DAR ES SALAAM
TEXTILE MILLS LIMITED

ANNUAL REPORT 201

CONTENTS

COMPANY INFORMATION

Board of Directors	Mrs. NilofarMukhtar *Chairperson & Director* Mr. Faisal Mukhtar *Chief Executive*
Directors	Mrs. Mahwesh Faisal Mukhtar Miss Abida Mukhtar Mr. Parvez Ashraf Mr. Irfan Nasr Mr. Ejaz Akbar Khan
Audit Committee	Mr. Sheikh Pervaiz Ashraf (Chairman) Mr. Irfan Nasr (Non-Executive) Ms. Abida Mukhtar (Non-Executive)
HR & Remuneration Committee	Mr. Irfan Nasr (Chairman) Mr. Faisal Mukhtar Ms. Abida Mukhtar
ıief Financial Officer Company Secretary	Mr. Shahid Amin Chaudhry
Auditors	M/s Hassan Naeem & Co. Chartered Accountants
Legal Advisor	Mr. Muhammad Ashraf
Bankers	United Bank Limited The Bank of Punjab National Bank of Pakistan Faysal Bank Limited KASB Bank Limited
Share Registrar	M/s Corplink (Pvt.) Ltd. Wing Arcade, 1-K, Commercial, ModelTown, Lahore. Tel: 042-35839182, 043-35869037
Registered Office	63-B-I, Gulberg-III, Lahore Tel: (042) 35878643-4
Factory	10th Km Muridke-Sheikhupura Road, Muridke.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of Shareholders of **Dar Es Salaam Textile Mills Limited** will be held on Friday, October 31, 2014 at 11:00 a.m. at the Registered Office of the Company, 63-B-I, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2013.
2. To receive, consider and adopt the Audited Financial Statements for the year ended June 30, 2014 and the Directors' and Auditors' Report thereon.
3. To appoint auditors and to fix their remuneration. The auditors of the Company Messrs UHY Hassan Naeem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year ended June 30, 2015.
4. To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

Place: Lahore
Date: October 10, 2014

SHAHID AMIN
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from October 24, 2014 to October 31, 2014 (both days inclusive).

2. 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.

3. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclosed an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to send the copies of their CNICs to meet the Compliance with Requirements of Insertion of CNIC Number in Transfer Deeds and Form –A in accordance with the Provisions of First and Third Schedule of the Companies Ordinance, 1984.

5. Shareholders are also requested to promptly communicate any change in their addresses to our Company's Share Registrar i.e M/s Corplink (Pvt) Limited, Wings Arcade, 1 – K, Commercial, Model Town, Lahore.

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.

The Directors of your company have pleasure in presenting you the 25th Annual Report of the Company and the Audited Financial Statements for the year ended June 30, 2014.

PERFORMANCE DURING THE YEAR

Our sales for the year under review are Rs 1.364 billion (last year Rs. 1.708 billion); this decrease of 20.15% depicts decrease in production, no exports and lower rates of yarn in local and international markets as compared to comparative period.

The operations resulted in a loss before taxation of 123.246 million as compared to loss before taxation of Rs. 36.681 million for the comparable year.

Quantitative analysis shows that production decreased by 12.03% as compared with annualized production of last period.

Finance cost decreased by 21.51% mainly due to repayment of long term and short term borrowings during the period and reduction in markup rates. Distribution cost decreased mainly due to decreased export sales during the current year. The administrative expenses were controlled and increase depicts the bad debts written off and inflation factor.

PROSPECTS FOR THE YEAR

Dar Es Salaam Textile Mills Limited is focusing on maximizing its potential. The financial results for the year under review do not show encouraging results due to global and local crisis in textile sector.

During the year under review, the textile industry has faced severe load shedding and increased energy tariffs. The company has made substantial losses due to higher cotton prices, lower yarn rates, decrease in export sales, and higher cost of production per unit. Further, electricity polls of the company were collapsed for at least three months due to flood in the area which has also enhanced the power & fuel cost during the period. The company also could not make timely payments to lenders and has breached certain covenants due to the above said factors. But the management is of the view that by dealing with all these issues with better planning and management with the help of its sponsors including banks will improve the financial results in the coming years.

PRODUCTION CAPACITY

The production facility at mills now reached to 16,320 spindles. The Quality Yarn has better sale rates and demand in local and international markets.

SUMMARIZED FINANCIAL RESULTS

The Company has made a pre tax loss of Rs. 123,246,487/- after charging costs, expenses and depreciation for the period.

	2014	2013
	(Rupees)	
Loss before Taxation	(123,246,487)	(1,707,872,729)
Taxation	13,017,962	(827,780)
Loss after Taxation	(110,228,225)	(37,508,866)
Accumulated Loss Brought Forward	(243,148,650)	(232,494,991)
Revaluation surplus realized during the period	13,280,680	26,855,207
Incremental depreciation during the period	26,093,615	-
Re-measurement of defined benefit liability	421,054	-
Accumulated Loss Carried Forward	(313,581,826)	(243,148,650)

EARNINGS PER SHARE

Earning per Share for the year is Rs. (13.78) as compared with last period's earning per share of Rs. (4.69).

DIVIDEND

Since the Company has accumulated losses, therefore, the directors have not recommended any dividend for the year.

OUTSTANDING STATUTORY PAYMENTS

All outstanding statutory payments are of normal and routine nature.

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2014:

a) The financial statements, prepared by the Management of the Company, fairly present its state of affairs, the results of its operation, cash flow, and changes in equity.

b) The company has maintained proper books of account.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) The company is well aware of its corporate social responsibilities. The Company is currently running a middle school to educate the poor children free of cost. The company is looking forward to upgrade the school to matric level in coming year. Company also compensates the employees on medical grounds more than their social security entitlements on case to case basis. Further, the company works for the welfare and betterment of its employees in different aspects.

h) There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.

i) Operating and financial data and key ratios of the last six years are annexed.

j) Value of investments based on the audited accounts of Provident Fund and Gratuity Fund for the year ended 30-06-2014 are Rs 0.196 million and Rs. 0.196 million respectively.

k) The pattern of shareholding as at June 30, 2014 along with trading in the shares of the Company by the Directors, CEO and their spouses is annexed to this report.

AUDITORS

The auditors of the Company, Messrs UHY Hassan Naeem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year 2014-2015. The audit committee has recommended re-appointment of the same auditors.

AUDITOR'S REPORT

The Auditors has raised concern about Company's ability to operate as going concern. The fact of the matter is that the Company was forced to breach the covenants imposed by the lenders due to operational issues faced due to continuous gas & electricity load shedding. Further electricity polls of the company were collapsed for at least three months due to flood in the area which has also enhanced the power & fuel cost during the period. Increase in tariff rates by WAPDA & SNGPL was another major factor in increased power & fuel costs. The severe load shedding and disconnection of electricity also affected production for the year. The assumption that the Company will operate as going concern is based on steps taken by the management during the year to mitigate the power issues, better operational management and better production planning. With these initiatives, the Company expects to earn profits in the future and meet its operational and financial obligations on timely basis with the help of its sponsors.

The auditors qualified their report due to the fact that the Company could not make timely repayments of principal and interest related to long term loans and certain financial & other covenants imposed by lenders could not be complied with. International Accounting Standard 1 - Presentation of Financial Statements requires that if an entity breaches a provision of long term loan, that liability becomes payable on demand and it should classify the liability as current.

However, in these financial statements the long term debts have continued to be classified as long term according to respective loan repayment schedules. In this regard, the long term lenders have promised to continue their support and have full confidence in experienced and enthusiastic management to gradually improve the financial performance despite power shortages and overall crisis in the textile sector and did not call the loans. Also the banks/lenders have showed their intent to sign the restructuring agreements to support the management to improve their financial performance and to meet the covenants. The management expects to deliver better performance with revitalized shareholding strength.

