence of direct confirmation. The effect of this matter has not been adjusted appropriately in these financial statements.

As disclosed in note 16, the Company has long-term loan amounting to Rs. 150.27 million. Out of the total long term loans, direct confirmation against bank liability of Rs. 136.34 million and the relevant accrued markup amounting to Rs. 47.31 million remained unconfirmed in the absence of direct confirmation. The effect of this matter has not been adjusted appropriately in these financial statements.

During the year, the Company has not accrued a markup amounting to Rs. 25.25 million on the outstanding amount of long term and short term loans as disclosed in note 16 and note 15 respectively. The effect of this matter has not been accounted for in these financial statements.

As disclosed in note 18, deferred tax asset amounting to Rs. 71.44 million has been recognized in financial statements. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which this asset can be utilized. As stated in note 3.2, that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Since, going concern assumptions is not valid, probability of future taxable profits is very remote. Accordingly, this asset should be reversed in these financial statements. Had this adjustment been accounted for, Company's net assets would have decreased by the amount of deferred tax asset. The effect of this matter has not been adjusted appropriately in these financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Except for the matters described in the basis for adverse opinion section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the Company as required by the Companies Act, 2017;
- b) The statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 and are in agreement with the books of account and returns;
- c) Expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).


Dar Es Salaam Textile Mills Limited

Statement of Financial Position

As at June 30, 2018

	Note	2018 Rupees	2017 Rupees <i>Restated</i>	2016 Rupees <i>Restated</i>
Non-current assets				
Property plant and equipment	7	377,545,052	611,549,444	664,779,527
Intangibles	8	296,706	367,177	449,228
Long term deposits	9	1,426,354	1,649,458	1,649,458
Deferred Taxation	18	62,446,507	-	-
		441,714,619	613,566,079	666,878,213
Current assets				
Stores and spares	10	2,938,850	2,938,850	4,751,302
Stock-in-trade		-	-	10,189
Advances, deposits, prepayments and other receivables	11	36,861,592	24,131,206	22,333,782
Tax refunds due from Government	12	28,484,224	28,252,460	52,016,715
Cash and bank balances	13	18,889,427	300,648	559,368
		87,174,093	55,623,164	79,671,356
Current liabilities				
Trade and other payables	14	151,002,405	179,361,553	180,096,580
Short term borrowings	15	148,775,352	148,775,352	172,674,481
Current portion of long term loan	16	150,722,611	149,133,020	158,539,547
Mark-up accrued	17	109,448,831	109,625,912	96,378,948
		559,949,199	586,895,837	607,689,556
Working capital employed		(472,775,106)	(531,272,673)	(528,018,200)
		(31,060,487)	82,293,406	138,860,013
Non-current liabilities				
Deferred tax liability	18	-	6,863,268	29,903,860
		-	6,863,268	29,903,860
Contingencies and commitments	19	-	-	-
Net capital employed		(31,060,487)	75,430,138	108,956,153
Represented by:				
Share capital and reserves				
Authorized share capital (15,000,000 Ordinary shares of Rs. 10 each)		150,000,000	150,000,000	150,000,000
Issued, subscribed and paid up capital	20	80,000,000	80,000,000	80,000,000
Accumulated losses		(477,720,843)	(421,488,502)	(363,720,137)
Surplus on revaluation of fixed assets - net of tax	21	290,778,259	369,378,280	392,676,290
Loan from Sponsors	22	75,882,097	47,540,360	-
		(31,060,487)	75,430,138	108,956,153
		(31,060,487)	75,430,138	108,956,153

The annexed notes 1 to 38 form an integral part of these financial statements.


Faisal Mukhtar
Chief Executive Officer


Abida Mukhtar
Director

Lahore: October 05, 2018

Dar Es Salaam Textile Mills Limited

Condensed Statement of Comprehensive Income
For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees <i>Restated</i>	2016 Rupees <i>Restated</i>
Cost of sales	23	39,647,449	51,716,687	57,088,920
Gross loss		(39,647,449)	(51,716,687)	(57,088,920)
Operating expenses:				
Administrative expenses	24	15,434,832	6,760,403	5,006,041
Operating loss		(55,082,281)	(58,477,090)	(62,094,961)
Finance cost	25	(263,573)	(23,732,938)	(29,247,356)
Other income	26	10,444,969	3,689,957	12,000,000
Other operating expenses	27	(112,338,715)	(1,822,641)	(2,182,439)
Loss before taxation		(157,239,600)	(80,342,712)	(81,524,756)
Taxation	28	83,319,270	(723,663)	25,739,750
Loss after taxation		(73,920,330)	(81,066,375)	(55,785,006)
Other comprehensive income for the year				
<i>Items that will never be reclassified to comprehensive income</i>				
Incremental depreciation for the year	21	17,687,989	23,298,010	25,289,823
		17,687,989	23,298,010	25,289,823
Total comprehensive loss for the year		(56,232,341)	(57,768,365)	(30,495,183)
Loss per share - basic and diluted	29	(9.24)	(10.13)	-

The annexed notes 1 to 38 form an integral part of these financial statements.


Faisal Mukhtar
Chief Executive Officer


Abida Mukhtar
Director

Lahore: October 05, 2018

Dar Es Salaam Textile Mills Limited

Statement of Cash Flows

For the year ended June 30, 2018

	Note	2018 Rupees	2017 Rupees <i>Restated</i>
Cash flow from operating activities			
Loss before taxation		(157,239,600)	(80,342,712)
Adjustments for:			
Depreciation	7.1.1	41,671,322	52,772,130
Amortization	8	70,471	82,051
Finance costs	25	263,573	23,732,938
Trade payables written off		(4,547,025)	-
Reversal of accrued markup		-	(697,910)
Trade debts written off		913,655	-
Loss on disposal of plant and machinery	27	25,447,917	-
Loss on revaluation of plant and machinery		85,682,615	-
Obsolete spares written off		-	1,822,641
Provision for obsolete spares		-	341,055
Prepayments written off	27	294,528	-
		(7,442,544)	(2,289,807)
Working capital changes			
Advances, deposits, prepayments and other receivables		(3,938,569)	(1,797,424)
Stores and spares		-	(351,244)
Stock-in-trade		-	10,189
Trade and other payables		(23,812,123)	(735,027)
		(27,750,692)	(2,873,506)
		(35,193,236)	(5,163,313)
Finance costs paid		(440,653)	(9,810,111)
Taxes paid		(231,764)	-
		(672,417)	(9,810,111)
Net cash used in operating activities		(35,865,653)	(14,973,424)
Cash flow from investing activities			
Long term deposits		223,104	-
Proceeds from sale of fixed assets	7.1	34,300,000	450,000
Net cash inflow from investing activities		34,523,104	450,000
Cash flow from financing activities			
Long term loans		(8,410,409)	(9,406,527)
Loan from Sponsors		28,341,737	47,540,360
Repayment of short term loans		-	(23,899,129)
Net cash outflow from financing activities		19,931,328	14,234,704
Net decrease in cash and cash equivalents		18,588,779	(288,720)
Cash and cash equivalents at beginning of the year		300,648	589,368
Cash and cash equivalents at the end of the year	13	18,889,427	300,648

The annexed notes 1 to 38 form an integral part of these financial statements.


