

Annual Report 2015

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COMPANY INFORMATION

Board of Directors

Mrs. Nilofar Mukhtar
 Mr. Faisal Mukhtar
 Mrs. Mahwesh Faisal Mukhtar
 Miss Abida Mukhtar
 Mr. Muhammad Rafique Khan
 Mr. Muhammad Yousaf
 Mr. Ejaz Akbar Khan

Chairperson & Director
 Chief Executive Officer

Audit Committee

Miss Abida Mukhtar
 Muhammad Rafique Khan
 Mr. Ejaz Akbar Khan

Chairman
 Member
 Member

HR & Remuneration
Committee

Mrs. Mahwesh Faisal Mukhtar
 Mr. Faisal Mukhtar
 Miss Abida Mukhtar

Chairman
 Member
 Member

Chief Financial Officer
Company Secretary

Mr. Shahid Amin Chaudhry

Share Registrar

M/S Corplink (Pvt) Ltd
 Wing Arcade, 14-K, Commercial, Model Town, Lahore.
 Tel: 042-35839182, 042-35869037

Auditors

M/s Hassan Naeem & Co. Chartered Accountants

Bankers

National Bank of Pakistan
 The Bank of Punjab
 United Bank Limited
 BankIslami Pakistan Limited
 Faysal Bank Limited

Registered Office

63-B-I, Gulberg-III, Lahore.
 Phones: (042) 35878643

Factory

10th Km Muridke-Sheikupura Road, Muridke.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 26th Annual General Meeting of the company will be held on Friday 30th October, 2015 at 10:00 a.m. at Four Seasons Hall, 34-Shahrah-e-Fatima Jinnah, Queens Road, Mozang, Lahore to transact the following business.

1. To confirm the minutes of 25th Annual General Meeting held on 31-10-2014.
2. To receive and adopt the audited accounts of the company along with the Directors and auditor's report for the year ended June 30, 2015.
3. To appoint the auditors and fix their remuneration for the next financial year 2015-2016.
4. To elect the seven Directors including Chief Executive for three years in accordance with Companies Ordinance, 1984 under section 158 of (Amendment) ordinance 2002. However the existing board will complete the tenure. The retiring Directors are as under:

| | |
|--------------------------------|------------------------|
| 1. Mr. Faisal Mukhtar (CEO) | 2. Mrs. Nilofar Mukhta |
| 3. Mrs. Mahwesh Faisal Mukhtar | 4. Miss Abida Mukhta |
| 5. Muhammad Rafique Khan | 6. Muhammad Yousaf |
| 7. Mr. Ejaz Akbar Khan | |

The retiring Directors are eligible for re-election.
5. Any other matter with the permission of the chair.

By the order of the Board

Date: October 08, 2015

Place: LAHORE

Muhammad Rafique Khan
(Director)

NOTES:

- I. Any member who seeks to contest election to the Office of Director shall file a Notice of his / her intention at the registered office in term of Section 178(3) of the Companies Ordinance 1984 at least 14 days before the date of meeting.
- II. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxies in order to be executive must be received to Shares Registrar M/S Corplink (Pvt) Ltd Wing Arcade, 1-K, Commercial, Model Town, Lahore not later than 48 hours before commencement of the meeting.
- III. The Proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- IV. Attested copies of NIC / Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- V. The proxy shall produce his original NIC/Passport at the time of the meeting.
- VI. The shares transfer books of the company will remain closed for fifteen days from 24-10-2015 to 30-10-2015. (Both days inclusive)
- VII. Share holders whose shares are deposited with Central Depository System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of meeting.
- VIII. Shareholders are advised to notify change in their addresses, if any and send their e-mail addresses for easily correspondence.

Vision Statement

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

Mission Statement

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

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

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

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

Statement of Ethics and Business Practices

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

DIRECTOR'S REPORT

The Director's of Dar Es Salaam Textile Mills Limited ("the Company") present the 26th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2015.

Overview and Performance

The company continues to suffer operationally and financially during this difficult period being faced by the entire textile spinning sector. Every possible step to overcome this extremely difficult phase is being discussed. Operational losses on account of inadequate power and availability of cheaper Indian yarn have played havoc with the industry.

| Description | June 30, 2015 | June 30, 2014 |
|-----------------------|---------------|---------------|
| | Rupees | Rupees |
| Turnover net | 32,585,974 | 1,363,715,008 |
| Cost of Sales | 114,345,172 | 1,483,815,417 |
| Gross (Loss) / Profit | (81,759,197) | (120,100,409) |

Earnings per Share

Loss per share of your company for the year ended June 30, 2015 is Rs. (8.24) as compared to Rs. (13.78) for the comparative year 30-June-2014.

Business, Risk, Challenges and Future Outlook

The industry is facing unprecedented crises. International economic conditions also seem to continue on their recessionary path. The industry in Pakistan may struggle further till international demand improves or the government provides and industry stimulus for its revival.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CS responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in **assisting the under privileged patients students and children's of various walks of life.**

Health Safety and Environment

Your company is well aware of the importance of skilled workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

Financial Statements

The Financial statements for the year ended June 30, 2015 were approved by the Board of Directors on October 07, 2015 and authorized for their issuance. Operating and financial data of last seven years is annexed.

Code of corporate governance

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their listing regulations, relevant for the year ended June 30, 2015 have been adopted by the company and have been duly complied with Statement to this effect is annexed to the report.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in the shares of company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per law.

Board Meeting and Attendance

During the year four meetings of the Board of Directors of the company were held attendance by each director is narrated below:-

| Sr.No | Name | Attendance |
|-------|-----------------------------|------------|
| 1. | Mr. Faisal Mukhtar | 4 |
| 2. | Mrs. Nilofar Mukhtar | 4 |
| 3. | Mrs. Mahwesh Faisal Mukhtar | 4 |
| 4. | Miss Abida Mukhtar | 4 |
| 5. | Mr. Ejaz Akbar Khan | 4 |
| 6. | Mr. Parvez Ashraf | 3 |
| 7. | Mr. Irfan Nasar | 3 |
| 8. | Mr. Rafique Khan | 1 |
| 9. | Mr. Yousaf | 1 |

Audit Committee Meeting and Attendance

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

| Sr. No | Name | Attendance |
|---------------|---------------------------|-------------------|
| 1. | Mr. Sheikh Pervaiz Ashraf | 3 |
| 2. | Mr. Irfan Nasar | 3 |
| 3. | Miss Abida Mukhtar | 4 |
| 4. | Mr. Muhammad Rafique Khan | 1 |
| 5. | Mr. Ejaz Akbar Khan | 1 |

HR and Remuneration Committee

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

| Sr. No | Name | Attendance |
|---------------|--------------------|-------------------|
| 1. | Mr. Irfan Nasar | 1 |
| 2. | Mr. Faisal Mukhtar | 1 |
| 3. | Miss Abida Mukhtar | 1 |

Auditors

The present auditors M/S. Hassan Naeem & Co Chartered Accountants retire and being eligible offer themselves for re-appointment as auditors of the company for the year 2015-16. The audit committee has recommended the appointment of aforesaid auditors M/S. Hassan Naeem & Co. Chartered Accountants, as external auditor for the year ended June 30, 2016.

Acknowledgement

Yours directors record with appreciation technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the compan cooperation.

For and on behalf of the Board

FAISAL MUKHTAR

Chief Executive Officer

Lahore: October 07, 2015

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange Limited 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 of Corporate Governance in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes

| Category | Name |
|-------------------------|-----------------------------|
| Executive Directors | Mr. Faisal Mukhtar |
| | Mr. Ejaz Akbar Khan |
| Non-Executive Directors | Mrs. Nilofar Mukhtar |
| | Mrs. Mahwesh Faisal Mukhtar |
| | Miss Abida Mukhtar |
| | Muhammad Rafique Khan |
| | Muhammad Yousaf |

The independent directors meets the criteria of independence under clause i (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. 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.
5. 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 the dates on which they were approved or amended has been maintained.
6. All the powers 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, other executive and non-executive directors, have been taken by the board/shareholders.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. 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 meetings were appropriately recorded and circulated.
8. None of Director has obtained certification under Directors Training Program during the year.

Requirements under listing Regulation No. 5.19.7 has been complied with.

9. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board. However, in the absence of CEO, financial statements were signed by two Directors and CFO in the compliance of section 241 (2) of the companies ordinance, 1984.
12. 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.
13. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
14. The board has formed an Audit Committee. It comprises three members, of whom all are nonexecutive directors and the chairman of the committee is an independent director.
15. 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 of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a executive director.
17. The Board of Directors has put in place a mechanism for undertaking annually an evaluation of the Board's own performance and of its committee to enhance performance of the Board and its Committees.
18. The board has set up an effective internal audit function.
19. No causal vacancy occurred on the Board during the year 2014-15.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. 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.
22. 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 exchange(s).
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

For and on behalf of the Board

FAISAL MUKHTAR
Chief Executive Officer

Lahore: October 07, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") for the year ended 30 June 2015, prepared by the Board of Directors of Dar Es Salaam Textile Mills Limited ("the Company") to comply with the requirement of Listing Regulation No.35 of Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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.

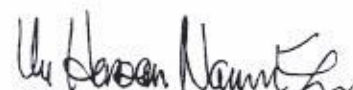
As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Further, we would like to highlight an instance of non-compliance with the requirements of the Code as reflected in paragraph 8 of the Statement of Compliance that the orientation courses of directors were not conducted.

Lahore: 07 OCT 2015


UHY Hassan Naeem & Co.
Chartered Accountants
Ibne Hassan, FCA

FINANCIAL HIGHLIGHTS OF THE LAST SEVEN YEARS

| PARTICULARS | Rs. | June 30 2015 | June 30 2014 | June 30 2013 (Restated) | June 30 2012 (Restated) | June 30 2011 | June 30 2010 | June 30 2009 |
|-------------------------------|-----|-----------------|-----------------|----------------------------|----------------------------|-----------------|-----------------|-----------------|
| Sales | Rs. | 32,585,974 | 1,363,715,008 | 1,707,872,729 | 1,339,935,803 | 1,436,870,778 | 1,083,859,573 | 850,027,163 |
| Gross Profit/(Loss) | Rs. | (81,759,197) | (120,100,409) | 118,265,770 | 14,317,112 | 24,601,141 | 111,342,061 | 1,747,909 |
| Profit (Loss) Before Tax | Rs. | (80,697,238) | (123,246,487) | (36,681,086) | (97,807,375) | (84,911,503) | 9,156,049 | (28,220,621) |
| Profit (Loss) After Tax | Rs. | (65,891,493) | (110,228,525) | (37,508,866) | (114,709,314) | (95,777,469) | 484,174 | (103,646,519) |
| 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. | 168,644,803 | 234,536,297 | 248,030,762 | 285,539,628 | 410,450,018 | 404,986,110 | 104,702,479 |
| Fixed Assets-Net | Rs. | 723,583,143 | 792,217,341 | 794,121,699 | 861,345,847 | 1,000,229,725 | 882,363,050 | 562,339,280 |
| Total Assets | Rs. | 798,826,969 | 898,673,614 | 1,113,545,226 | 1,189,515,037 | 1,328,429,621 | 1,081,078,262 | 752,753,260 |
| Production | Kgs | 120,547 | 5,044,848 | 6,170,956 | 5,124,830 | 3,778,319 | 5,125,323 | 5,479,610 |
| Sales | Kgs | 120,905 | 5,059,863 | 6,199,397 | 5,072,575 | 3,825,347 | 5,172,905 | 5,110,542 |
| Dividend-Cash | | | | | | | | |
| Ratios Profitability | | | | | | | | |
| Gross Margin | | -250.90% | -8.81% | 6.92% | 1.07% | 1.71% | 10.27% | 0.21% |
| Profit (Loss) Before Tax | | -247.64% | -9.04% | -2.15% | -7.30% | -5.91% | 0.84% | -3.32% |
| Profit (Loss) After Tax | | -202.21% | -8.08% | -2.20% | -8.56% | -6.67% | 0.04% | -12.19% |
| Return To Shareholders | | | | | | | | |
| Return on Equity (BT) | | -47.85% | -52.55% | -14.79% | -34.25% | -20.69% | 2.26% | -26.95% |
| Return on Equity (AT) | | -39.07% | -47.00% | -15.12% | -40.17% | -23.33% | 0.12% | -98.99% |
| Earnings Per Share (BT) | Rs. | (10.09) | (15.41) | (4.59) | (12.23) | (10.61) | 1.14 | (3.53) |
| Earnings Per Share (AT) | Rs. | (8.24) | (13.78) | (4.69) | (14.34) | (11.97) | 0.06 | (12.96) |
| Activity | | | | | | | | |
| Sales to Total Assets (Times) | | 0.04 | 1.52 | 1.53 | 1.13 | 1.08 | 1 | 1.13 |
| Sales to Fixed Assets (Times) | | 0.05 | 1.72 | 2.15 | 1.56 | 1.44 | 1.23 | 1.51 |
| Liquidity | | | | | | | | |
| Current Ratio (Times) | | 0.13 | 0.19 | 0.51 | 0.52 | 0.53 | 0.46 | 0.43 |
| Break Up Value Per Share | Rs. | 21.08 | 29.32 | 31 | 35.69 | 51.31 | 50.62 | 13.09 |

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

FORM 34

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

30-06-2015

| -----Shareholding----- | | | |
|------------------------|---------|---------|-------------------|
| 4. No. of Shareholders | From | To | Total Shares Held |
| 128 | 1 | 100 | 6,922 |
| 975 | 101 | 500 | 476,309 |
| 65 | 501 | 1000 | 62,665 |
| 58 | 1001 | 5000 | 143,913 |
| 20 | 5001 | 10000 | 158,693 |
| 4 | 10001 | 15000 | 47,700 |
| 3 | 15001 | 20000 | 56,500 |
| 1 | 20001 | 25000 | 24,391 |
| 3 | 25001 | 30000 | 77,500 |
| 1 | 30001 | 35000 | 32,500 |
| 1 | 35001 | 40000 | 36,500 |
| 1 | 40001 | 45000 | 44,750 |
| 1 | 65001 | 70000 | 70,000 |
| 1 | 75001 | 80000 | 80,000 |
| 1 | 110001 | 115000 | 112,291 |
| 1 | 165001 | 170000 | 168,568 |
| 1 | 240001 | 245000 | 241,750 |
| 1 | 265001 | 270000 | 266,787 |
| 1 | 300001 | 305000 | 302,500 |
| 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 |
| 1272 | | | 8,000,000 |

| 5. Categories of shareholders | Share held | Percentage |
|--|------------|------------|
| 5.1 Directors, Chief Executive Officers, and their spouse and minor children | 4,153,532 | 51.9192 |
| 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% or more | 5,384,761 | 67.3095 |
| 5.8 General Public | | |
| a. Local | 3,500,575 | 43.7572 |
| b. Foreign | 3,791 | 0.0474 |
| 5.9 Others (to be specified) | | |
| 1- Joint Stock Companies | 44,719 | 0.5590 |
| 2- Pension Funds | 24,391 | 0.3049 |
| 3- Trust | 1,356 | 0.0170 |
| 6. Signature of Company Secretary | <div></div> | |
| 7. Name of Signatory | <div></div> | |
| 8. Designation | <div>Company Secretary</div> | |
| 9. NIC Number | <div></div> | |
| 10. Date | <div> <div>30</div> <div>06</div> <div>2015</div> </div> | |