BOARD MEETINGS

During the year, Five (5) meetings of the Board of Directors were held. Attendance by each director is as follows:

Name	Attendance
Mr. Faisal Mukhtar	5
Mrs. Nilofar Mukhtar	5
Mrs. Mahwesh Faisal Mukhtar	5
Ms. Abida Mukhtar	5
Mr. Parvez Ashraf	4
Mr. Zulfiqar Ahmad Malik (Resigned)	3
Mr. Irfan Nasr	1
Mr. Ejaz Akbar Khan	5

Leave of absence was granted to directors who could not attend some of the Board meetings.

CODE OF ETHICS AND BUSINESS PRACTICES

Code of Ethics and Business Practices has been developed and is now being communicated and acknowledged by each director and employee of the Company.

MANAGEMENT AND STAFF RELATIONS

We gratefully acknowledge the dedication and positive spirit in which our staff and workers continue to operate. Staff-management relations remained extremely cordial throughout the year.

For and on behalf of the Board

FAISAL MUKHTAR
CHIEF EXECUTIVE OFFICER

Place: Lahore
Date: October 10, 2014

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of the Karachi and the Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive **directors and directors representing minority interests on it"s Board of** Directors. At present the Board includes:

Category	Names
Non-Executive Directors	Mrs. Nilofar Mukhtar Mr. Pervaiz Ashraf Mrs. Mahwesh Faisal Mukhtar Mss. Abida Mukhtar Mr. Irfan Nasr
Executive Director	Mr. Faisal Mukhtar Mr. Ejaz Akber Khan

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company (excluding the listed subsidiaries of the listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year one casual vacancy was incurred on the Board and the same was filled up by the directors whiten the stipulated time.

5. **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.

6. 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.

7. All the power of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairperson and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter for the approval of quarterly and annual financial statements of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The directors were apprised about the applicable laws and their duties and responsibilities to effectively manage the affairs of the Company for and on behalf of the Company. However, no specific orientation course was held during the year and the Company has made its plans for orientation courses of the directors in the coming years.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of their employment.

11. The directors" report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of 3 (three) members. All are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed Human Resource and Remuneration Committee. It comprises of 3 (three) members. The majority members are from non-executive directors. The terms of reference of the committee have been formed and advised to the committee for compliance. Three meetings were held and attended by all members during the period.

18. The Board has set-up effective internal audit function.

19. 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, that they or any other partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The „closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company"s securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Faisal Mukhtar
Chief Executive Officer

Lahore: October 10, 2014

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2014, prepared by the Board of Directors of **Dar Es Salaam TextileMills Limited** ("the Company") to comply with the Listing Regulation No.35 of Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls 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.

Further, sub-regulation (x) of Listing Regulation No. 35 o f Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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, except for the orientation courses of directors which were not conducted as explained in paragraph 9 of the Statement of Compliance, 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2014

UHY Hassan Naeem & Co.
Chartered Accountants
Syed Muhammad Ali

Lahore: October 10, 2014

FINANCIAL HIGHLIGHTS OF THE LAST SIX YEARS

PARTICULARS		June 30 2014	June 30 2013 (Restated)	June 30 2012 (Restated)	June 30 2011	June 30 2010	June 30 2009	June 30 2008 (Restated)
Sales	Rs.	1,363,715,008	1,707,872,729	1,339,935,803	1,436,870,778	1,083,859,573	850,027,163	725,702,932
Gross Profit / (Loss)	Rs.	(120,100,409)	118,265,770	14,317,112	24,601,141	111,342,061	1,747,909	487,721
Profit/(Loss) Before Tax	Rs.	(123,246,487)	(36,681,086)	(97,807,375)	(84,911,503)	9,156,049	(28,220,621)	(104,766,902)
Profit/(Loss) After Tax	Rs.	(110,228,525)	(37,508,866)	(114,709,314)	(95,777,469)	484,174	(103,646,519)	(93,433,357)
Share Capital	Rs.	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Share Holders Equity	Rs.	234,536,297	248,030,762	285,539,628	410,450,018	404,986,110	104,702,479	208,348,998
Fixed Assets - Net	Rs.	792,217,341	794,121,699	861,345,847	1,000,229,725	882,363,050	562,339,280	612,993,745
Total Assets	Rs.	898,673,614	1,113,545,226	1,189,515,037	1,328,429,621	1,081,078,262	752,753,260	937,433,590
Production	Kgs	5,044,848	6,170,956	5,124,830	3,778,319	5,125,323	5,479,610	5,125,185
Sales	Kgs	5,059,863	6,199,397	5,072,575	3,825,347	5,172,905	5,110,542	5,185,292
Dividend - Cash		-	-	-	-	-	-	-
Ratios								
Profitability								
Gross Margin		-8.81%	6.92%	1.07%	1.71%	10.27%	0.21%	0.07%
Profit/(Loss) Before Tax		-9.04%	-2.15%	-7.30%	-5.91%	0.84%	-3.32%	-14.44%
Profit/(Loss) After Tax		-8.08%	-2.20%	-8.56%	-6.67%	0.04%	-12.19%	-12.87%
Return to Shareholders								
Return on Equity (BT)		-52.55%	-14.79%	-34.25%	-20.69%	2.26%	-26.95%	-50.28%
Return on Equity (AT)		-47.00%	-15.12%	-40.17%	-23.33%	0.12%	-98.99%	-44.84%
Earnings Per Share (BT)	Rs.	(15.41)	(4.59)	(12.23)	(10.61)	1.14	(3.53)	(13.10)
Earnings Per Share (AT)	Rs.	(13.78)	(4.69)	(14.34)	(11.97)	0.06	(12.96)	(11.68)
Activity								
Sales to Total Assets (Times)		1.52	1.53	1.13	1.08	1.00	1.13	0.77
Sales to Fixed Assets (Times)		1.72	2.15	1.56	1.44	1.23	1.51	1.18
Liquidity								
Current Ratio (Times)		0.19	0.51	0.52	0.53	0.46	0.43	0.62
Break up Value Per Share	Rs.	29.32	31.00	35.69	51.31	50.62	13.09	26.04

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **L-01895**

2. Name of the Company **DAR-ES-SALAAM TEXTILE MILLS LTD.**

3. Pattern of holding of the shares held by the shareholders as at **30-06-2014**

4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held
122	1	100	6,757
984	101	500	480,116
70	501	1000	66,978
59	1001	5000	143,481
19	5001	10000	144,570
6	10001	15000	71,800
2	15001	20000	40,000
1	20001	25000	24,391
3	25001	30000	78,500
2	30001	35000	67,000
1	40001	45000	44,750
1	65001	70000	70,000
1	75001	80000	80,000
1	110001	115000	112,291
1	115001	120000	120,000
1	165001	170000	168,568
1	175001	180000	182,500
1	240001	245000	241,750
1	265001	270000	266,787
1	515001	520000	516,750
1	820001	825000	824,125
1	1290001	1295000	1,290,960
1	1420001	1425000	1,420,697
1	1535001	1540000	1,537,229
1282			**8,000,000**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childe	4,038,532	50.4817
5.2 Associated Companies, undertakings and related parties.		-
5.3 NIT and ICP	4,200	0.0525

5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	649	0.0081
5.5 Insurance Companies	-	-
5.6 Modarabas and Mutual Funds	266,787	3.3348
5.7 Share holders holding 10%	5,385,761	67.3220
5.8 General Public		
a. Local	3,619,360	45.2420
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	44,725	0.5591
2- Pension Funds	24,391	0.3049
3- Trust	1,356	0.0170

6. Signature of Company Secretary	
7. Name of Signatory	
8. Designation	Company Secretary
9. NIC Number	
10 Date	30 / 06 / 2014

DAR-ES-SALAAM TEXTILE MILLS LIMITED
Categories of Share Holders
As on 30th June, 2014