Faisal Mukhtar
Chief Executive Officer


Abida Mukhtar
Director

Lahore: October 05, 2018

Dar Es Salaam Textile Mills Limited

Statement of Changes in Equity For the year ended June 30, 2018

	Share capital	Accumulated losses	Revaluation Surplus	Loan from Directors	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at July 01, 2016-Restated	80,000,000	(333,224,954)	417,966,113	-	164,741,159
Total comprehensive loss for the year	-	(30,495,183)	-	-	(30,495,183)
Transferred to other comprehensive income on account of incremental depreciation	-	-	(25,289,823)	-	(25,289,823)
Balance as at June 30, 2016- Restated	80,000,000	(363,720,137)	392,676,290	-	108,956,153
Balance as at July 01, 2016- restated	80,000,000	(363,720,137)	392,676,290		108,956,153
Loan received during the period	-	-		47,540,360	47,540,360
Total comprehensive loss for the year	-	(57,768,365)	-	-	(57,768,365)
Transferred to accumulated loss on account of incremental depreciation- <i>net of tax</i>	-	-	(23,298,010)	-	(23,298,010)
Balance as at June 30, 2017 - Restated	80,000,000	(421,488,502)	369,378,280	47,540,360	75,430,138
Balance as at July 01, 2017- restated	80,000,000	(421,488,502)	369,378,280	47,540,360	75,430,138
Loan received during the period	-	-	-	28,341,737	28,341,737
Total comprehensive loss for the year	-	(56,232,341)	-	-	(56,232,341)
Transferred to accumulated loss on account of incremental depreciation- <i>net of tax</i>	-	-	(17,687,989)	-	(17,687,989)
Revaluation surplus on land and building	-	-	183,334,451	-	183,334,451
Deferred tax on revaluation surplus on land and building	-	-	(30,126,084)	-	(30,126,084)
Revaluation loss on plant and machinery	-	-	(230,236,989)	-	(230,236,989)
Reversal of deferred tax on account of revaluation loss	-	-	16,116,589	-	16,116,589
Balance as at June 30, 2018	80,000,000	(477,720,843)	290,778,258	75,882,097	(31,060,488)

The annexed notes 1 to 38 form an integral part of these financial statements.

Lahore: October 05, 2018


Faisal Mukhtar
Chief Executive Officer


Abida Mukhtar
Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Dar Es Salaam Textile Mills Limited

Notes to the Financial Statements

For the year ended June 30, 2018

1 Reporting entity

Dar Es Salaam Textile Mills Limited ("the Company") was incorporated in Pakistan on September 28, 1989 as public unlisted company under the Companies Ordinance, 1984. The address of registered office of the Company is 176-N-Scotch Corner, Upper Mall, Lahore. The Company is listed in Pakistan Stock Exchange. The Company is engaged in the business of manufacturing and sale of yarn. The Company's manufacturing facility is located at 10 Km Muridke-Sheikhupura road, Muridke.

2 Summary of significant events and transaction in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Disposal of plant and equipment (refer note 7)

3 Basis of preparation

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Accounting and reporting standards comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Going concern assumption

The Company has been facing operational issues for the last couple of years including shut down of electricity and shortage of gas supplies due to which the Company has incurred loss before tax of Rs. 157.24 million (2017: Rs.80.34 million) and has accumulated losses amounting to Rs. 477.22 million (2017: 421.49 million) at the year end. In addition to this, the Company's current liabilities exceeded its current assets by Rs. 472.78 million (2017: Rs.531.27 million) at reporting date.

The Company had been in a vicious circle in view of pressures from lenders with regard to outstanding debt repayment and resultantly its inability to raise further working capital lines from financial institutions to resume the operations. In order to settle the liabilities, the Company held an Extra Ordinary General Meeting on April 30th 2018 and approved alternate business plan, settlement with lenders by disposal of property, plant and equipment to get out of this vicious circle.

These strategies included discussions with financial institutions for restructuring of its debt and making available fresh lines for working capital requirements and / or issuing right issue and restructuring its asset base by leasing out / and /or selling part of plant & machinery in order to reduce debt burden and meet working capital requirements. However, in the end, the management was unable to meet its obligations through these options. The only alternate business plan that resulted into a feasible solution was to enter the yarn trading business in the next 24 months. The plan is based on the disposal of plant & machinery, land and building and repay loans to lenders, creditors and to meet working capital requirements for alternate business plan. The Company shall in the process of settling its obligations to lenders from proceeds realized on disposal of property, plant and equipment and surplus funds shall be utilized for implementation of alternate business plan.

In view of the above, these financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the

management for this purpose and bringing its liabilities to serviceable level and availability of adequate working capital through support from sponsors. Management is of the view that the Company will continue to get support of sponsors.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except revaluation of certain fixed assets. All the transactions have been accounted for on accrual basis except cash flow statement.

3.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The area involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a. Property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 6.1.

b. Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities while estimating its tax liabilities.

c. Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party

d. Revaluation of fixed assets

Revaluation of fixed assets is carried out by independent professional valuer. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

e. Contingencies

The Company has disclosed its contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

f. Provision for doubtful debts, advances and other receivables

The Company reviews the recoverability of trade debts, advances and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account. In particular, judgment by management is required in estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

g. Stores, spare parts, loose tools and stock in trade

The Company reviews the stores, spare parts, loose tools and stock in trade for possible impairment on an annual basis. Any change in the estimates in future years might effect the carrying amounts of the respective items of stores, spare parts, loose tools and stock in trade with a corresponding affect on the provision.