Categories of Share Holders
As on 30th June, 2015

ONLY FOR INFORMATION
NOT FOR PRINTING

| S. No. | NAME | HOLDING | % AGE |
|--|---|------------------|-----------------|
| <u>DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN</u> | | | |
| 1 | MISS NELOFAR MUKHTAR | 44,750 | 0.5594 |
| | MISS NELOFAR MUKHTAR (CDC) | 824,125 | 10.3016 |
| 2 | MRS. MEHWESH FAISAL MUKHTAR | 302,500 | 3.7813 |
| 3 | MR. FAISAL MUKHTAR | 241,750 | 3.0219 |
| | MR. FAISAL MUKHTAR (CDC) | 1,420,697 | 17.7587 |
| 4 | MRS. ABIDA MUKHTAR | 25,250 | 0.3156 |
| | MRS. ABIDA MUKHTAR (CDC) | 1,290,960 | 16.1370 |
| 5 | MR. MUHAMMAD EJAZ AKBAR KHAN (CDC) | 2,500 | 0.0313 |
| 6 | MR. MUHAMMAD YOUSUF | 500 | 0.0063 |
| 7 | MR. MUHAMMAD RAFIQ KHAN | 500 | 0.0063 |
| | | 4,153,532 | 51.9192 |
| <u>ASSOCIATED COMPANIES</u> | | | |
| | | 0 | 0.0000 |
| <u>NIT & ICP</u> | | | |
| 1 | INVESTMENT CORP. OF PAKISTAN | 4,200 | 0.0525 |
| | | 4,200 | 0.0525 |
| <u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKIN G FINANCE INSTITUTIONS</u> | | | |
| 1 | NATIONAL BANK OF PAKISTAN (CDC) | 149 | 0.0019 |
| 2 | ESCORTS INVESTMENT BANK LIMITED (CDC) | 500 | 0.0063 |
| | | 649 | 0.0081 |
| <u>MODARABA & MUTUAL FUNDS</u> | | | |
| 1 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC) | 266,787 | 3.3348 |
| | | 266,787 | 3.3348 |
| <u>PENSION FUNDS</u> | | | |
| 1 | TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND (CDC) | 24,391 | 0.3049 |
| | | 24,391 | 0.3049 |
| <u>JOINT STOCK COMPANIES</u> | | | |
| 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) | 193 | 0.0024 |
| 4 | H M INVESTMENTS (PVT) LTD. (CDC) | 100 | 0.0013 |
| 5 | M.R. SECURITIES (SMC-PVT) LTD. (CDC) | 25 | 0.0003 |
| 6 | MAPLE LEAF CAPITAL LIMITED (CDC) | 1 | 0.0000 |
| 7 | SAAO CAPITAL (PVT) LIMITED. (CDC) | 32,500 | 0.4063 |
| | | 44,719 | 0.5590 |
| <u>Others</u> | | | |
| 1 | TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST (CDC) | 856 | 0.0107 |
| 2 | THE TRUSTEE GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST | 500 | 0.0063 |
| | | 1,356 | 0.0170 |
| <u>EXECUTIVES</u> | | | |
| | | 0 | 0.0000 |
| <u>SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)</u> | | | |
| | | 3,791 | 0.0474 |
| <u>SHARES HELD BY THE GENERAL PUBLIC (LOCAL)</u> | | | |
| | | 3,500,575 | 43.7572 |
| | | 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 | 1,316,210 | 16.4526 |
| 4 | MISS NELOFAR MUKHTAR | 868,875 | 10.8609 |
| | | <u>5,384,761</u> | <u>67.3095</u> |

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL

| | | Holding | %Age |
|---|----------------------------|------------------|----------------|
| 1 | MR. FAISAL MUKHTAR | 1,662,447 | 20.7806 |
| 2 | MRS. ABIDA MUKHTAR | 1,316,210 | 16.4526 |
| 3 | AHMED SAUD KHAN MANJ (CDC) | 1,537,229 | 19.2154 |
| 4 | MISS NELOFAR MUKHTAR | 868,875 | 10.8609 |
| 5 | CH. AHMED MUKHTAR | 685,318 | 8.5665 |
| | | <u>6,070,079</u> | <u>75.8760</u> |

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 | -- | 120,000 |
| 2 | MRS. ABIDA MUKHTAR | 1,000 | -- |
| 3 | MR. MUHAMMAD YOUSUF | -- | 500 |
| 4 | MR. MUHAMMAD RAFIQ KHAN | -- | 500 |

Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2015

| Sr. No. | Name | No. of Shares Held | Percentage |
|---------|------|--------------------|------------|
|---------|------|--------------------|------------|

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

Mutual Funds (Name Wise Detail)

| | | | |
|---|--|---------|--------|
| 1 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CD | 266,787 | 3.3348 |
|---|--|---------|--------|

Directors and their Spouse and Minor Children (Name Wise Detail):

| | | | |
|---|------------------------------------|-----------|---------|
| 1 | MISS NELOFAR MUKHTAR | 868,875 | 10.8609 |
| 2 | MRS. MEHWESH FAISAL MUKHTAR | 302,500 | 3.7813 |
| 3 | MR. FAISAL MUKHTAR | 1,662,447 | 20.7806 |
| 4 | MRS. ABIDA MUKHTAR | 1,316,210 | 16.4526 |
| 5 | MR. MUHAMMAD EJAZ AKBAR KHAN (CDC) | 2,500 | 0.0313 |
| 6 | MR. MUHAMMAD YOUSUF | 500 | 0.0063 |
| 7 | MR. MUHAMMAD RAFIQ KHAN | 500 | 0.0063 |

Executives:

Public Sector Companies & Corporations:

| | | |
|--|--------|--------|
| Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: | 25,040 | 0.3130 |
|--|--------|--------|

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

| | | | |
|---|----------------------------|-----------|---------|
| 1 | MR. FAISAL MUKHTAR | 1,662,447 | 20.7806 |
| 2 | MRS. ABIDA MUKHTAR | 1,316,210 | 16.4526 |
| 3 | AHMED SAUD KHAN MANJ (CDC) | 1,537,229 | 19.2154 |
| 4 | MISS NELOFAR MUKHTAR | 868,875 | 10.8609 |
| 5 | CH. AHMED MUKHTAR | 685,318 | 8.5665 |

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

| S.No | NAME | SALE | PURCHASE |
|------|-----------------------------|------|----------|
| 1 | MRS. MEHWESH FAISAL MUKHTAR | -- | 120,000 |
| 2 | MRS. ABIDA MUKHTAR | 1000 | -- |
| 3 | MR. MUHAMMAD YOUSUF | -- | 500 |
| 4 | MR. MUHAMMAD RAFIQ KHAN | -- | 500 |

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, 2015 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 Company'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 applicable 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) We were unable to verify the amount payable to banks of Rs. 398.34 million on account of short and long term financing and markup accrued thereon, due to non-confirmation of balances from such banks. Further, markup expense for the year of Rs. 36.56 million could not be confirmed in the absence of such confirmations.
- (b) Bank balances of Rs. 0.434 million were circularized for direct confirmation of balances held in the bank accounts, however no response received till the date of reporting.
- (c) Physical verification of store and spares of Rs. 6.93 million was not carried out and it could also not be verified by applying alternative audit procedures. Also, adjustment of written off of Rs. 6.43 million, in absence of necessary detail, could not be verified.
- (d) In the absence of confirmation from Creditors amounting to Rs. 130.05 million and Other Payables of Rs. 24.35 million, could not be verified. Moreover, during the year a sum of Rs. 61.10 million was written off against Creditors, confirmation of such balances was not provided for verification.
- (e) Confirmation from Company's lawyer regarding detail and status of pending cases filed by or against the Company, was not provided. Due to non-availability of such confirmation, status of such cases and their financial implications could not be ascertained.

- (f) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984.
- (g) In our opinion, except for the effects, if any, of the matters referred to in paragraphs (a) to (e):
- i) the statement of financial position and condensed statement of comprehensive income together 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 accounting policies 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;
- (h) In our opinion, except for the effects, if any, of the matters referred to in paragraphs (a) to (e) above, and to the best of our information 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, 2015 and of the loss, its cash flows and changes in equity for the year then ended; and
- (i) 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, which indicates that the Company incurred loss before tax of Rs. 80.70 million (2014: Rs. 123.25 million) during the year ended June 30, 2015 resulting into accumulated loss of Rs. 347.32 million and negative equity of Rs. 267.32 million. Also, as of that date, the Company's current liabilities exceeded its total assets by Rs. 504.85 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.

Lahore: 07 OCT 2015


 UHY Hassan Naeem & Co.
 Chartered Accountants
 Ibne Hassan, FCA

DAR ES SALAAM

Dar Es Salaam Textile Mills Limited

Statement of Financial Position

As at June 30, 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|------|----------------------|----------------------|
| Non-current assets | | | |
| Fixed assets | 5 | 723,583,143 | 792,217,341 |
| Long term deposits | 6 | 1,649,458 | 1,649,458 |
| | | <u>725,232,601</u> | <u>793,866,799</u> |
| Current assets | | | |
| Stores and spares | 7 | 6,933,740 | 20,483,648 |
| Stock-in-trade | 8 | 10,189 | 10,116,397 |
| Trade debts | 9 | - | 6,211,739 |
| Advances, deposits, prepayments and other receivables | 10 | 14,044,357 | 8,988,283 |
| Tax refunds due from Government | 11 | 52,016,715 | 51,913,897 |
| Cash and bank balances | 12 | 589,367 | 7,092,851 |
| | | <u>73,594,368</u> | <u>104,806,815</u> |
| Current liabilities | | | |
| Trade and other payables | 13 | 180,096,579 | 223,318,098 |
| Short term borrowings | 14 | 172,674,481 | 172,720,669 |
| Current portion of long term loan | 17 | 158,539,547 | 126,546,477 |
| Mark-up accrued | 15 | 67,131,592 | 30,859,421 |
| Provision for taxation | | - | - |
| | | <u>578,442,199</u> | <u>553,444,665</u> |
| Working capital employed | | <u>(504,847,831)</u> | <u>(448,637,850)</u> |
| | | <u>220,384,770</u> | <u>345,228,949</u> |
| Non-current liabilities | | | |
| Subordinated sponsors' loan | 16 | - | - |
| Long term loan | 17 | - | 31,993,070 |
| Retirement benefits | 18 | - | 12,749,108 |
| Deferred tax liability | 19 | 51,739,967 | 65,950,474 |
| | | <u>51,739,967</u> | <u>110,692,652</u> |
| Contingencies and commitments | 20 | | |
| Net capital employed | | <u>168,644,803</u> | <u>234,536,297</u> |
| Represented by: | | | |
| Share capital and reserves | | | |
| Authorized share capital (15,000,000 Ordinary shares of Rs. 10 each) | | <u>150,000,000</u> | <u>150,000,000</u> |
| Share capital | 21 | 80,000,000 | 80,000,000 |
| Accumulated losses | | <u>(347,318,671)</u> | <u>(313,581,826)</u> |
| | | <u>(267,318,671)</u> | <u>(233,581,826)</u> |
| Surplus on revaluation of fixed assets - net of tax | 22 | <u>435,963,474</u> | <u>468,118,123</u> |
| | | <u>168,644,803</u> | <u>234,536,297</u> |

The annexed notes 1 to 41 form an integral part of these financial statements.