S. No.	NAME	HOLDING	% AGE
	DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN		
1	MRS. NELOFAR MUKHTAR	44,750	0.5594
	MRS. NELOFAR MUKHTAR (CDC)	824,125	10.3016
2	MRS. MEHWESH FAISAL MUKHTAR	182,500	2.2813
3	SH. PERVAIZ ASHRAF	2,500	0.0313
4	MR. IRFAN NASR	2,500	0.0313
5	MR. FAISAL MUKHTAR	241,750	3.0219
	MR. FAISAL MUKHTAR (CDC)	1,420,697	17.7587
6	MRS. ABIDA MUKHTAR	26,250	0.3281
	MRS. ABIDA MUKHTAR (CDC)	1,290,960	16.1370
7	MR. MUHAMMAD EJAZ AKBAR KHAN (CDC)	2,500	0.0313
		4,038,532	50.4817
	ASSOCIATED COMPANIES	0	0.0000
	NIT & ICP		
1	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND (CDC)	266,787	3.3348
2	INVESTMENT CORP. OF PAKISTAN	4,200	0.0525
		270,987	3.3873
	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS		
1	NATIONAL BANK OF PAKISTAN (CDC)	149	0.0019
2	ESCORTS INVESTMENT BANK LIMITED (CDC)	500	0.0063
		649	0.0081
	MODARABA & MUTUAL FUNDS	0	0.0000
	PENSION FUNDS		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND (CDC)	24,391	0.3049
		24,391	0.3049
	JOINT STOCK COMPANIES		
1	AMIN TEXTILE MILLS (PVT) LIMITED	9,000	0.1125
2	S.H. BUKHARI (PVT) LIMITED	2,900	0.0363
3	CAPITAL VISION SECURITIES (PVT) LTD. (CDC)	200	0.0025
4	H M INVESTMENTS (PVT) LTD. (CDC)	100	0.0013
5	M.R. SECURITIES (SMC-PVT) LTD. (CDC)	25	0.0003
6	SAAO CAPITAL (PVT) LIMITED. (CDC)	32,500	0.4063
		44,725	0.5591
	Others		
1	THE TRUSTEE GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST	500	0.0063
2	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST (CDC)	856	0.0107
		1,356	0.0170
	EXECUTIVES	0	0.0000
	SHARES HELD BY THE GENERAL PUBLIC	3,619,360	45.2420
		8,000,000	**100.0000**

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

		Holding	%Age
1	MR. FAISAL MUKHTAR	1,662,447	20.7806
2	AHMED SAUD KHAN MANJ (CDC)	1,537,229	19.2154
3	MRS. ABIDA MUKHTAR	1,317,210	16.4651
4	MRS. NELOFAR MUKHTAR	868,875	10.8609
		5,385,761	67.3220

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

		Holding	%Age
1	MR. FAISAL MUKHTAR	1,662,447	20.7806
2	MRS. ABIDA MUKHTAR	1,317,210	16.4651
3	AHMED SAUD KHAN MANJ (CDC)	1,537,229	19.2154
4	MRS. NELOFAR MUKHTAR	868,875	10.8609
5	CH. AHMED MUKHTAR	685,318	8.5665
		6,071,079	75.8885

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No.	NAME	SALE	PURCHASE
1	MRS.MEHWESH FAISAL MUKHTAR	--	180,000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Dar Es Salaam Textile Mills Limited** ("the Company") as at June 30, 2014 and the related condensed statement of comprehensive income statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the C ompany's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applica ble in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification , we report that—

(a) As stated in note 2.3 and 35 to the financial statements, the Company could not make timely repayments of principal and interest / mark -up related to long term debts and as at reporting date certain financial and other covenants imposed by the lenders could not be complied with. International Accounting Standard on Presentation of financial statements (IAS -1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with t he effect that the liability becomes payable on demand, it should classify the liability as current. In these financial statements the long term debts have continued to be classified as long term according to the individual loan repayment schedules. Had th ese liabilities been classified as per IAS- 1, current liabilities of the Company would have increased by Rs. 31.993 million as at the reporting date.

(b) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(c) in our opinion:

i) the statement of financial position and condensed statement of comprehensive incometogether with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accountin g poli cies consistently applied except for the changes as stated in note 3 which we concur;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(d) In our opinion, except for the effect, if any, of the matter referred to in paragraph (a) above, and to the best of our informatio n and according to the explanations given to us, the statement of financial position, condensed statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014and of the loss, its cash flows and changes in equity for the year then ended; and

(e) in our opinion , no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2. 2 in the financial statements, the Company during the year suffered gross loss of Rs. 120.100 million and net loss, after tax, of Rs.110.228 million. Substantial lossesover the years have resulted into accumulated losses of Rs. 313.581 millionas on June 30, 2014.Further, on closing date the current liabilities of the Company exceededover current assets by Rs. 448.638 million. These conditions, along with other matters as set forth in note 2. 2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

UHY Hassan Naeem & Co.
Chartered Accountants
Syed Muhammad Ali

Lahore: October 10, 2014

Dar Es Salaam Textile Mills Limited
Statement of Financial Position
As at June 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)	2012 Rupees (Restated)
Non-current assets				
Fixed assets	6	792,217,341	794,121,699	861,345,847
Long term deposits	7	1,649,458	1,342,085	1,342,085
		793,866,799	**795,463,784**	**862,687,932**
Current assets				
Stores and spares	8	20,483,648	34,864,753	20,527,800
Stock-in-trade	9	10,116,397	153,823,395	148,428,291
Trade debts	10	6,211,739	46,661,856	55,682,607
Advances, deposits, prepayments and other receivables	11	8,988,283	34,094,560	46,053,412
Tax refunds due from Government	12	51,913,897	42,635,674	51,443,346
Cash and bank balances	13	7,092,851	6,001,204	4,691,649
		104,806,815	**318,081,442**	**326,827,105**
Current liabilities				
Trade and other payables	14	223,318,098	282,641,848	199,878,468
Short term borrowings	15	172,720,669	208,354,783	337,186,268
Current portion of long term loan	18	126,546,477	107,079,290	38,673,023
Mark-up accrued	16	30,859,421	14,539,548	39,922,840
Current maturity of finance lease		-	-	137,146
Provision for taxation		-	6,537,544	13,267,052
		553,444,665	**619,153,013**	**629,064,797**
Working capital employed		**(448,637,850)**	**(301,071,571)**	**(302,237,692)**
		345,228,949	**494,392,213**	**560,450,240**
Non-current liabilities				
Subordinated sponsors' loan	17	-	80,240,000	80,240,000
Long term loan	18	31,993,070	77,624,330	100,858,997
Long term deposits		-	-	1,512,000
Retirement benefits	19	12,749,108	17,150,475	15,243,205
Deferred tax liability	20	65,950,474	71,346,646	77,056,410
		110,692,652	**246,361,451**	**274,910,612**
Contingencies and commitments	21			
Net capital employed		**234,536,297**	**248,030,762**	**285,539,628**
Represented by:				
Share capital and reserves				
Authorized share capital		150,000,000	150,000,000	150,000,000
Share capital	22	80,000,000	80,000,000	80,000,000
Accumulated losses		(313,581,826)	(243,148,650)	(232,494,991)
		(233,581,826)	**(163,148,650)**	**(152,494,991)**
Surplus on revaluation of fixed assets - net of tax	23	**468,118,123**	**411,179,412**	**438,034,619**
		234,536,297	**248,030,762**	**285,539,628**

The annexed notes 1 to 42 form an integral part of these financial statements.

Lahore:

Faisal Mukhtar
Chief Executive Officer

Abida Mukhtar
Director

Dar Es Salaam Textile Mills Limited

Condensed Statement of Comprehensive Income

For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales	24	1,363,715,008	1,707,872,729
Cost of sales	25	1,483,815,417	1,589,606,959
Gross (loss) / profit		**(120,100,409)**	**118,265,770**
Operating expenses:			
Administrative expenses	26	68,006,837	55,448,162
Distribution cost	27	2,156,957	12,601,269
		70,163,794	**68,049,431**
Operating (loss) / profit		**(190,264,203)**	**50,216,339**
Finance cost	28	(42,212,033)	(53,783,091)
Other income	29	158,082,308	460,394
Other operating charges	30	(48,852,559)	(33,574,728)
Loss before taxation		**(123,246,487)**	**(36,681,086)**
Taxation	31	13,017,962	(827,780)
Loss after taxation		**(110,228,525)**	**(37,508,866)**
Other comprehensive income for the year			
Items that will never be reclassified to comprehensive income			
Incremental depreciation for the year		26,093,615	26,855,207
Revaluation gain realize over disposals	23	13,280,680	-
Re-measurement of defined benefit liability	19	421,054	-
		39,795,349	**26,855,207**
Total comprehensive loss for the year		**(70,433,176)**	**(10,653,659)**
Loss per share - basic and diluted	32	**(13.78)**	**(4.69)**

The annexed notes 1 to 42 form an integral part of these financial statements.