3.5 Functional Currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

4 New standards, amendments to approved accounting standards and new interpretation.

There are certain amendments to published standards and interpretations that were mandatory for the Company's financial year ended 30 June 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore have not been disclosed in these financial statements.

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on 1 July 2017 and have not been early adopted by the Company:

IFRS 9 - Financial instruments

IFRS 15 - Revenue from contracts with customers

IFRS 16 - Leases

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are not expected to have any material impact and therefore, have not been presented here.

5 Significant accounting policies

5.1 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis and included in mark-up payable.

All mark-ups, interest and other charges on long term and short term borrowings are charged to profit in the period in which they are incurred.

Exchange gain or loss arising in respect of foreign currency is covered under provision of SBP FE. Circular No. 25 dated 20th June 1998.

5.2 Trade and other payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the Company.

5.3 Provisions

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

5.4 Contingencies and commitments

Contingencies and commitments are recognized only when they become due.

5.5 Fixed assets

Operating fixed assets

Property, plant and equipment (except freehold land, buildings on freehold land and plant & machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold land and plant & machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any.

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to inappropriate profit.

Cost of assets includes purchase price and other incidental expenses incurred up to the date of operation.

Depreciation is calculated on reducing balance method at the rates specified in note 5.1 to the financial statements. Depreciation on additions is charged from the date when the asset is available for use and on deletions up to the date when the assets is derecognized.

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment/reversal of previous impairment. If such indication exists, the recoverable amount is estimated and loss/reversal of previous loss are recognized. Impairment loss or its reversal, if any, is charged to the income. Where an impairment loss is recognized the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred while major repairs and improvements are capitalized. Gain or loss on disposal of assets is included in the current year income.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

Intangible assets

Intangible assets are stated at cost and amortized over a period of useful life of the assets.

5.6 Finance lease

Assets subject to finance lease are stated at fair value of the leased assets at inception of the lease or, if lower at the present value of minimum lease payments. Depreciation is charged at the rates and basis applicable to owned assets.

The outstanding obligations under finance lease less finance charges allocated to future periods are shown as liability. The finance charges are calculated at the rates implicit in the leases and were charged to profit and loss account for the year.

5.7 Stores and spares

These are valued at lower of cost and net realizable value. The cost is calculated according to moving average method. Stores in transit are valued at invoice value including other charges, if any, incurred thereon.

5.8 Stock-in-trade

Stock-in-trade is valued at the lower of weighted average cost and estimated net realizable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and selling expenses.

5.10 Trade debts

Receivables are carried at original invoiced amount less an estimated provision for doubtful receivables based on review of outstanding amount at the year-end. Known bad debts are written off against profit and loss account.

5.11 Revenue recognition

Revenue is recognized on the dispatch of goods to the customers.

Return on deposits is accrued on a time basis by reference to the principal outstanding and the applicable rate of return.

5.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized. All other borrowing costs are charged against income as and when incurred.

5.13 Taxation

Current

The charge for the current taxation for the year is based on taxable income at the current rate of taxation after taking into account tax credits, tax rebates and other allowances available for set off, if any in accordance with the provisions of Income Tax Ordinance 2001.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.14 Foreign currencies

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the dates of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains and losses are included in profit and loss account currently.

5.15 Cash and cash equivalent

Cash and cash equivalents comprise of cash in hand and current or deposit accounts held with banks. Running finance facilities, if any, availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

5.16 Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes a part to the contractual provision of the instrument. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item. Any gain or loss on subsequent measurement is charged to income.

5.17 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.18 Related party transactions

All transactions with related parties and associated undertakings are entered into at arm's length prices determined in accordance with comparable uncontrolled pricing method as approved by the Board of Directors.

5.19 Dividend and reserves

Dividend is recognized as a liability in the period in which it is declared.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated.

5.13 Taxation***Current***

The charge for the current taxation for the year is based on taxable income at the current rate of taxation after taking into account tax credits, tax rebates and other allowances available for set off, if any in accordance with the provisions of Income Tax Ordinance 2001.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts.

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All transactions with related parties and associated undertakings are entered into arm's length prices determined in accordance with comparable uncontrolled pricing method as approved by the Board of Directors.

5.19 Dividend and reserves

Dividend is recognized as a liability in the period in which it is declared.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated.

6 Change in accounting policy

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building and property plant and equipment stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings and property, plant and equipment are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

However the above change in accounting policy have no impact in the current year as there was no revaluation loss recognized in the previous periods.

7 Fixed assets	<i>Note</i>	2017 Rupees	2016 Rupees
Property, plant and equipment	7.1	377,545,052	611,549,444
		377,545,052	611,549,444

7 Property, plant and equipment

Particulars	Owned assets							Total	
	Freehold land	Building on freehold land	Plant and Machinery	Generators & Electric Fitting	Furniture and fittings	Office equipment	Computer		Vehicles
Cost									
Balance as at July 01, 2016	43,733,830	251,226,264	923,742,987	245,215,883	4,382,653	19,894,182	4,215,150	966,000	1,493,376,949
Additions	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	(966,000)	(966,000)
Balance at June 30, 2017	43,733,830	251,226,264	923,742,987	245,215,883	4,382,653	19,894,182	4,215,150	-	1,492,410,949
Balance as at July 01, 2017	43,733,830	251,226,264	923,742,987	245,215,883	4,382,653	19,894,182	4,215,150	-	1,492,410,949
Additions	-	-	-	-	-	-	-	-	-
Revaluation surplus/(deficit)	82,914,170	100,420,281	(246,195,723)	(69,723,881)	-	-	-	-	(132,585,153)
Adjustment	-	-	(617,297,264)	(158,412,002)	-	-	-	-	(775,709,266)
Disposal	-	-	(60,250,000)	-	-	-	-	-	(60,250,000)
Balance at June 30, 2018	126,648,000	351,646,545	-	17,080,000	4,382,653	19,894,182	4,215,150	-	523,866,530
Depreciation									
Balance as at July 01, 2016	-	106,583,089	600,256,420	98,880,973	3,033,579	16,200,015	3,175,520	467,826	828,597,422
For the year	-	7,068,702	34,798,311	9,856,977	87,188	821,403	99,328	40,221	52,772,130
Disposal	-	-	-	-	-	-	-	(508,047)	(508,047)
Balance at June 30, 2017	-	113,651,791	635,054,731	108,737,950	3,120,767	17,021,418	3,274,848	-	880,861,505
Balance as at July 01, 2017	-	113,651,791	592,425,781	151,366,900	3,120,767	17,021,418	3,274,848	-	880,861,505
For the year	-	8,062,032	25,373,566	7,468,553	123,664	551,358	92,149	-	41,671,322
Adjustment	-	-	(617,297,264)	(158,412,002)	-	-	-	-	(775,709,266)
Disposal	-	-	(502,083)	-	-	-	-	-	(502,083)
Balance at June 30, 2018	-	121,713,823	-	423,451	3,244,431	17,572,776	3,366,997	-	146,321,478
Carrying value 2017	43,733,830	137,574,473	288,688,256	136,477,933	1,261,886	2,872,764	940,302	-	611,549,444
Carrying value 2018	126,648,000	229,932,722	-	16,656,549	1,138,222	2,321,406	848,153	-	377,545,052
Rate of depreciation (%)	0%	5%	10%	10%	10%	20%	10%	20%	20%