Faisal Mukhtar
Chief Executive Officer

Abida Mukhtar
Director

Lahore: 07 OCT 2015

Dar Es Salaam Textile Mills Limited
Condensed Statement of Comprehensive Income
For the year ended June 30, 2015

| | Note | 2015 Rupees | 2014 Rupees |
|--|------|----------------|----------------|
| Sales | 23 | 32,585,974 | 1,363,715,008 |
| Cost of sales | 24 | 114,345,172 | 1,483,815,417 |
| Gross loss | | (81,759,197) | (120,100,409) |
| Operating expenses: | | | |
| Administrative expenses | 25 | 21,571,727 | 68,006,837 |
| Distribution cost | 26 | 36,180 | 2,156,957 |
| | | 21,607,907 | 70,163,794 |
| Operating loss | | (103,367,104) | (190,264,203) |
| Finance cost | 27 | (39,526,763) | (42,212,033) |
| Other income | 28 | 70,935,394 | 158,082,308 |
| Other operating charges | 29 | (8,738,765) | (48,852,559) |
| Profit/(loss) before taxation | | (80,697,238) | (123,246,487) |
| Taxation | 30 | 14,805,745 | 13,017,962 |
| Profit/(loss) after taxation | | (65,891,493) | (110,228,525) |
| Other comprehensive income for the year | | | |
| <i>Items that will never be reclassified to comprehensive income</i> | | | |
| Incremental depreciation for the year | | 32,154,649 | 26,093,615 |
| Revaluation gain realized over disposals | 22 | - | 13,280,680 |
| Re-measurement of defined benefit liability | 18 | - | 421,054 |
| | | 32,154,649 | 39,795,349 |
| Total comprehensive income/(loss) for the year | | (33,736,845) | (70,433,176) |
| Profit/(loss) per share - basic and diluted | 31 | (8.24) | (13.78) |

The annexed notes 1 to 41 form an integral part of these financial statements.

Lahore: 07 OCT 2015

Faisal Mukhtar
Chief Executive Officer

Abida Mukhtar
Director

Dar Es Salaam Textile Mills Limited
Statement of Cash Flows
For the year ended June 30, 2015

| | Note | 2015 Rupees | 2014 Rupees |
|---|-------|---------------------|----------------------|
| Cash flow from operating activities | | | |
| Loss before taxation | | (80,697,238) | (123,246,487) |
| Adjustments for: | | | |
| Depreciation | 5.1.1 | 64,374,078 | 70,593,791 |
| Amortization | 25 | 95,426 | 293,684 |
| Sponsors loan written off | | - | (80,240,000) |
| Finance cost | 27 | 39,526,763 | 42,212,033 |
| Bad debts written off | | - | 8,591,686 |
| Trade and other payables written off | 28 | (61,099,356) | (77,842,308) |
| Trade debts written off | 29 | 2,304,987 | 32,797,203 |
| Loss / (profit) on disposal of fixed assets | 28 | (836,038) | 12,038,674 |
| Provision for gratuity | | - | 3,753,946 |
| Obsolete spares written off | 29 | 6,433,778 | - |
| Loss from operations | | (29,897,600) | (111,047,778) |
| Working capital changes | | | |
| Stores and spares | | 7,116,130 | 14,381,105 |
| Stock-in-trade | | 10,106,208 | 143,706,998 |
| Trade debts | | 3,906,752 | 31,858,431 |
| Advances, deposits, prepayments and other receivables | | (5,056,074) | (21,133,092) |
| Trade and other payables | | 8,741,224 | 18,518,558 |
| | | 24,814,241 | 187,332,000 |
| Cash generated from/(used in) operations | | (5,083,360) | 76,284,222 |
| Finance cost paid | | (3,254,588) | (25,892,160) |
| Gratuity paid | | (3,612,495) | (7,734,259) |
| Taxation paid | | 492,420 | (8,193,977) |
| | | (6,374,663) | (41,820,396) |
| Net cash generated from/(used) in operating activities | | (11,458,023) | 34,463,826 |
| Cash flow from investing activities | | | |
| Additions in property, plant and equipment | 5.1 | (484,272) | (2,806,619) |
| Long term deposits | | - | (307,373) |
| Proceeds from sale of fixed assets | 5.1.4 | 5,485,000 | 31,540,000 |
| Net cash flow from investing activities | | 5,000,728 | 28,426,008 |
| Cash flow from financing activities | | | |
| Long term loans | | - | (26,164,073) |
| Short term finance | | (46,188) | (35,634,114) |
| Net cash used in financing activities | | (46,188) | (61,798,187) |
| Net increase/(decrease) in cash and cash equivalents | | (6,503,483) | 1,091,647 |
| Cash and cash equivalents at beginning of the year | | 7,092,851 | 6,001,204 |
| Cash and cash equivalents at the end of the year | 12 | 589,367 | 7,092,851 |

The annexed notes 1 to 41 form an integral part of these financial statements.

Lahore: 07 OCT 2015

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, 2015

| | Share capital Rupees | Accumulated losses Rupees | Total Rupees |
|---|-------------------------|---------------------------------|----------------------|
| Balance as at July 01, 2014 | 80,000,000 | (243,148,650) | (163,148,650) |
| Total comprehensive income for the year | - | (70,433,176) | (70,433,176) |
| Balance as at June 30, 2014 | <u>80,000,000</u> | <u>(313,581,826)</u> | <u>(233,581,826)</u> |
| Balance as at July 01, 2014 | 80,000,000 | (313,581,826) | (233,581,826) |
| Total comprehensive loss for the year | - | (33,736,845) | (33,736,845) |
| Balance as at June 30, 2015 | <u>80,000,000</u> | <u>(347,318,671)</u> | <u>(267,318,671)</u> |

The annexed notes 1 to 41 form an integral part of these financial statements.

Lahore: 07 OCT 2015

Faisal Mukhtar
 Chief Executive Officer

Abida Mukhtar
 Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Dar Es Salaam Textile Mills Limited

Notes to the Financial Statements

For the year ended June 30, 2015

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 has been facing operational issues for the last couple of years including shut down of electricity due to heavy rain storm and shortage of gas supplies due to which the Company has incurred loss before tax of Rs. 80.70 million (2014: Rs. 123.25 million) and has accumulated losses amounting to Rs. 347.32 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 504.84 million (2014: Rs. 448.638 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 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 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.. Management expects 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 utilizing such funds to increase its operations and achieve its budgeted targets for production of yarn.

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 an 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.

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. Except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.4 Use of estimates and judgments

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

a. Property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 5.1.

b. Taxation

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

c. Provisions

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

d. Revaluation of fixed assets

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

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

e. Contingencies

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

f. Provision for doubtful debts, advances and other receivables

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

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

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

2.5 Functional Currency

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

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

3.1 New and revised approved accounting standards, interpretations and amendments thereto

There were certain new standards and amendments to the approved accounting standards which became effective during the period but are considered not to be relevant or having significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (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. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Company's financial statements.
- IFRS 12 'Disclosure of Interests 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. The adoption of this standard is not likely to have an impact on Company's financial statements.
- 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. The adoption of this standard is not likely to have an impact on Company's financial statements.
- Amendments to IAS 27 'Separate Financial Statements' (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. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- **Agriculture: Bearer Plants** [Amendments 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. The adoption of the amended standard is not likely to have an impact on Company's financial statements.
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.** IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owner to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- **IFRS 7 'Financial Instruments- Disclosures'.** IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- **IAS 19 'Employee Benefits'.** IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- **IAS 34 'Interim Financial Reporting'.** IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4 Significant accounting policies

4.1 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.

4.2 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.

4.3 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.

4.4 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.