Lahore:

Faisal Mukhtar
Chief Executive Officer

Abida Mukhtar
Director

Dar Es Salaam Textile Mills Limited

Statement of Cash Flows

For the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Cash flow from operating activities			
Loss before taxation		(123,246,487)	(36,681,086)
Adjustments for:			
Depreciation		70,593,791	75,563,432
Amortization		293,684	300,893
Sponsors loan written off		(80,240,000)	-
Finance cost		42,212,033	53,783,091
Bad debts written off		8,591,686	-
Trade and other payables written off		(77,842,308)	-
Advances and deposits written off		32,797,203	-
Loss / (profit) on sale of fixed assets		12,038,674	(460,394)
Provision for gratuity		3,753,946	4,523,386
(Loss) / profit before working capital changes		(111,047,778)	97,029,322
Working capital changes			
Stores and spares		14,381,105	(14,336,953)
Stock-in-trade		143,706,998	(5,395,104)
Trade debts		31,858,431	9,020,748
Advances, deposits, prepayments and other receivables		(21,133,092)	11,494,118
Trade and other payables		18,518,558	82,763,381
		187,332,000	83,546,190
Cash generated from operations		76,284,222	180,575,512
Finance cost paid		(25,892,160)	(79,166,384)
Gratuity paid		(7,734,259)	(2,616,116)
Taxation paid		(8,193,977)	(3,994,819)
		(41,820,396)	(85,777,319)
Net cash generated from operating activities		34,463,826	94,798,193
Cash flow from investing activities			
Additions in property, plant and equipment		(2,806,619)	(13,661,324)
Long term deposits		(307,373)	-
Proceeds from sale of fixed assets		31,540,000	5,481,720
Net cash used in investing activities		28,426,008	(8,179,604)
Cash flow from financing activities			
Long term loans		(26,164,073)	45,171,600
Lease repayments		-	(137,148)
Long term deposits payable		-	(1,512,000)
Short term finance		(35,634,114)	(128,831,486)
Net cash used in financing activities		(61,798,187)	(85,309,034)
Net increase in cash and cash equivalents		1,091,647	1,309,555
Cash and cash equivalents at beginning of the year		6,001,204	4,691,649
Cash and cash equivalents at the end of the year	13	7,092,851	6,001,204

The annexed notes 1 to 42 form an integral part of these financial statements.

Lahore:

Faisal Mukhtar
Chief Executive Officer

Abida Mukhtar
Director

Dar Es Salaam Textile Mills Limited
Statement of Changes in Equity
For the year ended June 30, 2014

	Share capital Rupees	Accumulated losses Rupees	Total Rupees
Balance as at July 01, 2012 - Restated	80,000,000	**(232,494,991)**	**(152,494,991)**
Total comprehensive income for the year	-	(10,653,659)	(10,653,659)
Balance as at June 30, 2013 - Restated	80,000,000	**(243,148,650)**	**(163,148,650)**
Balance as at July 01, 2013	80,000,000	(243,148,650)	(163,148,650)
Total comprehensive loss for the year	-	(70,433,176)	(70,433,176)
Balance as at June 30, 2014	80,000,000	(313,581,826)	(233,581,826)

The annexed notes 1 to 42 form an integral part of these financial statements.

Lahore:

Faisal Mukhtar
Chief Executive Officer

Abida Mukhtar
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,2014

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 and was subsequently listed on the Karachi and Lahore Stock Exchanges in 1991. The registered office of the Company is situated at 63-B-I, Gulberg III, Lahore. The principal activity of the Company is to manufacture and sale of yarn.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Going concern assumption

The Company, in previous years as well as in current year, also faced operational issues like shut down of eletricity due to heavy rain storm which resulted in fall of electric poles, and shortage of gas supplies due to which the Company has incurred loss before tax of Rs.123.246 million (2013: Rs.36.681 million) and has accumulated losses amounting to Rs.313.581 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs.448.638 million (2013: Rs.301.072 million) at the year end. The Company has not been able to meet its various obligations for long term loans and short term borrowings.
These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company is confident that it will continue to be supported by the sponsors, the lenders and also be able to reschedule remaining of its existing over-due borrowings as well.

The financial statements have been prepared on a going concern basis based on management's expectation
that:

- the Company will continue to get support of sponsors;
- the Company will continue to get support of its lenders and will be able to obtain relaxation in payment terms of its over-due borrowings; and
- the Company will be able to generate adequate liquidity through new short term borrowings and will be successful in utilising such funds to increase its operations and achieve its budgeted targets for production of yarn.

The 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.

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.

2.3 Financial liabilities

The Company could not make timely repayments of principal and interest / mark-up related to long term debts as referred to in Note 35. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

However, the long term debts in the amount of Rs. 31.993 million have continued to be classified as long term as per the repayment schedules in these financial statements as the management considers that event of default was not declared by the lenders at the reporting date.

2.4 Critical accounting 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-(note 6)
b. Taxation-(note 31)
c. Defined benefit plan-(note 19)

2.5 Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value as stated in note 3 (b) and revaluation of certain fixed assets referred to note 5.6 of the financial statements.

3 Change in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies as set out in note 4 to all the periods presented in these financial statements. The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of 01 July, 2013:

- Presentation of items of "Other Comprehensive Income" (Amendments to IAS 1) (See (a))
- IAS 19 "Employee Benefits" (See (b))

The nature and the effect of the changes are further explained below:

a) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company now presents items of other comprehensive income in its statement of other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Company.

b) Defined benefit plans

As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to post employment defined benefit plans.

Under IAS 19, the Company determines the net interest expense (income) for the year on the net defined benefit liability (asset) by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- Interest cost on the defined benefit obligation;
- Interest income on plan assets; and
- Interest on the effect on the asset ceiling.

Previously, the Company determined interest income on plan assets based on their long term rate of expected return.

All the changes in present value of defined benefit obligation are now recognized in the statement of comprehensive income and the past service costs are recognized in profit and loss account, immediately in the period they occur.

The change in accounting policy has been applied retrospectively. The effect of the change is as follows:

	2012		2011	
	Previously reported	Restated	Previously reported	Restated
	---------- Rupees ----------			
Statement of financial position				
Accumulated losses	280,219,124	290,420,202	283,399,969	293,601,047
Retirement benefits	6,949,397	17,150,475	5,042,127	15,243,205

4 Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements

4.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company except as mentioned in Note 3.

4.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

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 Staff retirement benefits

Defined contribution plan

The Company has an approved contributory Provident Fund Scheme for its employees. The Company and the employees both make monthly equal contribution as per Provident Fund Rules. The Company implemented Funded Gratuity Scheme for all the employees in place of Provident Fund effective July 01, 2008 however, executives are continued to remain in contributory Provident Fund Scheme.

5.3 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.

5.4 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.

5.5 Contingencies and commitments

Contingencies and commitments are recognized only when they become due.

5.6 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 unappropriated 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 6.1 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.

5.7 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.

5.8 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.