7.1 Property, plant and equipment

Description	Cost	Accumulated Depreciation	Net book value	Sale Proceeds	Gain/loss	Method of disposal	Sold to
Plant and machinery							
Blow Room	1,500,000	12,500	1,487,500	8,100,000	6,612,500	Advertisement	Ideal Trading Co.
Carding	9,075,000	75,625	8,999,375	8,400,000	(599,375)	Advertisement	Ideal Trading Co.
Carding	1,025,000	8,542	1,016,458	4,300,000	3,283,542	Advertisement	Crescent Fibers Limited
Comber Section	2,000,000	16,667	1,983,333	3,000,000	1,016,667	Advertisement	Ideal Trading Co.
Drawing Section and Simplex frames	13,900,000	115,833	13,784,167	4,000,000	(9,784,167)	Advertisement	Ideal Trading Co.
Ring Section	18,300,000	152,500	18,147,500	3,000,000	(15,147,500)	Advertisement	Ideal Trading Co.
Auto Cones Section and Air Compressors	14,450,000	120,417	14,329,583	3,500,000	(10,829,583)	Advertisement	Ideal Trading Co.
Disposal 2018	60,250,000	502,084	59,747,916	34,300,000	(25,447,916)		
Vehicles							
Suzuki Ravi	767,400	403,598	363,802	375,000	11,198	Negotiation	Servaid Pharmacy
Honda CD	59,300	31,188	28,112	24,000	(4,112)	Negotiation	Irfan Haider
Honda CD	59,300	31,188	28,112	24,000	(4,112)	Negotiation	Irfan Haider
Yamaha	80,000	42,073	37,927	27,000	(10,927)	Negotiation	Irfan Haider
Disposal 2017	966,000	508,047	457,953	450,000	(7,953)		

7.1.1 Depreciation for the year has been allocated as under:

	<i>Note</i>	2018 Rupees	2017 Rupees
Cost of sales	23	39,647,449	51,716,687
Administrative expenses	24	2,023,873	1,055,443
		41,671,322	52,772,130

7.1.2 The machinery imported in years from 2002 to 2004 resulted in waiver off of custom duty amounting to Rs. 20.277 million under SRO 554 (I)/98 dated June 12, 1998 in respect of bonded warehouse. The resulting audit under Section 26 of Customs Act, 1969 is pending till reporting date.

As at April 01, 2018, plant and machinery, land and buildings of the Company have been revalued resulting in a surplus of Rs 183.33 million in land and building and deficit Rs. 246.195 millions in the plant and machinery. The valuation was carried out by an independent valuer - M/s Hamid Mukhtar & Co. (Pvt.) Limited on the basis of present market values for similar sized plots in the vicinity and replacement values of similar type of buildings based on present cost of construction. The plant and machinery valuation was carried out on the basis of present market value.

7.2 If the freehold land, building and plant and machinery were measured using the cost model, the carrying amount would be as follows.

Particulars	Cost	Accumulated depreciation	Net book value
2018			
Freehold land	2,346,030	-	2,346,030
Building on freehold land	68,979,500	50,011,447	18,968,053
Plant and machinery	140,483,610	106,740,030	33,743,580
	211,809,140	156,751,477	55,057,663
2017			
Freehold land	2,346,030	-	2,346,030
Building on freehold land	68,979,500	47,903,886	21,075,614
Plant and machinery	468,278,699	367,047,960	101,230,739
	539,604,229	414,951,846	124,652,383

7.3 Forced sale values of the revalued assets are as follows;

	Rupees
Land	107,651,000
Building	186,265,000
Plant and machinery including generators and equipment	62,000,000

7.4 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage	Total area (in acres)	Covered area (in sq. feet)
Hadbast Chak 25/UCC, 10 Km, Muridke-Sheikhupura road, tehsil Ferozewala, District Sheikhupura	Factory plant	15.831	250,417

8 Intagibles

	<i>Note</i>	2018 Rupees	2017 Rupees
Computer software - at cost		1,874,241	1,874,241
Amortization			
Opening balance		1,507,064	1,425,013
For the year	24	70,471	82,051
Closing balance		1,577,535	1,507,064
		296,706	367,177

Amortization for the year has been charged to administrative expenses.

9	Long term deposits		2018	2017
			Rupees	Rupees
	This represent security deposits to various utility companies.			
10	Stores and spares		2018	2017
			Rupees	Rupees
	Stores		595,053	595,053
	Spares		1,438,761	3,592,268
	Packing material		905,036	905,036
			2,938,850	5,092,357
	Less: Provision for obsolete items		-	(341,055)
	Obsolete spares written off		-	(1,812,452)
			2,938,850	2,938,850
11	Advances, deposits, prepayments and other receivables		2018	2017
		<i>Note</i>	Rupees	Rupees
	Advances to employees - secured - considered good		127,579	361,910
	Advances - unsecured - considered good			
	- Suppliers		-	341,840
	- Expenses		-	102,197
	Prepayments		425,834	720,362
	Short term security deposits to SNGPL		3,349,324	3,349,324
	Receivable against operating lease	11.1	32,958,855	19,255,573
			36,861,592	24,131,206
	11.1 This represents receivables from Sully Textile Mills against leased factory.			
12	Tax refunds due from Government		2018	2017
		<i>Note</i>	Rupees	Rupees
	Income tax deducted at source	12.1	19,522,843	19,291,079
	Sales tax - net		8,961,381	8,961,381
			28,484,224	28,252,460
	12.1 Income tax deducted at source			
	Opening balance		19,291,079	43,055,334
	Paid during the year		231,764	(23,764,255)
			19,522,843	19,291,079
13	Cash and bank balances		2018	2017
			Rupees	Rupees
	Cash in hand		73,728	125,701
	Cash at banks - current accounts		18,815,699	174,947
			18,889,427	300,648
14	Trade and other payables		2018	2017
			Rupees	Rupees
	Creditors		113,874,985	136,432,790
	Accrued liabilities		17,116,387	16,101,182
	Tax deducted at source		6,869,746	7,356,844
	Advances from customers		757,829	757,829
	Unclaimed dividend		1,159,777	1,159,777
	Others		11,223,681	17,553,131
			151,002,405	179,361,553