4.5 Contingencies and commitments

Contingencies and commitments are recognized only when they become due.

4.6 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 5.1 to the financial statements. Depreciation on additions is charged from the date when the asset is available for use and on deletions up to the date when the assets is derecognized.

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

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

Capital work in progress

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

Intangible assets

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

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 Related party transactions

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

4.19 Dividend and reserves

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

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

| 5 Fixed assets | Note | 2015 | 2014 |
|-------------------------------|------|--------------------|--------------------|
| | | Rupees | Rupees |
| Property, plant and equipment | 5.1 | 723,033,529 | 791,572,301 |
| Intangibles | 5.2 | 549,614 | 645,040 |
| | | <u>723,583,143</u> | <u>792,217,341</u> |

Notes to the Financial Statements
For the year ended June 30, 2015

5.1 Property, plant and equipment

| Particulars | Owned assets | | | | | | Total |
|-----------------------------|---------------|---------------------------|---------------------|------------------------|------------------|-----------|---------------|
| | Freehold land | Building on freehold land | Plant and machinery | Furniture and fittings | Office equipment | Computer | |
| Cost | | | | | | | |
| Balance at July 01, 2013 | 39,578,125 | 223,173,525 | 1,145,822,030 | 4,302,653 | 19,894,182 | 4,117,250 | 1,444,368,201 |
| Additions | - | - | 1,885,419 | 80,000 | - | 97,900 | 2,806,619 |
| Transfers | - | 2,004,174 | - | - | - | - | 2,004,174 |
| Revaluation surplus | 4,155,704 | 26,048,565 | 79,550,903 | - | - | - | 109,755,172 |
| Disposal | - | - | (58,299,482) | - | - | - | (58,643,482) |
| Balance at June 30, 2014 | 43,733,830 | 251,226,264 | 1,168,958,870 | 4,382,653 | 19,894,182 | 4,215,150 | 1,500,290,684 |
| Balance as at July 01, 2014 | 43,733,830 | 251,226,264 | 1,168,958,870 | 4,382,653 | 19,894,182 | 4,215,150 | 1,500,290,684 |
| Additions | - | - | - | - | - | - | 484,264 |
| Transfers | - | - | - | - | - | - | - |
| Revaluation surplus | - | - | - | - | - | - | - |
| Disposal/(Adjustment) | - | - | - | - | - | - | (7,398,000) |
| Balance at June 30, 2015 | 43,733,829 | 251,226,266 | 1,168,958,869 | 4,382,653 | 19,894,182 | 4,215,150 | 1,493,376,949 |
| Depreciation | | | | | | | |
| Balance as at July 01, 2013 | - | 83,874,816 | 549,600,674 | 2,665,576 | 12,638,336 | 2,495,126 | 653,189,400 |
| For the year | - | 7,462,618 | 60,380,065 | 159,926 | 1,327,193 | 163,841 | 70,593,791 |
| Disposal | - | - | (14,803,571) | - | - | - | (15,064,808) |
| Balance at June 30, 2014 | - | 91,337,434 | 595,177,168 | 2,825,502 | 13,965,529 | 2,658,967 | 708,718,383 |
| Balance as at July 01, 2014 | - | 91,337,434 | 595,177,168 | 2,825,502 | 13,965,529 | 2,658,967 | 708,718,382 |
| For the year | - | 7,813,756 | 54,587,817 | 107,068 | 1,229,528 | 284,234 | 64,374,078 |
| Disposal | - | - | - | - | - | - | (2,749,038) |
| Balance at June 30, 2015 | - | 99,151,190 | 649,764,986 | 2,888,919 | 15,195,058 | 2,943,201 | 770,343,422 |
| Carrying value 2014 | 43,733,830 | 159,888,830 | 573,781,702 | 1,557,151 | 5,928,653 | 1,556,183 | 791,572,301 |
| Carrying value 2015 | 43,733,829 | 152,075,075 | 519,193,884 | 1,493,734 | 4,699,124 | 1,271,949 | 723,033,527 |
| Rate of depreciation (%) | 0% | 5% | 10% | 10% | 20% | 10% | 20% |

5.1.1 Depreciation for the year has been allocated as under:

| | Note | 2015 Rupees | 2014 Rupees |
|-------------------------|------|-------------------|-------------------|
| Cost of sales | 24 | 63,086,596 | 69,123,244 |
| Administrative expenses | 25 | 1,287,482 | 1,470,547 |
| | | <u>64,374,078</u> | <u>70,593,791</u> |

5.1.2 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.

5.1.3 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 |
|---------------------------|--------------------|--------------------------|--------------------|
| 2015 | | | |
| Freehold land | 2,346,030 | - | 2,346,030 |
| Building on freehold land | 68,979,500 | 45,627,019 | 23,352,481 |
| Plant and machinery | 468,278,699 | 343,302,478 | 124,976,221 |
| | <u>539,604,229</u> | <u>388,929,497</u> | <u>150,674,732</u> |
| 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 |
| | <u>539,604,229</u> | <u>373,814,172</u> | <u>165,790,057</u> |

5.1.4 Disposal of property, plant and equipment

| Particulars | Cost | Accumulated depreciation | Carrying value | Sales proceeds | Profit/ (loss) |
|----------------|-------------------|--------------------------|-------------------|-------------------|---------------------|
| Suzuki Cultus | 1,060,000 | 290,132 | 769,868 | 850,000 | 80,132 |
| Toyota Altas | 1,840,000 | 731,753 | 1,108,247 | 1,285,000 | 176,753 |
| Hundai Santro | 619,000 | 477,828 | 141,172 | 350,000 | 208,828 |
| Toyota Vitz | 1,125,000 | 159,287 | 965,713 | 900,000 | (65,713) |
| Suzuki Swift | 1,075,000 | 415,843 | 659,157 | 900,000 | 240,843 |
| Toyota Corolla | 1,679,000 | 674,195 | 1,004,805 | 1,200,000 | 195,195 |
| 2015 | <u>7,398,000</u> | <u>2,749,038</u> | <u>4,648,962</u> | <u>5,485,000</u> | <u>836,038</u> |
| 2014 | <u>58,643,482</u> | <u>15,064,808</u> | <u>43,578,674</u> | <u>31,540,000</u> | <u>(12,038,674)</u> |

5.2 Intangibles - computer software

| | | | |
|-----------------|----|------------------|------------------|
| Cost | | <u>1,874,241</u> | <u>1,874,241</u> |
| Amortization | | | |
| Opening balance | | 1,229,201 | 935,517 |
| For the year | 25 | 95,426 | 293,684 |
| Closing balance | | <u>1,324,627</u> | <u>1,229,201</u> |
| | | <u>549,614</u> | <u>645,040</u> |

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

| 6 | Long term deposits | | 2015 Rupees | 2014 Rupees |
|----|---|-----------|--------------------|-------------------|
| | Security deposits against utilities | | <u>1,649,458</u> | <u>1,649,458</u> |
| 7 | Stores and spares | | 2015 Rupees | 2014 Rupees |
| | Stores | | 595,053 | 950,332 |
| | Spares | | 12,208,484 | 17,386,831 |
| | Packing material | | <u>905,036</u> | <u>2,487,540</u> |
| | | | <u>13,708,573</u> | <u>20,824,703</u> |
| | Less: Provision for obsolete items | | (341,055) | (341,055) |
| | Obsolete spares written off | 29 | <u>(6,433,778)</u> | <u>-</u> |
| | | | <u>6,933,740</u> | <u>20,483,648</u> |
| | 7.1 Stores and spares does not include any item that has been purchased for the purpose of capital expenditure. | | | |
| | 7.2 This represents spares tools written off during the year | | | |
| 8 | Stock-in-trade | | 2015 Rupees | 2014 Rupees |
| | Work-in-process | | - | 7,848,082 |
| | Finished goods | | <u>10,189</u> | <u>2,268,315</u> |
| | | | <u>10,189</u> | <u>10,116,397</u> |
| 9 | Trade debts | | 2015 Rupees | 2014 Rupees |
| | Considered good - unsecured | | <u>-</u> | <u>6,211,739</u> |
| 10 | Advances, deposits, prepayments and other receivables | | 2015 Rupees | 2014 Rupees |
| | Advances to employees - secured - considered good | | 361,910 | 599,515 |
| | Advances - unsecured - considered good | | | |
| | - Suppliers | | 341,840 | 2,356,732 |
| | - Expenses | | 102,197 | 132,532 |
| | Prepayments | | 720,362 | 720,362 |
| | Short term security deposits | | 3,349,324 | 3,349,324 |
| | Others | | 9,168,724 | 1,829,818 |
| | | | <u>14,044,357</u> | <u>8,988,283</u> |
| 11 | Tax refunds due from Government | | 2015 Rupees | 2014 Rupees |
| | Income tax deducted at source | Note 11.1 | 43,055,334 | 43,984,770 |
| | Sales tax - net | | <u>8,961,381</u> | <u>7,929,127</u> |
| | | | <u>52,016,715</u> | <u>51,913,897</u> |