5.9 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 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 Fixed assets	Note	2014 Rupees	2013 Rupees
Property, plant and equipment	6.1	791,572,301	791,178,801
Capital work-in-progress	6.2	-	2,004,174
Intangibles	6.3	645,040	938,724
		792,217,341	794,121,699

6.1 Property, plant and equipment

Particulars	Owned assets								Leased assets	Grand Total
	Freehold land	Building on freehold land	Plant and machinery	Furniture and fittings	Office equipment	Computer	Vehicles	Sub Total	Vehicles	
Cost										
Balance at July 01, 2012	39,578,125	223,173,525	1,135,900,744	4,034,377	17,934,402	3,980,281	13,590,988	1,438,192,442	619,000	1,438,811,442
Additions	-	-	9,921,286	268,276	1,959,780	242,600	1,175,500	13,567,442	-	13,567,442
Disposal	-	-	-	-	-	(105,631)	(7,905,052)	(8,010,683)	-	(8,010,683)
Transfers	-	-	-	-	-	-	619,000	619,000	(619,000)	-
Balance at June 30, 2013	39,578,125	223,173,525	1,145,822,030	4,302,653	19,894,182	4,117,250	7,480,436	1,444,368,201	-	1,444,368,201
Balance at July 01, 2013	39,578,125	223,173,525	1,145,822,030	4,302,653	19,894,182	4,117,250	7,480,436	1,444,368,201	-	1,444,368,201
Additions	-	-	1,885,419	80,000	-	97,900	743,300	2,806,619	-	2,806,619
Transfers	-	2,004,174	-	-	-	-	-	2,004,174	-	2,004,174
Revaluation surplus	4,155,704	26,048,565	79,550,903	-	-	-	-	109,755,172	-	109,755,172
Disposal	-	-	(58,299,482)	-	-	-	(344,000)	(58,643,482)	-	(58,643,482)
Balance at June 30, 2014	43,733,829	251,226,264	1,168,958,870	4,382,653	19,894,182	4,215,150	7,879,736	1,500,290,684	-	1,500,290,684
Depreciation										
Balance at July 01, 2012	-	76,543,305	483,917,822	2,485,566	11,223,420	2,408,611	3,716,968	580,295,693	319,812	580,615,505
For the year	-	7,331,511	65,682,852	180,010	1,414,916	162,255	732,050	75,503,594	59,838	75,563,432
Disposal	-	-	-	-	-	(75,740)	(2,913,797)	(2,989,537)	-	(2,989,537)
Transfers	-	-	-	-	-	-	379,650	379,650	(379,650)	-
Balance at June 30, 2013	-	83,874,816	549,600,674	2,665,576	12,638,336	2,495,126	1,914,871	653,189,400	-	653,189,400
Balance as at July 01, 2013	-	83,874,816	549,600,674	2,665,576	12,638,336	2,495,126	1,914,871	653,189,400	-	653,189,400
For the year	-	7,462,618	60,380,065	159,926	1,327,193	163,841	1,100,148	70,593,791	-	70,593,791
Disposal	-	-	(14,803,571)	-	-	-	(261,237)	(15,064,808)	-	(15,064,808)
Balance at June 30, 2014	-	91,337,434	595,177,168	2,825,502	13,965,529	2,658,967	2,753,782	708,718,383	-	708,718,383
Carrying value 2013	39,578,125	139,298,709	596,221,356	1,637,077	7,255,846	1,622,124	5,565,565	791,178,801	-	791,178,801
Carrying value 2014	43,733,829	159,888,830	573,781,702	1,557,151	5,928,653	1,556,183	5,125,954	791,572,301	-	791,572,301
Rate of depreciation (%)	0%	5%	10%	10%	20%	10%	20%		20%	

6.1.1 Depreciation for the year has been allocated as under:

	Note	2014 Rupees	2013 Rupees
Cost of sales	25	69,123,244	74,508,992
Administrative expenses	26	1,470,547	1,054,440
		70,593,791	75,563,432

6.1.2 The machinery imports from year 2002 to 2004 resulted 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.

6.1.3 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
2014			
Freehold land	2,346,030	-	2,346,030
Building on freehold land	68,979,500	44,397,941	24,581,559
Plant and machinery	468,278,699	329,416,231	138,862,468
	539,604,229	373,814,172	165,790,057
2013			
Freehold land	2,346,030	-	2,346,030
Building on freehold land	68,979,500	43,104,175	25,875,325
Plant and machinery	468,278,699	313,987,068	154,291,631
	539,604,229	357,091,243	182,512,986

6.1.4 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Carrying value	Sales proceeds	Profit/ (loss)
Suzuki Ravi-pick-up	344,000	261,237	82,763	308,000	225,237
Rieter Frames	58,299,482	14,803,571	43,495,911	31,232,000	(12,263,911)
2014	58,643,482	15,064,808	43,578,674	31,540,000	(12,038,674)
2013	8,010,683	2,989,357	5,021,326	5,481,720	460,394

	2014 Rupees	2013 Rupees
6.2 Capital work-in-progress - on freehold land		
Capital work-in-progress - on freehold land	-	2,004,174
6.3 Intangibles - computer software		
Cost	1,874,241	1,874,241
Amortization		
Opening balance	935,517	634,624
For the year	293,684	300,893
Closing balance	1,229,201	935,517
	645,040	938,724

6.3.1 Amortization for the year has been charged to administrative expenses.

7	Long term deposits	2014 Rupees	2013 Rupees
	Security deposits against utilities	1,649,458	1,342,085

8	Stores and spares	2014 Rupees	2013 Rupees
	Stores	950,332	1,551,022
	Spares	17,386,831	29,328,653
	Packing material	2,487,540	4,195,078
		20,824,703	35,074,753
	Less: Provision for obsolete items	(341,055)	(210,000)
		20,483,648	34,864,753

8.1 Stores and spares does not include any item that has been purchased for the purpose of capital expend

9	Stock-in-trade	2014 Rupees	2013 Rupees
	Raw material	-	131,138,571
	Work-in-process	7,848,082	15,809,469
	Finished goods	2,268,315	6,875,355
		10,116,397	153,823,395

9.1 Raw material and finished goods are pledged as security against short term finances.

10	Trade debts	2014 Rupees	2013 Rupees
	Considered good - unsecured	6,211,739	46,661,856

11	Advances, deposits, prepayments and other receivables	2014 Rupees	2013 Rupees
	Advances to employees - secured - considered good	599,515	2,371,961
	Advances - unsecured - considered good		
	- Suppliers	2,356,732	4,875,615
	- Expenses	132,532	5,470,206
	Letters of credit	-	1,990,965
	Prepayments	720,362	3,695,212
	Short term security deposits	3,349,324	4,775,016
	Others	1,829,818	10,915,585
		8,988,283	34,094,560

12	Tax refunds due from Government	Note	2014 Rupees	2013 Rupees
	Income tax deducted at source	12.1	43,984,770	33,527,930
	Excise duty		-	15,615
	Sales tax - net		7,929,127	9,092,129
			51,913,897	42,635,674

12.1 Income tax deducted at source

Opening balance		33,527,930	42,800,163
Add: Paid during the year		9,372,594	3,994,819
		42,900,524	46,794,982
Less: Adjustments		1,084,246	(13,267,052)
	21.1.1 & 21.1.2	43,984,770	33,527,930

13	Cash and bank balances	2014 Rupees	2013 Rupees
	Cash in hand	21,315	2,334,344
	Cash at banks - current accounts	7,071,536	3,666,860
		7,092,851	6,001,204

14	Trade and other payables	Note	2014 Rupees	2013 Rupees
	Creditors		182,377,570	131,352,000
	Accrued liabilities		15,435,356	28,241,869
	Tax deducted at source		4,990,306	13,922,882
	Advances from customers		2,031,749	31,089,758
	Payable to Provident Fund Trust		2,340,385	660,154
	Unclaimed dividend		1,159,777	1,159,777
	Workers' profit participation fund		491,732	491,732
	Workers' welfare fund		186,858	186,858
	Others	14.1	14,304,365	75,536,818
			223,318,098	282,641,848

14.1 This represents interest free payables to private parties.

15	Short term borrowings	Note	2014 Rupees	2013 Rupees
	Short term borrowings - from commercial banks	15.1	172,720,669	208,354,783

15.1 These facilities have been obtained from various commercial bank for working capital requirements and are 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 (2013: 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.140.37 million (2013: 221.00 million). Out of total balance at reporting date Rs.43.592 million pertains to a facility expired before reporting date.