15 Short term borrowings	Note	2018 Rupees	2017 Rupees
Short term borrowings - from commercial banks	15.1	<u>148,775,352</u>	<u>148,775,352</u>
15.1	These facilities were obtained from various commercial banks for working capital requirements and were secured by charge over current assets of the Company, pledge of stocks and personal guarantees of directors of the Company, at reporting date balance of stock-in-trade does not support these pledge amounts.		
	These finances carry mark-up at rates ranging from one to six months KIBOR plus a spread of 1.75 to 3.50 percent per annum (2017: one to six months KIBOR plus a spread of 1.75 to 3.50 percent per annum), payable quarterly.		
	The aggregate available short term funded facilities amounts to Rs. 188.56 million (2017: 188.56 million).		
16 Long term loan - secured	Note	2018 Rupees	2017 Rupees
Demand finance from commercial banks:			
- Bank of Punjab	16.1	14,380,177	14,900,000
- United Bank Limited (NIDF-V)	16.2	7,068,476	14,959,062
- United Bank Limited (NIDF-VI)	16.3	20,000,000	20,000,000
- United Bank Limited (BG Encashment)		10,000,000	-
- National Bank of Pakistan	16.4	78,749,958	78,749,958
- National Bank of Pakistan (CF swap)	16.5	15,976,000	15,976,000
- National Bank of Pakistan (Frozen mark-up)	16.6	4,548,000	4,548,000
		<u>150,722,611</u>	<u>149,133,020</u>
Less: Current portion	16.7	<u>(150,722,611)</u>	<u>(149,133,020)</u>
		<u>-</u>	<u>-</u>
16.1	This represents Demand Finance of Rs. 60.00 million sanctioned by Bank of Punjab for swapping of demand finance from United Bank Limited. It carries mark up at the rate of average 6 Month KIBOR plus 350 basis points with floor rate of 12%. As per rescheduled term the loan is repayable in 1.5 years commencing from February 07, 2013 in quarterly installments of Rs. 3 million each. Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.		
16.2	This represents demand finance (NIDF-V) of Rs. 16.830 million sanctioned by United Bank Limited on December 18, 2009 for restructuring financial requirements. As per rescheduled terms, it carries mark up at the rate of 6 month KIBOR plus 200 basis points with no floor and cap. The loan is repayable from June 18, 2012 in 15 equal quarterly installments of Rs. 1.868 million each. Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.		
16.3	This represents demand finance (NIDF-VI) of Rs. 22.50 million converted from FE-25 / NICF-Pledge for restructuring of financial requirements by United Bank Limited on June 03, 2013. It carries mark up at the rate of 3 Month KIBOR plus 150 basis points. The loan is repayable in equal quarterly installments coinciding with existing NIDF-V loan. Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.		
16.4	This represents demand finance of Rs. 90.00 million sanctioned by the National Bank of Pakistan for re-profiling of the Company's balance sheet/swapping of short term debts of Standard Chartered Bank (Pakistan) Limited and United Bank Limited. It carries mark up at the rate of 6 months KIBOR plus 150 basis points. The loan is repayable in 6 years including 2 years of grace period from Dec 03, 2012 in 08 equal bi-annual installments of Rs. 11.250 million each. Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.		
16.5	These represent the outstanding balances of cash finance pledge facility and outstanding mark-up thereon after restructuring of the said facilities by the National Bank of Pakistan as on April 08, 2013. The converted cash finance facility carries mark up at the rate of 1 month KIBOR plus 200 basis points. The loans was repayable in equal quarterly installments till December 31, 2013. Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.		
16.6	These represent the outstanding balances of frozen markup demand finance pledge facility by the National Bank of Pakistan as on April 08, 2013. Secured against pledged cotton bales. The loans was repayable in equal quarterly installments till December 31, 2013. Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.		
16.7	Current portion include an amount of Rs.150.272 million payable as at June 30, 2018		

17 Mark-up accrued	2018 Rupees	2017 Rupees
Mark-up on short term borrowings	55,146,834	55,146,834
Mark-up on long term loan	54,301,997	54,479,078
	109,448,831	109,625,912

18 Deferred tax liability	Opening balance	Charge/ (reversal) for the year	Closing balance
2018			
Accelerated tax depreciation	53,966,364	(42,970,624)	10,995,740
Unused tax losses and tax credits	(74,926,217)	(32,768,079)	(107,694,296)
Surplus on revaluation of property, plant and equipment	27,823,121	6,428,928	34,252,049
	6,863,268	(69,309,775)	(62,446,507)
2017			
Accelerated tax depreciation	57,793,311	(3,826,947)	53,966,364
Unused tax losses and tax credits	(65,697,433)	(9,228,784)	(74,926,217)
Surplus on revaluation of property, plant and equipment	37,807,982	(9,984,861)	27,823,121
	29,903,860	(23,040,592)	6,863,268

18.1 Deferred tax asset on unused tax losses and tax credits are recognized because the company expects profits in future.

19 Contingencies and commitments

19.1 Contingencies

19.1.1 In tax year 2005 ending on 30-09-2004 and 30-06-2005 respectively the department has not given credit of tax deducted on exports u/s 154 amounting to Rs. 6,617,590 and Rs. 4,250,270 against minimum tax liability for the tax years under reference. The taxpayer filed an appeal against the orders of the department issued under section 122 of the Income Tax Ordinance, 2001 before CIR(A) but he rejected the plea of the taxpayer. The taxpayer being aggrieved filed an appeal before Appellate Tribunal Inland Revenue which is pending for hearing. The company is very positive that they will win the case in the appellate forum as the case has already been decided in favor of the Company in assessment year 2000-01 & 2001-02 in the light of authoritative judgment of the high Court.