11.1 Income tax deducted at source

| | | |
|---------------------------|-------------------|-------------------|
| Opening balance | 43,984,770 | 33,527,930 |
| Add: Paid during the year | (929,436) | 9,372,594 |
| | <u>43,055,334</u> | <u>42,900,524</u> |
| Less: Adjustments | - | 1,084,246 |
| 20.1.1 & 20.1.2 | <u>43,055,334</u> | <u>43,984,770</u> |

12 Cash and bank balances

| | 2015 Rupees | 2014 Rupees |
|----------------------------------|----------------|------------------|
| Cash in hand | 155,701 | 21,315 |
| Cash at banks - current accounts | <u>433,667</u> | <u>7,071,536</u> |
| | <u>589,367</u> | <u>7,092,851</u> |

13 Trade and other payables

| | Note | 2015 Rupees | 2014 Rupees |
|------------------------------------|------|--------------------|--------------------|
| Creditors | 13.1 | 130,050,735 | 182,377,570 |
| Accrued liabilities | | 16,418,264 | 15,435,356 |
| Tax deducted at source | | 7,356,844 | 4,990,306 |
| Advances from customers | | 757,829 | 2,031,749 |
| Payable to Provident Fund Trust | | - | 2,340,385 |
| Unclaimed dividend | | 1,159,777 | 1,159,777 |
| Workers' profit participation fund | | - | 491,732 |
| Workers' welfare fund | | - | 186,858 |
| Others | 13.2 | <u>24,353,131</u> | <u>14,304,365</u> |
| | | <u>180,096,579</u> | <u>223,318,098</u> |

13.1 During the year an amount of Rs. 61.099 million relating to payables to parties has been written off.

13.2 This includes an amount of Rs.9.13 million relating to gratuity payable to employees who were terminated during the year but their dues are pending for settlement.

14 Short term borrowings

| | Note | 2015 Rupees | 2014 Rupees |
|---|------|--------------------|--------------------|
| Short term borrowings - from commercial banks | 14.1 | <u>172,674,481</u> | <u>172,720,669</u> |

14.1 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 (2014: one to six months KIBOR plus a spread of 1.75 to 3.50 percent per annum), payable quarterly.

The aggregate available short term funded facilities amounts to Rs. 188.56 million (2014: 140.37 million). Total balance at reporting date Rs.172.67 million pertains to a facilities expired before reporting date.

15 Mark-up accrued

| | Note | 2015 Rupees | 2014 Rupees |
|---|------|-------------------|-------------------|
| Mark-up on short term borrowings | | 36,317,713 | 15,709,089 |
| Mark-up on long term loan | | 30,813,878 | 15,079,226 |
| Mark-up on workers' profit participation fund payable | | - | 71,106 |
| | | <u>67,131,592</u> | <u>30,859,421</u> |

| 16 Subordinated sponsors' loan | Note | 2015 Rupees | 2014 Rupees |
|---|------|----------------|----------------|
| Opening balance | | - | 80,240,000 |
| Balance written off during the year | 28 | - | (80,240,000) |
| | 16.1 | - | - |
| 16.1 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. | | | |
| 17 Long term loan - secured | Note | 2015 Rupees | 2014 Rupees |
| Demand finance from commercial banks: | | | |
| - Bank of Punjab | 17.1 | 14,900,000 | 14,900,000 |
| - United Bank Limited (NIDF-V) | 17.2 | 14,959,062 | 14,959,062 |
| - United Bank Limited (NIDF-VI) | 17.3 | 20,000,000 | 20,000,000 |
| - National Bank of Pakistan | 17.4 | 78,749,958 | 78,749,958 |
| - Silk Bank Limited (FIM swap) | 17.5 | 9,406,527 | 9,406,527 |
| - National Bank of Pakistan (CF swap) | 17.6 | 15,976,000 | 15,976,000 |
| - National Bank of Pakistan (Frozen mark-up) | 17.7 | 4,548,000 | 4,548,000 |
| | | 158,539,547 | 158,539,547 |
| Less: Current portion | | (158,539,547) | (126,546,477) |
| | | - | 31,993,070 |
| 17.1 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 markup at the rate of average 6 Month KIBOR plus 350 basis points with floor rate of 12%. As per rescheduled term, the loan is repayable in 1.5 years commencing from February 07, 2013 in quarterly instalments of Rs. 3,000 million each. | | | |
| 17.2 This represents demand finance (NIDF-V) of Rs. 16.830 millions sanctioned by United Bank Limited on December 18, 2009 for restructuring financial requirements. As per rescheduled terms, it carries markup 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. | | | |
| 17.3 This represents demand finance (NIDF-VI) of Rs. 22.50 million converted from FE-25 / NICF-Pledge for restructuring of financial requirements by United Bank Limited on June 03, 2013. It carries markup 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. | | | |
| 17.4 This represents demand finance of Rs. 90.00 millions 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 markup 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. | | | |
| 17.5 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. | | | |
| 17.6 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. | | | |
| 17.7 The above loans are secured against 1st pari passu charge on fixed assets for Rs 532.00 million. | | | |
| 17.8 Current portion include an amount of Rs.126.55 payable during the financial year June 30, 2015. | | | |

| 18 Retirement benefits | Note | 2015 Rupees | 2014 Rupees | | |
|--|----------|-------------------|-------------------|-------------------|------------------|
| 18.1 Principal actuarial assumptions | | | | | |
| Discount rate | | - | 13.25% p.a. | | |
| Expected rate of increase in salary level | | - | 12.25% p.a. | | |
| Average remaining working life | | - | 10 years | | |
| 18.2 Movement in net liability recognised | | | | | |
| Opening liability | | 12,749,108 | 17,150,475 | | |
| Charge for the year | 18.4 | - | 3,753,946 | | |
| Re-measurement of defined benefit liability | | - | (421,054) | | |
| Benefits paid in the year | | (3,612,495) | (7,734,259) | | |
| Transferred to other payables | 18.6 | (9,136,613) | | | |
| | | <u>-</u> | <u>12,749,108</u> | | |
| 18.3 The amount recognised in the statement of financial position are as follows: | | | | | |
| Present value of benefit obligation | | - | 12,800,166 | | |
| Fair value of plan assets | | - | (51,058) | | |
| | | <u>-</u> | <u>12,749,108</u> | | |
| 18.4 Charged to statement of comprehensive income for the year | | | | | |
| Current service cost | | - | 2,555,322 | | |
| Interest cost | | - | 1,198,624 | | |
| Expected return on plan assets | | - | - | | |
| | | <u>-</u> | <u>3,753,946</u> | | |
| 18.5 Historical information | | | | | |
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Present value of defined benefit obligation | <u>-</u> | <u>12,800,166</u> | <u>17,201,533</u> | <u>13,553,852</u> | <u>4,661,691</u> |
| Experience adjustments on plan liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(53,819)</u> |
| 18.6 This represents balance payable to employees who were terminated during the year. The liability has been rearranged due to change in the nature of liability (note 13.2). | | | | | |

19 Deferred tax liability

| | Opening balance | Charge for the year | Closing balance |
|---|-------------------|---------------------|-------------------|
| 2015 | | | |
| Accelerated tax depreciation | 67,077,184 | 14,099,675 | 52,977,509 |
| Unused tax losses and tax credits | (48,398,265) | 706,070 | (48,509,097) |
| Surplus on revaluation of property, plant and equipment | 47,271,555 | - | 47,271,555 |
| | 65,950,474 | 14,805,745 | 51,739,967 |
| 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 |

20 Contingencies and commitments

20.1 Contingencies

20.1.1 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.

20.1.2 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 management is very positive that the case will be settled in favour of the Company in appellate forum on the basis of precedents available from Income Tax Appellate Tribunal and Lahore High Court decisions, and resulting liabilities will be nullified and taxable loss will be restored.

20.1.3 The tax department issued notice amounting to Rs. 1,282,588 relating to crest case of different yarn parties, the Company appealed to the Commissioner 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 Commissioner Inland Revenue for re-assessment. The management is hopeful that such liability will be withdrawn by tax authorities in favour of the Company.