16	Mark-up accrued	Note	2014 Rupees	2013 Rupees
	Mark-up on short term borrowings		15,709,089	10,617,405
	Mark-up on long term loan		15,079,226	3,922,143
	Mark-up on workers' profit participation fund payable		71,106	-
			30,859,421	14,539,548

17	Subordinated sponsors' loan	Note	2014 Rupees	2013 Rupees
	Opening balance		80,240,000	80,240,000
	Balance written off during the year	29	(80,240,000)	-
		17.1	-	80,240,000

17.1 This represented interest free unsecured loan from sponsor directors of the Company. The said amount has been written off during the year after obtaining consent from sponsors.

18	Long term loan - secured	Note	2014 Rupees	2013 Rupees
	Demand finance from commercial banks:			
	- Bank of Punjab	18.1	14,900,000	18,900,000
	- Bank of Punjab (CF swap)	18.2	-	1,665,600
	- United Bank Limited (NIDF-V)	18.3	14,959,062	20,569,062
	- United Bank Limited (NIDF-VI)	18.4	20,000,000	25,000,000
	- National Bank of Pakistan	18.5	78,749,958	78,749,958
	- Silk Bank Limited (FIM swap)	18.6	9,406,527	17,495,000
	- National Bank of Pakistan (CF swap)	18.7	15,976,000	17,776,000
	- National Bank of Pakistan (Frozen mark-up)	18.7	4,548,000	4,548,000
			158,539,547	184,703,620
	Less: Current portion		(126,546,477)	(107,079,290)
			31,993,070	77,624,330

18.1 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 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 instalments of Rs. 3.000 million each.

18.2 This represents the outstanding cash finance limit of Rs. 10.891 million from Bank Of Punjab which is converted into demand finance as on August 01, 2011. As per rescheduled terms, it carries mark-up rate of 3 month KIBOR plus 200 basis points. The loan is repayable in 24 equal monthly instalments commencing from August 01, 2011. Total outstanding liability has been settled during the current year.

18.3 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 instalments of Rs. 1.868 million each.

18.4 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 instalments coinciding with existing NIDF-V loan.

18.5 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 instalments of Rs. 11.250 million each.

18.6 This represent the outstanding balance of FIM converted into term loan by the Silk Bank Limited on November 12, 2012. The converted term loan carries mark-up at the rate of 3 months KIBOR plus 3.50. The loan is repayable in 21 equal monthly instalments of Rs. 1.00 million each.

18.7 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. No mark-up is charged on frozen mark-up. The loans was repayable in equal quarterly instalments till December 31, 2013.

18.8 The above loans are secured against 1st pari passu charge on fixed assets for Rs 534.00 million.

18.9 Current portion include an amount of Rs.80.726 payable as on June 30, 2014.

19 Retirement benefits

	Note	2014 Rupees	2013 Rupees (Restated)
19.1 Principal actuarial assumptions			
Discount rate		13.25% p.a.	10% p.a.
Expected rate of increase in salary level		12.25% p.a.	10% p.a.
Average remaining working life		10 years	15 years
19.2 Movement in net liability recognised			
Opening liability		17,150,475	15,243,205
Charge for the year	*19.4*	3,753,946	4,523,386
Re-measurement of defined benefit liability		(421,054)	-
Contributions during the period		(7,734,259)	(2,616,116)
		12,749,108	17,150,475

	2014 Rupees	2013 Rupees (Restated)

19.3 The amount recognised in the statement of financial position are as follows:

Present value of benefit obligation	12,800,166	17,201,533
Fair value of plan assets	(51,058)	(51,058)
	12,749,108	17,150,475

19.4 Charged to statement of comprehensive income for the year

Current service cost	2,555,322	3,262,311
Interest cost	1,198,624	1,267,202
Expected return on plan assets	-	(6,127)
	3,753,946	4,523,386

19.5 Historical information

	2014	2013	2012	2011	2010
Present value of defined benefit obligation	12,800,166	17,201,533	13,553,852	4,661,691	3,971,654
Experience adjustments on plan liabilities	-	-	-	(53,819)	-

19.6 Expected gratuity expense for the year ending June 30, 2015 works out Rs. 4,129,341.

20 Deferred tax liability

	Opening balance	Charge for the year	Closing balance
2014			
Accelerated tax depreciation	94,560,625	27,483,441	67,077,184
Unused tax losses and tax credits	(70,485,534)	(22,087,269)	(48,398,265)
Surplus on revaluation of property, plant and equipment	47,271,555	-	47,271,555
	71,346,646	5,396,172	65,950,474
2013			
Accelerated tax depreciation	105,139,159	10,578,534	94,560,625
Unused tax losses and tax credits	(89,188,805)	(18,703,271)	(70,485,534)
Surplus on revaluation of property, plant and equipment	61,106,056	13,834,501	47,271,555
	77,056,410	5,709,764	71,346,646

21 Contingencies and commitments

21.1 Contingencies

21.1.1 In 2005, 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 under reference for the tax year ended 2004 and 2005 respectively. The Company filed an appeal against the orders of the department issued under section 122 of the Income Tax Ordinance, 2001 before Commissioner Inland Revenue (Appeal) but the plea was rejected. The Company being aggrieved filed an appeal before Appellate Tribunal Inland Revenue which is pending for hearing. The management is very much positive that the case will be settled in the Company's favour in light of previous cases settled by the High Court in favour of the Company.

21.1.2 Return for the tax year 2008 was filed declaring taxable loss of Rs. 36,672,658 for the year. The assessment u/s 122 of the Income Tax Ordinance, 2001 was finalized by the department resulting taxable income of Rs. 60,530,080 and computed net tax payable amounting to Rs. 19,130,819. However, the Company had filed an appeal before Commissioner Inland Revenue (Appeal) on the basis of legal grounds as well as on the merits of the case. The legal ground constitutes that the order passed by the department was illegal being barred by the limitation of time and the manegement is very positive that the case will be settled in favour of the Comapny in appellate forum on the basis of precedents available from Income Tax Appellate Tribunal and Lahore High Court decesions, and resulting liabilities will be nullified and taxable loss will be restored.

21.1.3 The tax department issued notice amounting to Rs.1,282,588 relating to crest case of different yarn parties, the Company appealled to the Commissiner Inland Revenue (Appeals) for re-assessment on merit as the Company has provided all the required documents and record to tax authorities, the case was sent back in appeal to the Commissiner Inland Revenue for re-assessment . The management is hopeful that such liability will be withdrawn by tax authorities in favour of the Company

21.1.4 The SNGPL levied surchage amounting to Rs.8,213,847 under Gas Infrastructure Development Surcharge on industrial undertakings. Later the Lahore High Court has nullefied the order and resulting levied surcharge. The Government of Pakistan has filled an appeal in the Supereme Court of Pakistan and case is pending till reporting date.

21.2 Commitments

21.2.1 Letter of credit amounting to Nil (2013: Rs. 1,990,965).

21.2.2 Letter of guarantee issued in favour of SNGPL amounting to Rs. 14.906 million (2013: Rs. 14.906 millions).

22 Share capital

	2014 Rupees	2013 Rupees
.1 Issued , subscribed and paid -up:		
8,000,000 Ordinary shares (2013: 8,000,000 ordinary shares) of Rs. 10/- each, issued for consideration in cash.	80,000,000	80,000,000

22.2 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.

23	Surplus on revaluation of fixed assets - net of tax	Note	2014 Rupees	2013 Rupees (Restated)
	Opening balance		458,450,967	499,140,675
	Revaluation surplus on fixed assets - net of tax		109,755,172	-
			568,206,139	499,140,675
	Transferred to accumulated loss on account of incremental depreciation	23.2	(39,535,781)	(40,689,708)
	Realized on disposal of property, plant and equipment		(13,280,680)	-
			515,389,678	458,450,967
	Less: Related deferred tax liability		47,271,555	47,271,555
			468,118,123	411,179,412

23.1 Freehold land, building on freehold land, and plant and machinery were revalued by approved external, independent property valuer, having appropriate professional qualification and recent experince 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.