19.1.2 As a result of assessment order u/s 122(5A), the tax liability amounting to Rs. 1,594,999 is created. The case has been responded by the company at its own. Further, the taxpayer filed an appeal before Commissioner Inland Revenue and the appeal was decided that the tax demand created was adjusted against the tax credit u/s 65B amounting to Rs. 3,603,276. Thus the tax demand assessed by the learned DCIR was deleted, but the loss was amended as per the additions of learned DCIR on account of exchange loss amounting to Rs. 1,990,851. The assessed loss was Rs. 49,789,078.

19.1.3 The company filed income tax return for the tax year 2009 by declaring the total loss amounting to Rs. 17,452,949 out of which Rs. 14,534,816 relates to local sales. The department assessed the income tax return and passed an order and created a tax demand amounting to Rs. 47,443,907. The taxpayer being aggrieved filed an appeal before the Commissioner appeals [CIR(A)] whereby all additions made by the DCIR were deleted except addition made on account of staff retirement benefits amounting to Rs. 3,166,000. The department filed an appeal against the above stated CIR(A) order before Appellate Tribunal Inland, the adjudication of the same is pending.

19.1.4 The SNGPL levied surcharge amounting to Rs. 8,213,847 under Gas Infrastructure Development Surcharge on industrial undertakings. Lahore High Court passed an order and directed to constitute a high power committee to look into the case of industrial undertaking. The Company has supplied all the required information; however, the matter is still pending.

19.1.5 The Company was selected for audit under section 214D, the correspondences on legal ground with the department are in process.

- 19.1.6** Faysal Bank Limited filed a suit against the company and its management for the recovery of Rs. 22,697,054 before the Banking Court Lahore. Said suit was decreed and has been challenged by the company before the division bench of Lahore High Court Lahore. The said appeal is still pending adjudication and the final outcome of this matter depends upon the decision of this appeal. The bank has filed an execution petition before the Banking Court No. II Lahore which is also pending adjudication. The company is vigilantly pursuing this case.
- 19.1.7** National Bank of Pakistan has filed a suit against the company and its management before the Lahore High Court Lahore. Wherein the bank claimed recovery of Rs. 100.628 Million. This suit is still pending adjudication. This case is being vigorously and diligently contested by the company and there are good chances of favourable result in this case.
- 19.1.8** United Bank Limited has filed a suit against the company and its management before the Lahore High Court Lahore. Wherein the bank claimed recovery of Rs. 183.709 Million. This suit is still pending adjudication. This case is being vigorously and diligently contested by the company and there are good chances of favourable result in this case.
- 19.1.9** The company has filed a suit against National Bank of Pakistan, before the Lahore High Court Lahore challenging Bank's alleged claim based upon the LC's facilities sanctioned about 7/8 years back. The claim of the bank is baseless and time barred. This suit is still pending adjudication. There is no scope of any fiscal loss to the company in the instant matter. This case is being vigorously pursued by the company.
- 19.1.10** The National Bank of Pakistan has lodged a frivolous and time barred claim based upon the LC's facilities sanctioned about 7/8 years back. The NAB has also taken up this matter, which act of the bank and NAB has been challenged in a writ petition before the Lahore High Court Lahore. This Writ Petition is pending adjudication before the division bench of Lahore High Court Lahore and an injunctive order has also been passed. This case is being vigorously and diligently pursued by the company and there are good chances of favourable result in this case.

19.2 Commitments

The expired Letter of guarantees amounting to Rs.20.00 million and Rs 0.597 million from United Bank Limited and Faysal Bank Limited respectively have not yet been returned by the SNGPL for onward submissions to the banks for cancellation .

20	Issued, subscribed and paid up capital	2018	2017
		Rupees	Rupees
20.1	Issued, subscribed and paid -up capital:		
	8,000,000 Ordinary shares (2015: 8,000,000 ordinary shares) of Rs. 10/- each, issued for consideration in cash.	<u>80,000,000</u>	<u>80,000,000</u>
20.2	The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.		
21	Surplus on revaluation of fixed assets - net of tax	2018	2017
		Rupees	Rupees
	Opening balance	397,201,401	430,484,272
	Revaluation surplus on fixed assets	183,334,451	-
		<u>580,535,852</u>	<u>430,484,272</u>
	Transferred to accumulated loss on account of incremental depreciation	(25,268,555)	(33,282,871)
	Revaluation loss on plant and machinery upto surplus available	<u>(230,236,989)</u>	
	Adjustment on Disposal of machinery		
		<u>325,030,308</u>	<u>397,201,401</u>
	Less: Related deferred tax liability	<u>(34,252,049)</u>	<u>(27,823,121)</u>
		<u>290,778,259</u>	<u>369,378,280</u>

- 21.1** Freehold land, building on freehold land, and plant and machinery were revalued by approved external, independent property valuer, having appropriate professional qualification and recent experience in the location and the category of assets being valued, after every two years. The replacement cost method was used to determine fair market value of the above assets.

21.2 Incremental depreciation

	Opening balance <i>Restated</i>	Revaluation surplus for the year	Rate	Incremental depreciation
2018				
Land	41,387,799	82,914,170	0%	-
Building on freehold land	106,908,751	100,420,281	5%	6,600,691
Plant and Machinery	263,114,729	(248,904,853)	10%	19,733,605
	411,411,279	(65,570,402)		26,334,296
2017				
Land	41,387,799	-	0%	-
Building on freehold land	112,535,527	-	5%	5,626,776
Plant and Machinery	292,349,699	-	10%	29,234,970
	446,273,025	-		34,861,746

The Company's freehold land, buildings on freehold land and plant and machinery were revalued by an independent valuator member of "The Insurance Surveyor Association of Pakistan" which is not connected with the Company and the basis of revaluation for items of fixed assets were as follows:

Freehold Land

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate neighborhood and adjoining areas. Neighboring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

Buildings on freehold land

Construction specifications were noted for each building and structure and new construction rates / GI sheet with iron structure were used to obtain replacement values of buildings, to which a depreciation formula was applied, based upon our estimates of balance life to arrive at the current assessed value.