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

20.2 Commitments

20.2.1 Letter of credit amounting to Nil (2014: Nil).

20.2.2 Letter of guarantee issued in favour of SNGPL amounting to Rs. 14.906 million (2014: Rs. 14.906 millions).

| 21 | Share capital | 2015 Rupees | 2014 Rupees |
|------|--|--------------------|--------------------|
| 21.1 | Issued , subscribed and paid -up: 8,000,000 Ordinary shares (2014: 8,000,000 ordinary shares) of Rs. 10/- each, issued for consideration in cash. | <u>80,000,000</u> | <u>80,000,000</u> |
| 21.2 | The shareholders'are entitledto 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. | | |
| 22 | Surplus on revaluation of fixed assets - net of tax | 2015 Rupees | 2014 Rupees |
| | Opening balance | 515,389,678 | 458,450,967 |
| | Revaluation surplus on fixed assets | - | 109,755,172 |
| | | <u>515,389,678</u> | <u>568,206,139</u> |
| | Transferred to accumulated loss on account of incremental depreciation-net of tax | (32,154,649) | (39,535,781) |
| | Realized on disposal of property, plant and equipment | - | (13,280,680) |
| | | <u>483,235,029</u> | <u>515,389,678</u> |
| | Less: Related deferred tax liability | <u>47,271,555</u> | <u>47,271,555</u> |
| | | <u>435,963,474</u> | <u>468,118,123</u> |

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

Freehold Land

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

Buildings on freehold land

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

Plant and machinery

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

| 23 | Sales | Note | 2015 Rupees | 2014 Rupees |
|------|--|-------|--------------------|----------------------|
| | Local sales | | 33,101,648 | 1,398,410,813 |
| | Export sales | | - | - |
| | | | <u>33,101,648</u> | <u>1,398,410,813</u> |
| | Less: Commission | | - | (3,960,956) |
| | Sales tax | | (515,674) | (30,734,849) |
| | | | <u>32,585,974</u> | <u>1,363,715,008</u> |
| 24 | Cost of sales | Note | 2015 Rupees | 2014 Rupees |
| | Salaries, wages and other benefits | 24.1 | 9,444,989 | 96,925,857 |
| | Raw material consumed | 24.2 | 17,834,790 | 1,070,957,197 |
| | Fuel and power | | 11,498,001 | 178,547,747 |
| | Depreciation | 5.1.1 | 63,086,596 | 69,123,244 |
| | Packing material | | 482,518 | 17,582,066 |
| | Stores and spares | | 483,848 | 31,514,639 |
| | Repair and maintenance | | 736,757 | 3,073,611 |
| | Insurance | | 671,465 | 3,522,629 |
| | | | <u>104,238,964</u> | <u>1,471,246,990</u> |
| | Opening work-in-process | | 7,848,082 | 15,809,469 |
| | Closing work-in-process | | - | (7,848,082) |
| | Cost of goods manufactured | | <u>112,087,046</u> | <u>1,479,208,377</u> |
| | Opening stock of finished goods | | 2,268,315 | 6,875,355 |
| | Closing stock of finished goods | | (10,189) | (2,268,315) |
| | | | <u>114,345,172</u> | <u>1,483,815,417</u> |
| 24.1 | Salaries, wages and other benefits include Rs. nil million(2014: Rs. 3.003 million)in respect of retirement benefit. | | | |
| 24.2 | Raw material consumed | | | |
| | Opening balance | | - | 131,138,571 |
| | Purchases | | 17,834,790 | 948,173,771 |
| | Raw material sold directly | | - | (8,355,145) |
| | Closing balance | | - | - |
| | | | <u>17,834,790</u> | <u>1,070,957,197</u> |
| 25 | Administrative expenses | Note | 2015 Rupees | 2014 Rupees |
| | Salaries, wages and other benefits | 25.1 | 9,212,917 | 26,817,748 |
| | Travelling and conveyance | | 2,071,705 | 5,337,795 |
| | Postage, telephone and telegram | | 191,923 | 1,875,666 |
| | Rents, rates and taxes | | 272,214 | 2,596,633 |
| | Vehicle running and maintenance | | 1,173,685 | 5,731,199 |
| | Fees and subscription | | 761,869 | 1,413,389 |
| | Electricity | | 1,974,108 | 3,489,604 |
| | Repair and maintenance | | 104,667 | 1,375,742 |
| | Legal and professional charges | | 623,664 | 4,822,890 |
| | Depreciation | 5.1.1 | 1,287,482 | 1,470,547 |
| | Entertainment | | 80,515 | 882,578 |
| | Medical expenses | | 122,037 | 812,550 |
| | Printing and stationery | | 32,665 | 737,209 |

| | | | |
|---|------|-------------------|-------------------|
| Auditors' remuneration | 25.2 | 250,000 | 430,000 |
| School expenses | | 179,448 | 784,259 |
| Amortization | 5.2 | 95,426 | 293,684 |
| Bad debts written off | | - | 8,591,686 |
| Provision for obsolete store and spares | | - | 131,055 |
| Miscellaneous | | 3,137,402 | 412,603 |
| | | <u>21,571,727</u> | <u>68,006,837</u> |

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

25.2 Auditors' remuneration

| | | |
|--------------------|----------------|----------------|
| Annual audit fee | 200,000 | 200,000 |
| Half yearly review | 50,000 | 50,000 |
| Tax consultancy | - | 180,000 |
| | <u>250,000</u> | <u>430,000</u> |

| 26 | Distribution cost | Note | 2015 Rupees | 2014 Rupees |
|----|--------------------|------|----------------|------------------|
| | Loading charges | | 36,180 | 1,876,772 |
| | Courier charges | | - | 131,025 |
| | Freight and octroi | | - | 14,500 |
| | Advertisement | | - | 6,980 |
| | Others | | - | 127,680 |
| | | | <u>36,180</u> | <u>2,156,957</u> |

| 27 | Finance cost | Note | 2015 Rupees | 2014 Rupees |
|----|---|------|-------------------|-------------------|
| | Mark-up on long term loans | | 15,734,651 | 14,847,671 |
| | Mark-up on short term borrowings | | 20,559,238 | 25,015,285 |
| | Commission and bank charges | | 3,232,874 | 2,277,971 |
| | Mark-up on workers' profit participation fund payable | | - | 71,106 |
| | | | <u>39,526,763</u> | <u>42,212,033</u> |

| 28 | Other income | Note | 2015 Rupees | 2014 Rupees |
|----|---|-------|-------------------|--------------------|
| | Sponsors loan written off | 16 | - | 80,240,000 |
| | Profit on disposal of property, plant and equipment - net | 5.1.4 | 836,038 | - |
| | Trade and other payables written off | 13.1 | 61,099,356 | 77,842,308 |
| | Lease rentals-factory | 28.1 | 9,000,000 | - |
| | | | <u>70,935,394</u> | <u>158,082,308</u> |

28.1 This represents the lease agreement between Company and Sally Textile Mills limited (lessee) commencing from October 15, 2014 on monthly rent amounting to Rs. 1,000,000. Whereby the lessee is responsible for maintenance and administration of the plant, running expenses including utilities, salaries and other expenses.

| 29 | Other operating charges | Note | 2015 Rupees | 2014 Rupees |
|----|---|-------|------------------|-------------------|
| | Loss on disposal of cotton | | - | 3,489,482 |
| | Exchange loss - net | 29.1 | - | 511,585 |
| | Excise duty receivable written off | | - | 15,615 |
| | Loss on disposal of property, plant and equipment - net | 5.1.4 | - | 12,038,674 |
| | Trade debts written off | | 2,304,987 | 32,797,203 |
| | Obsolete spares written off | 13.1 | 6,433,778 | - |
| | | | <u>8,738,765</u> | <u>48,852,559</u> |

29.1 The exchange loss is on account of short term borrowings in foreign currency and export sales realization.

| 30 | Taxation | Note | 2015 Rupees | 2014 Rupees |
|----|------------------------|------|-------------------|---------------------|
| | Current taxation | | | |
| | Current year | | - | - |
| | Prior year adjustments | | - | (7,621,790) |
| | Deferred tax | 19 | 14,805,745 | (5,396,172) |
| | | | <u>14,805,745</u> | <u>(13,017,962)</u> |

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

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

30.3 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.

| 31 | Loss per share | | 2015 | 2014 |
|------|--|--------|---------------------|----------------------|
| 31.1 | Loss per share - basic | | | |
| | Profit/(loss) after taxation | Rupees | <u>(65,891,493)</u> | <u>(110,228,525)</u> |
| | Weighted average number of ordinary shares | Number | <u>8,000,000</u> | <u>8,000,000</u> |
| | Loss per share - basic | Rupees | <u>(8.24)</u> | <u>(13.78)</u> |
| 31.2 | Loss per share - diluted | | | |

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

Notes to the Financial Statements
For the year ended June 30, 2015

32 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 | |
|---|----------|------|-----------------|-----------|---|-----------|------|------|------------|------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (Rupees) | | | | | | | | | |
| Managerial remuneration | - | - | 571,430 | 3,428,580 | 1,428,575 | 3,428,580 | - | - | 2,385,272 | 7,155,822 |
| Medical | - | - | 57,142 | 342,852 | 142,855 | 342,852 | - | - | 238,528 | 715,582 |
| Utilities | - | - | - | - | - | - | - | - | 255,760 | 767,290 |
| Retirement benefits | - | - | - | - | - | - | - | - | - | - |
| Group insurance | - | - | - | - | - | - | - | - | - | - |
| Rent and house maintenance | - | - | 171,428 | 1,028,568 | 428,570 | 1,028,568 | - | - | 715,584 | 2,146,747 |
| | - | - | 800,000 | 4,800,000 | 2,000,000 | 4,800,000 | - | - | 3,595,144 | 10,785,441 |
| 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.