23.2 Incremental depreciation

	Opening balance	Revaluation surplus for the year	Rate	Incremental depreciation
2014				
Land	37,232,095	4,155,704	0%	-
Building on freehold land	104,521,846	26,048,565	5%	5,877,306
Plant and machinery	316,697,028	79,550,903	10%	33,658,475
	458,450,969	109,755,172		39,535,781
2013				
Land	37,232,095	-	0%	-
Building on freehold land	110,022,995	-	5%	5,501,150
Plant and machinery	351,885,585	-	10%	35,188,558
	499,140,675	-		40,689,708

23.2 Previously, impact of resulting deferred tax liability was not deducted from revaluation surplus over fixed assets. This treatment is treated as prior period error in the current year financial statements. The effect of prior period error has been accounted for by restatement of figures of earliest reporting periods. The effect of this restatement is summarized below:

	2012		2011	
	Previously reported	Restated	Previously reported	Restated
	Rupees			
<u>Statement of financial position</u>				
Accumulated losses	280,219,124	219,113,068	283,399,969	222,293,913
Surplus on revaluation of fixed assets	458,450,966	397,344,910	499,140,675	438,034,619

	2012 Previously reported	2012 Restated
	------------- Rupees	-----------
Condensed Statement of Comprehensive Income		
Incremental depreciation for the year	40,689,708	26,855,207

24 Sales	Note	2014 Rupees	2013 Rupees
Local sales		1,398,410,813	1,307,508,802
Export sales		-	409,844,477
		1,398,410,813	**1,717,353,279**
Less:			
Commission		(3,960,956)	(9,480,550)
Sales tax		(30,734,849)	
		1,363,715,008	**1,707,872,729**

25 Cost of sales	Note	2014 Rupees	2013 Rupees
Salaries, wages and other benefits	*25.1*	96,925,857	95,372,698
Raw material consumed	*25.2*	1,070,957,197	1,228,452,040
Fuel and power		178,547,747	135,268,616
Depreciation	*6.1.1*	69,123,244	74,508,992
Packing material		17,582,066	23,396,141
Stores and spares		31,514,639	21,320,107
Repair and maintenance		3,073,611	4,137,946
Insurance		3,522,629	4,050,423
		1,471,246,990	**1,586,506,963**
Opening work-in-process		15,809,469	10,732,618
Closing work-in-process		(7,848,082)	(15,809,469)
Cost of goods manufactured		**1,479,208,377**	**1,581,430,112**
Opening stock of finished goods		6,875,355	15,052,202
Closing stock of finished goods		(2,268,315)	(6,875,355)
		1,483,815,417	**1,589,606,959**

25.1 Salaries, wages and other benefits include Rs. 3.003 million (2013: Rs. 3.614 million) in respect of retirement benefit.

25.2 Raw material consumed

	2014	2013
Opening balance	131,138,571	122,643,470
Purchases	948,173,771	1,236,947,141
Raw material sold directly	(8,355,145)	-
Closing balance	-	(131,138,571)
	1,070,957,197	**1,228,452,040**

26	Administrative expenses	Note	2014 Rupees	2013 Rupees
	Salaries, wages and other benefits	26.1	26,817,748	23,047,462
	Travelling and conveyance		5,337,795	3,961,994
	Postage, telephone and telegram		1,875,666	1,546,149
	Rents, rates and taxes		2,596,633	3,026,042
	Vehicle running and maintenance		5,731,199	6,413,278
	Fees and subscription		1,413,389	804,738
	Electricity		3,489,604	4,869,038
	Repair and maintenance		1,375,742	474,288
	Legal and professional charges		4,822,890	5,045,500
	Depreciation	6.1.1	1,470,547	1,054,440
	Entertainment		882,578	1,054,057
	Medical expenses		812,550	551,428
	Printing and stationery		737,209	817,964
	Auditors' remuneration	26.2	430,000	430,000
	School expenses		784,259	639,337
	Amortization	6.3	293,684	300,893
	Bad debts written off		8,591,686	-
	Provision for obsolete store and spares		131,055	-
	Miscellaneous		412,603	1,411,554
			68,006,837	55,448,162

26.1 Salaries, wages and other benefits include Rs. 0.751 million (2013: Rs 0.909 million) in respect of retirement benefit.

26.2 Auditors' remuneration

	2014	2013
Annual audit fee	200,000	200,000
Half yearly review	50,000	50,000
Tax consultancy	180,000	180,000
	430,000	430,000

27	Distribution cost	Note	2014 Rupees	2013 Rupees
	Loading charges		1,876,772	397,281
	Courier charges		131,025	262,376
	Freight and octroi		14,500	118,999
	Advertisement		6,980	69,075
	Export expenses		-	11,548,338
	Others		127,680	205,200
			2,156,957	12,601,269

28	Finance cost	Note	2014 Rupees	2013 Rupees
	Mark-up on long term loans		14,847,671	15,778,175
	Mark-up on short term borrowings		25,015,285	34,464,075
	Commission and bank charges		2,277,971	3,537,498
	Finance charges on leased assets		-	3,343
	Mark-up on workers' profit participation fund payable		71,106	-
			42,212,033	53,783,091

29 Other income

	Note	2014 Rupees	2013 Rupees
Sponsors loan written off	17	80,240,000	-
Profit on disposal of property, plant and equipment - net	6.1.4	-	460,394
Trade and other payables written off	14	77,842,308	-
		158,082,308	460,394

30 Other operating charges

	Note	2014 Rupees	2013 Rupees
Loss on disposal of cotton		3,489,482	31,587,973
Exchange loss - net	30.1	511,585	1,986,755
Excise duty receivable written off		15,615	-
Loss on disposal of property, plant and equipment - net	6.1.4	12,038,674	-
Advances and deposits written off		32,797,203	-
		48,852,559	33,574,728

30.1 The exchange loss is on account of short term borrowings in foreign currency and export sales realiza

31 Taxation

	Note	2014 Rupees	2013 Rupees
Current taxation			
Current year		-	6,537,544
Prior year adjustments		(7,621,790)	-
		(7,621,790)	6,537,544
Deferred tax	20	(5,396,172)	(5,709,764)
		(13,017,962)	827,780

31.1 Provision for current taxation is not made as per clause 1 of section 113 of the Income Tax Ordinance, 2001.

31.2 The assessments have been completed up-to the income year 2011-2012 (Tax year 2012).

31.3 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.

32 Loss per share

32.1 Loss per share - basic

		2014	2013
Loss after taxation	*Rupees*	(110,228,525)	(37,508,866)
Weighted average number of ordinary shares	*Number*	8,000,000	8,000,000
Loss per share - basic	*Rupees*	(13.78)	(4.69)

32.2 Loss per share - diluted

There is no dilution effect on the basic loss per share as the Company has no such commitments.

33 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees)									
Managerial remuneration	-	-	3,428,580	3,428,580	3,428,580	3,428,580	-	-	7,155,822	5,752,894
Medical	-	-	342,852	342,852	342,852	342,852	-	-	715,582	575,289
Utilities	-	-	-	-	-	-	-	-	767,290	672,000
Retirement benefits	-	-	-	-	-	-	-	-	-	-
Group insurance	-	-	-	-	-	-	-	-	-	-
Rent and house maintenance	-	-	1,028,568	1,028,568	1,028,568	1,028,568	-	-	2,146,747	1,725,868
	-	-	4,800,000	4,800,000	4,800,000	4,800,000	-	-	10,785,441	8,726,051
Number of key executives / non executives	1	1	* 1	* 1	1	1	2	2	5	6

* The Chief executive hold 1,676,447 shares of the Company.

33.1 The Chief Executive and certain Executives are provided with free use of Company maintained cars in accordance with their entitlement.