Plant and machinery

Plant and machinery have been evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values for the similar type of plant and machinery were inquired from various dealers / vendors and manufacturers of plant accessories. The new replacement values were depreciated using reducing balance method of depreciation to determine the best estimates of the assessed / depreciated replacement values.

22 Loan from Sponsors

This represent an interest free loan obtained from Directors of the Company.

23 Cost of sales

Note

2018

2017

Rupees

Rupees

Depreciation

7.1.1

39,647,449

51,716,687

39,647,449

51,716,687

24 Administrative expenses

Note

2018

2017

Rupees

Rupees

Salaries, wages and other benefits

24.1

5,129,854

1,923,126

Travelling and conveyance

304,752

578,352

Postage, telephone and telegram

81,027

-

Rents, rates and taxes

186,686

-

Vehicle running and maintenance

269,472

-

Fees and subscription

648,758

110,540

Advertisement

119,480

-

Utilities

1,872,622

390,936

Repair and maintenance

71,650

93,550

Legal and professional charges

2,012,600

1,723,982

Depreciation

7.1.1

2,023,873

1,055,443

Entertainment

120,270

-

Medical expenses

10,940

-

Printing and stationery

171,303

-

Auditors' remuneration

24.2

450,000

450,000

Registrar Services

175,022

-

Amortization

70,471

82,051

Miscellaneous

1,716,052

352,423

15,434,832

6,760,403

24.1 Salaries, wages and other benefits include Rs. nil million (2014: Rs 0.751 million) in respect of retirement benefit.

	2018	2017
	Rupees	Rupees
24.2 Auditors' remuneration		
Annual audit fee	350,000	350,000
Half yearly review	100,000	100,000
	450,000	450,000

25	Finance cost	2018	2017
		Rupees	Rupees
	Mark-up on long term loans	-	11,465,865
	Mark-up on short term borrowings	-	12,008,353
	Commission and bank charges	263,573	258,720
		263,573	23,732,938

26	Other income	Note	2018	2017
			Rupees	Rupees
	Income from Agriculture Produce		5,218,369	-
	Reversal of accrued markup		-	697,910
	Rental Income		240,000	
	Lease rentals-factory	26.1	-	3,000,000
	Disposal of Assets		-	(7,953)
	Income on bank deposit		247,243	-
	Bad debts recovered		192,332	-
	Credit Balances w/off		4,547,025	-
			10,444,969	3,689,957

26.1 This represents the lease agreement between the Company (lessor) and Sally Textile Mills Limited (lessee) commencing from October 15, 2014 on monthly rent amounting to Rs. 1,000,000, whereby the lessee is responsible for maintenance, administration and operations of the plant.

27	Other operating expenses	Note	2018	2017
			Rupees	Rupees
	Loss on revaluation of plant and machinery		85,682,615	-
	Loss on disposal of property, plant and equipment		25,447,917	-
	Trade debts written off		913,655	-
	Prepayments written off		294,528	-
	Obsolete spares written off		-	1,822,641
			112,338,715	1,822,641

28	Taxation	Note	2018	2017
			Rupees	Rupees
	Current taxation			<i>Restated</i>
	Current year		-	-
	Prior year adjustments		-	23,764,255
			-	23,764,255
	Deferred tax expense		(83,319,270)	(23,040,592)
			(83,319,270)	723,663

28.1 No provision for current taxation is made as per the provisions of the Income Tax Ordinance, 2001.

29	Loss per share		2018 Rupees	2017 Rupees
29.1	Loss per share - basic			<i>Restated</i>
	Loss after taxation	<i>Rupees</i>	<u>(73,920,330)</u>	<u>(81,066,375)</u>
	Weighted average number of ordinary shares	<i>Number</i>	<u>8,000,000</u>	<u>8,000,000</u>
	Loss per share - basic	<i>Rupees</i>	<u>(9.24)</u>	<u>(10.13)</u>
29.2	Loss per share - diluted			
	There is no dilution effect on the basic loss per share as the Company has no such commitments.			

30 Effect of prior year error adjustment

Deferred tax amounting to Rs. 1.11 millions was excess recorded and revaluation surplus was excess recorded by Rs. 18.15 million. The amount was to be recognized on the basis of revaluation gain arising during that period. Further, impact of deferred tax on incremental depreciation of the revaluation surplus was erroneously omitted by the Company. The correction of this error is accounted for retrospectively, and the comparative information has been restated. The error has been corrected in each of the effected financial statements line items for the prior periods. The movement of amounts presented in the previous financials statements and the restated numbers are as follows:

	As at June 30, 2017			As at June 30, 2016		
	As Previously reported	Re-statement	As re-stated	As Previously reported	Re-statement	As re-stated
-----Rupees-----						
<u>Effect on statement of financial position</u>						
Deferred tax asset / (liability)	8,287,544	(15,150,812)	(6,863,268)	(18,869,034)	(11,034,826)	(29,903,860)
Accumulated losses	441,570,624	(20,082,122)	421,488,502	379,579,652	(15,859,515)	363,720,137
<u>Effect on statement of changes in equity</u>						
Surplus on revaluation of fixed assets - net of tax	(404,611,214)	35,232,934	(369,378,280)	419,570,631	26,894,341	392,676,290

31 Remuneration of Chief Executive, Director and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the chief executive, full time working directors and executives of the Company is as follows:

	Chairman		Chief executive		Executive Directors		Non Executive Directors		Executives	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
----- (Rupees) -----										
Managerial remuneration	-	-	-	-	-	-	-	-	-	-
Medical	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Rent and house maintenance	-	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of key executives / non executives	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

31.1 The Chief Executive and certain Executives serve company without any remuneration.

31.2 Executives are employees whose basic salaries exceed Rs. 1.2 million in a financial year.

32 Financial instrument risk

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

32.1 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2018 Rupees	2017 Rupees
Financial assets		
Long term deposits	1,426,354	1,649,458
Advances, deposits, prepayments and other receivables	36,435,758	22,966,807
Bank Balances	18,815,699	174,947
	<u>56,677,811</u>	<u>24,791,212</u>

The Company has placed its funds with banks which are well rated by PACRA and JCR where applicable.

32.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at year end.