33.2 Executives are employees whose basic salaries exceed Rs. 500,000 in a financial year.

34 Operating segments

34.1 These financial statements have been prepared on the basis of single reportable segment.

34.2 Revenue from sale of cotton yarn represents 99.03% (2013 : 98.28%) of the total revenue of the Company.

34.3 100% (2013: 76.14 %) sales of the Company relates to customers in Pakistan.

34.4 All non-current assets of the Company as at 30 June 2014 are located in Pakistan.

Financial assets

	Maturity upto one year	Maturity after one year up to five year	Maturity after five year	2014	2013
	-----Rupees-----				
Non-interest bearing					
Long term deposits	-	1,649,458	-	1,649,458	1,342,085
Trade debts	6,211,739	-	-	6,211,739	46,661,856
Advances, deposits, prepayments and other receivables	8,988,283	-	-	8,988,283	23,532,767
Cash and bank balances	7,092,851	-	-	7,092,851	6,001,204
	22,292,873	1,649,458	-	23,942,331	77,537,912

Financial liabilities

	Effective yield / mark up rate	Maturity upto one year	Maturity after one year up to five year	Maturity after five year	2014	2013
		-----Rupees-----				
Interest bearing						
Balance sheet items						
Long term loan	10.% to 13.50%	126,546,477	31,993,070	-	158,539,547	184,703,620
Retirement benefits	12.00%	-	-	12,749,108	12,749,108	17,150,475
Short term borrowings	10.% to 13.50%	172,720,669	-	-	172,720,669	208,354,783
Non - interest bearing						
Trade and other payables		221,286,349	-	-	221,286,349	251,552,090
		520,553,495	31,993,070	12,749,108	565,295,673	661,760,968
Off balance sheets items						
Letter of guarantee		14,906,000	-	-	14,906,000	14,906,000
		535,459,495	31,993,070	12,749,108	580,201,673	676,666,968

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.

Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 23.942 million (2013: Rs. 77.54 million), the financial assets that are subject to credit risk amounted to Rs. 16.849 million (2013: Rs.71.54 million).

For trade receivable, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with the limits set by the management. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

Concentration of the credit risk arises when the number of counter parties engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration risk.

The carrying amount of the financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2014 Rupees	2013 Rupees
Trade debts	6,211,739	46,661,858
Advances, deposits, prepayments and other receivables	8,988,283	23,532,767
Cash and bank balances	7,092,851	6,001,204
	22,292,873	76,195,829

The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

Due from foreign customers	-	-
Due from local customers	6,211,739	46,661,858
	6,211,739	46,661,858

Foreign customers are situated in China.

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

Yarn	6,211,739	46,661,858
Waste	-	-
	6,211,739	46,661,858

The aging of trade debts at the reporting date is :

Past due	0- 30 days	4,720,922	35,463,012
Past due	31- 60 days	1,055,996	7,932,516
Past due	61-90 days	248,470	1,866,474
Past due	91- 120 days	62,117	466,619
Past due	121 days or more	124,235	933,237
		6,211,740	46,661,858

No provision for doubtful debt has been made during the year for local and foreign customers.

Liquidity risk

The Company's approach to managing liquidity risk 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.

However, the Company, during the year faced operational issues due to revamp of existing plant and machinery and extended gas load shedding from SNGPL. As a result, the Company is facing a liquidity shortfall due to which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

Name of bank	Principle	Mark-up	Total
	---------- Rupees ----------		
Bank of Punjab	14,900,000	2,227,368	17,127,368
United Bank Limited(NIDF-V)	14,959,062	943,369	15,902,431
United Bank Limited(NIDF-VI)	20,000,000	1,267,740	21,267,740
National Bank of Pakistan	78,749,958	10,640,749	89,390,707
Silk Bank Limited (FIM swap)	9,406,527	1,670,787	11,077,314
National Bank of Pakistan (CF swap)	15,976,000	2,266,711	18,242,711
National Bank of Pakistan (Frozen mark-up)	4,548,000	-	4,548,000
	158,539,547	19,016,724	177,556,271

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 Company's income or the value of its holdings of financial instruments.

Currency risk

The Company is exposed to currency risk on export of goods denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2014 Rupees	2013 Rupees
Foreign debtors	-	-
Gross balance sheet exposure	-	-
Letters of credit	-	1,990,965
Net exposure	-	1,990,965

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2014	2013	2014	2013
Financial assets				
USD to PKR	98.63	96.28	98.50	98.75
Financial liabilities				
USD to PKR	98.85	96.47	98.75	98.94

Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposite effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2014	2013
Effect on profit or loss	-	(398,193)

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

Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective interest rate		Carrying amount	
	2014	2013	2014	2013
	Percentage	Percentage	Rupees	Rupees
Financial liabilities				
Variable rate instruments				
Long term loans	10.% to 13.50%	10.% to 13.50%	158,539,547	184,703,620
Short term borrowings	10.% to 13.50%	10.% to 13.50%	172,720,669	208,354,783

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. The analysis is performed on the same basis for 2013.

	Profit and loss 100 bp	
	Increase	decrease
As at 30 June 2014		
Cash flow sensitivity-Variable rate financial liabilities	(398,630)	398,630
As at 30 June 2013		
Cash flow sensitivity-Variable rate financial liabilities	(502,456)	502,456

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

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.

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, 2014 and June 30, 2013 were as follows

	2014	2013
	Rupees	Rupees
Total borrowings	331,260,216	393,058,403
Less: Cash and cash equivalents	(7,092,851)	(6,001,204)
Net debt	324,167,365	387,057,199
Total equity	(233,581,826)	(163,148,650)
Total capital	90,585,539	223,908,549
Gearing ratio	357.86	207.16

36 Number of employees

	2014 Number	2013 Number
Average number of employees for the year	628	708
Total number of employees at year end	498	758

37 Provident fund trust

	Unit	2014	2013

The following information is based on latest audited financial statements of Provident Fund Trust.

	Unit	2014	2013
Size of fund - total assets	*Rupees*	4,900,757	4,509,233
Cost of investments made	*Rupees*	195,820	195,820
Percentage of investments made	*Percentage*	4.00%	4.34%
Fair value of investment	*Rupees*	3,385,555	4,637,646

The breakup of fair value of investments is as follows:

	2014		2013	
	Rupees	Percentage	Rupees	Percentage
Shares in listed companies	2,420,680	71.50%	1,341,590	28.93%
Cash at bank	964,875	28.50%	3,296,056	71.07%
	3,385,555	100.00%	**4,637,646**	100.00%

The investments of the Provident Fund Trust are in compliance with the provision of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

38 Plant capacity and production

	2014	2013
Number of spindles installed	16,320	20,736
Installed capacity converted into 20's count (Million Kgs.)	7.530	9.654
Actual production converted into 20's count (Million Kgs.)	4.350	5.736
Number of shifts worked	1,095	1,092
Days worked	364	364

38.1 It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year.

39 Related party transactions

The related parties comprise directors of the Company, key employees and provident fund trust. Details of transactions with related parties, other than those which have been specially disclosed elsewhere in these financial statements are as follows:

	2014 Rupees	2013 Rupees
Sponsor's loan written off	80,240,000	-
Provident fund contribution	456,182	445,721

40 Events after the statement of financial position date

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

41 Date of authorization for issue

These financial statements were authorized for issue on October 10, 2014 by the Board of Directors of the Company.

42 General

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

42.2 Figures have been rounded off to the nearest rupee.

	Faisal Mukhtar	Abida Mukhtar
Lahore:	Chief Executive Officer	Director

FORM OF PROXY
ANNUAL GENERAL MEETING

The Company Secretary
Dar Es Salaam Textile Mills Limited
63-B-I, Gulberg-III,
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 Friday the October 31, 2014 at 11:00 A.M. at the Registered Office of the Company, 63-B-I, Gulberg-III, Lahore and at any adjournment thereof.

As witness my hand this ____________ day of ____________________ 2014.

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 mot later than 48 hours before time of holding the meeting duly stamped, signed and witnessed.