	Carrying amount	Less than 1 year	More than 1 year
	----- Rupees -----		
June 30, 2018			
Long-term loans	150,722,611	150,722,611	-
Short term loan	148,775,352	148,775,352	-
Trade and other payables	126,258,443	126,258,443	-
June 30, 2017			
Long-term loans	149,133,020	149,133,020	-
Short term borrowings	148,775,352	148,775,352	-
Trade and other payables	155,145,698	155,145,698	-

The Company had faced a liquidity shortfall, however it has negotiated and restructured its debt with its creditors. In lieu of the new business strategy in place, the company paid down its debt in 2017-18 and will continue to do so in the next financial year. The details are as follows:

Long Term Loans

Name of bank	Principle	Mark-up	Total
	----- Rupees -----		
Bank of Punjab	14,380,177	6,988,692	21,368,869
United Bank Limited (NIDF-V)	7,068,476	5,227,462	12,295,938
United Bank Limited (NIDF-VI)	20,000,000	6,608,748	26,608,748
United Bank Limited (BG Encashment)	10,000,000	-	10,000,000
National Bank of Pakistan	78,749,958	32,779,638	111,529,596
National Bank of Pakistan (CF swap)	15,976,000	2,697,457	18,673,457
National Bank of Pakistan (Frozen mark-up)	4,548,000	-	4,548,000
	<u>150,722,611</u>	<u>54,301,997</u>	<u>205,024,608</u>

Short Term Loans

Name of bank	Principle	Mark-up	Total
	----- Rupees -----		
Faysal Bank Limited	15,670	2,700	18,370
United Bank Limited	35,190,739	24,003,738	59,194,477
Faysal Bank Limited	19,646,912	7,293,516	26,940,428
United Bank Limited	81,000,000	18,845,550	99,845,550
Summit Bank Limited	12,922,031	5,401,330	18,323,361
	148,775,352	55,546,834	204,322,186

32.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices, will effect the

32.3.1 Currency risk

The Company is not exposed to currency risk at the year.

32.3.2 Equity price risk

The Company is not exposed to equity price risk at the year.

32.3.3 Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's total borrowing comprises of long-term financing and short term borrowing amounting Rs. 150.27 million and Rs. 148.78 million respectively, which is vulnerable to changes in KIBOR rate.

Effective interest rate		Carrying amount	
2018	2017	2018	2017
Percentage	Percentage	Rupees	Rupees

Financial liabilities

Variable rate instruments

Long term loans	7.13% to 10.29%	10% to 13.50%	150,722,611	149,133,020
Short term borrowings	7.26% to 9.79%	10% to 13.50%	148,775,352	148,775,352

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss 100 bp	
	Increase	decrease
As at June 30, 2018		
Cash flow sensitivity- variable rate financial liabilities	(2,636)	2,636
As at June 30, 2017		
Cash flow sensitivity- variable rate financial liabilities	(234,733)	234,733

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

32.3.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

32.3.5 Capital risk management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term loan" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves".

The salient information relation to capital risk management of the Company as of June 30, 2018 and June 30, 2015 were as follows:

	2018 Rupees	2017 Rupees
Total borrowings	299,497,963	297,908,372
Less: Cash and cash equivalents	<u>(18,889,427)</u>	<u>(300,648)</u>
Net debt	280,608,536	297,607,724
Total equity - restated	<u>31,060,487</u>	<u>(75,430,138)</u>
Total capital	<u>311,669,023</u>	<u>222,177,586</u>
Gearing ratio	<u>90%</u>	<u>134%</u>

33 Number of employees

	2018 Number	2017 Number
--	----------------	----------------

Head Office

Average number of employees for the year

	<u>4</u>	<u>4</u>
--	----------	----------

Total number of employees at year end

	<u>4</u>	<u>4</u>
--	----------	----------

Plant

Average number of employees for the year

	<u>18</u>	<u>16</u>
--	-----------	-----------

Total number of employees at year end

	<u>16</u>	<u>16</u>
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34 Employee Benefits

The Company's provident fund ceased to exist from September 30, 2014 and all outstanding dues payable to the employees were paid off, Currently the number of employees are less than the mandatory requirement of employee benefit scheme.

35 Plant capacity and production

	2018	2017
--	------	------

Number of spindles installed

	-	16,320
--	---	--------

Installed capacity converted into 20's count (Million Kgs.)

	-	7.530
--	---	-------

Actual production converted into 20's count (Million Kgs.)

	-	-
--	---	---

Number of shifts worked

	-	-
--	---	---

Days worked

	-	-
--	---	---

35.1 The company last operated during 2014 for a period from July 01, 2014 till September 30, 2014, Later it was leased from October 15, 2014.

35.2 Company have sold all its plant and machinery during the current financial year.

36 Events after the statement of financial position date

There are no subsequent events occurring after the statement of financial position date.

37 Date of authorization for issue

These financial statements were authorized for issue on October 05, 2018 by the Board of Directors of the Company.

38 General

38.1 Figures have been rearranged / reclassified whenever necessary for the purpose of comparison.

38.2 Figures have been rounded off to the nearest rupee.


Faisal Mukhtar
 Chief Executive Officer


Abida Mukhtar
 Director

Lahore: October 05, 2018

Dar Es Salaam Textile Mills Limited**FORM OF PROXY****ANNUAL GENERAL MEETING**

The Company Secretary
 Dar Es Salaam Textile Mills Limited
 176-N, Scotch Corner, Upper Mall
 Lahore.

L/F NO.	
NO. OF SHARES	

Dear Sir,

I/We _____

of _____

being a member of DAR ES SALAAM TEXTILE MILLS LIMITED, hereby appoint

 (NAME)

of _____

(another member of the Company) to attend, act and vote for me/us and on my/our behalf at the Annual Ordinary General Meeting of the Company to be held on Saturday October 27, 2018 at 11:00 A.M. at the 176-N, Scotch Corner, Upper Mall, Lahore. and at any adjournment thereof.

As witness my hand this _____ day of _____ 2018.

Signature on Revenue
Stamp

(Signature should agree with the specimen
Signature registered with the Company)

Date: _____

Note: Proxies must be received at the Registered office of the Company not later than 48 hours before time of holding the meeting duly stamped, Signed and witnessed.



DAR ES SALAAM
TEXTILE MILLS LIMITED

HEAD OFFICE:

176-N, Scotch Corner, Upper Mall Lahore

Phones: (042) 35878643-44

Fax (042) 35878642

Factory:

10th Km Muridke-Sheikupura Road, Muridke.