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

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

33 Operating segments

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

33.2 Revenue from sale of cotton yarn represents 98 % (2014 : 99.03%) of the total revenue of the Company.

33.3 100% (2014: 100 %) sales of the Company relates to customers in Pakistan.

33.4 All non-current assets of the Company as at 30 June 2015 are located in Pakistan.

34 Financial assets and liabilities

Financial assets

| Maturity upto one year | Maturity after one year up to five year | Maturity after five year | 2015 | 2014 |
|---------------------------|--|-----------------------------|------|------|
| Rupees | | | | |

Non-interest bearing

| | | | | | |
|---|------------|-----------|---|------------|------------|
| Long term deposits | - | 1,649,458 | - | 1,649,458 | 1,649,458 |
| Trade debts | - | - | - | - | 6,211,739 |
| Advances, deposits, prepayments and other receivables | 14,044,357 | - | - | 14,044,357 | 8,988,283 |
| Cash and bank balances | 589,367 | - | - | 589,367 | 7,092,851 |
| | 14,633,724 | 1,649,458 | - | 16,283,182 | 23,942,331 |

Financial liabilities

| Effective yield / mark up rate | Maturity upto one year | Maturity after one year up to five year | Maturity after five year | 2015 | 2014 |
|---|---------------------------|--|-----------------------------|------|------|
|---|---------------------------|--|-----------------------------|------|------|

Interest bearingBalance sheet items

| | | | | | | |
|-----------------------|--------------------|-------------|---|---|-------------|-------------|
| Long term loan | 10.0% to 13.50% | 158,539,547 | - | - | 158,539,547 | 158,539,547 |
| Retirement benefits | 12.00% | - | - | - | - | 12,749,108 |
| Short term borrowings | 10.0% to 13.50% | 172,674,481 | - | - | 172,674,481 | 172,720,669 |

Non - interest bearing

| | | | | | | |
|--------------------------|--|-------------|---|---|-------------|-------------|
| Trade and other payables | | 179,338,750 | - | - | 179,338,750 | 221,286,349 |
| | | 510,552,778 | - | - | 510,552,778 | 565,295,673 |
| Off balance sheets items | | | | | | |
| Letter of guarantee | | 14,906,000 | - | - | 14,906,000 | 14,906,000 |
| | | 525,458,778 | - | - | 525,458,778 | 580,201,673 |

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 counterparties fail completely to perform as contracted.

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 16.849 million (2014: Rs. 23.942 million), the financial assets that are subject to credit risk amounted to Rs. 14.04 million (2014: Rs. 16.849 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 affected 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:

| | 2015 Rupees | 2014 Rupees |
|---|-------------------|-------------------|
| Trade debts | - | 6,211,739 |
| Advances, deposits, prepayments and other receivables | 14,044,357 | 8,988,283 |
| Cash and bank balances | 589,367 | 7,092,851 |
| | <u>14,633,724</u> | <u>22,292,873</u> |

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

| | | |
|--------------------------|----------|------------------|
| Due from local customers | - | 6,211,739 |
| | <u>-</u> | <u>6,211,739</u> |

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 |
| | <u>-</u> | <u>6,211,739</u> |

The aging of trade debts at the reporting date is :

| | | | |
|----------|------------------|----------|------------------|
| Past due | 0- 30 days | - | 4,720,922 |
| Past due | 31- 60 days | - | 1,055,996 |
| Past due | 61-90 days | - | 248,470 |
| Past due | 91- 120 days | - | 62,117 |
| Past due | 121 days or more | - | 124,235 |
| | | <u>-</u> | <u>6,211,740</u> |

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 | 4,224,299 | 19,124,299 |
| United Bank Limited (NIDF-V) | 14,959,062 | 2,723,100 | 17,682,162 |
| United Bank Limited (NIDF-VI) | 20,000,000 | 3,465,461 | 23,465,461 |
| National Bank of Pakistan | 78,749,958 | 20,401,019 | 99,150,977 |
| Silk Bank Limited (FIM swap) | 9,406,527 | 2,718,228 | 12,124,755 |
| 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 |
| | <u>158,539,547</u> | <u>35,798,818</u> | <u>194,338,365</u> |

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

There wasn't any transaction involving foreign currency during the year therefore the Company is not exposed to this risk.

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 | |
|-------------------------|------------|-----------------|--------|
| 2015 | 2014 | 2015 | 2014 |
| Percentage | Percentage | Rupees | Rupees |

Financial liabilities

Variable rate instruments

| | | | | |
|-----------------------|-----------------|-----------------|-------------|-------------|
| Long term loans | 10.0% to 13.50% | 10.0% to 13.50% | 158,539,547 | 158,539,547 |
| Short term borrowings | 10.0% to 13.50% | 10.0% to 13.50% | 172,674,481 | 172,720,669 |

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 2014.

| | Profit and loss 100 bp | |
|---|------------------------|----------|
| | Increase | decrease |
| As at 30 June 2015 | | |
| Cash flow sensitivity-Variable rate financial liabilities | (362,939) | 362,939 |
| As at 30 June 2014 | | |
| Cash flow sensitivity-Variable rate financial liabilities | (399,341) | 399,341 |

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, 2015 and June 30, 2014 were as follows:

| | 2015 Rupees | 2014 Rupees |
|---------------------------------|----------------|----------------|
| Total borrowings | 331,214,028 | 331,260,216 |
| Less: Cash and cash equivalents | (589,367) | (7,092,851) |
| Net debt | 330,624,661 | 324,167,365 |
| Total equity | (267,318,671) | (233,581,826) |
| Total capital | 63,305,990 | 90,585,539 |
| Gearing ratio | 522.26 | 357.86 |

| 35 Number of employees | 2015 Number | 2014 Number |
|--|----------------|----------------|
| Average number of employees for the year | 317 | 628 |
| Total number of employees at year end | 6 | 498 |

| 36 Provident fund trust | Unit | 2015 | 2014 |
|-------------------------|------|------|------|
|-------------------------|------|------|------|

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

| | | | |
|--------------------------------|------------|-----------|-----------|
| Size of fund - total assets | Rupees | 4,900,757 | 4,900,757 |
| Cost of investments made | Rupees | 195,820 | 195,820 |
| Percentage of investments made | Percentage | 4.00% | 4.00% |
| Fair value of investment | Rupees | 5,053,709 | 3,385,555 |

The breakup of fair value of investments is as follows:

| | 2015 | | 2014 | |
|----------------------------|-----------|------------|-----------|------------|
| | Rupees | Percentage | Rupees | Percentage |
| Shares in listed companies | 4,088,834 | 80.91% | 2,420,680 | 71.50% |
| Cash at bank | 964,875 | 19.09% | 964,875 | 28.50% |
| | 5,053,709 | 100.00% | 3,385,555 | 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.

| 37 Plant capacity and production | 2015 | 2014 |
|--|--------|--------|
| Number of spindles installed | 16,320 | 16,320 |
| Installed capacity converted into 20's count (Million Kgs.) | 7.530 | 7.530 |
| Actual production converted into 20's count (Million Kgs.) | 1.074 | 4.350 |
| Number of shifts worked | 276 | 1,095 |
| Days worked | 92 | 364 |

37.1 The company operated during the year for a period from July 01, 2014 till September 30, 2014. Later it was leased from October 15, 2014 (note 28.1).

37.2 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.

| 38 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:

| | 2015 Rupees | 2014 Rupees |
|-----------------------------|----------------|----------------|
| Sponsor's loan written off | - | 80,240,000 |
| Provident fund contribution | - | 456,182 |

39 Events after the statement of financial position date

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

40 Date of authorization for issue

These financial statements were authorized for issue on 07 OCT 2015 by the Board of Directors of the Company.

41 General

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

41.2 Figures have been rounded off to the nearest rupee.

Dar Es Salaam Textile Mills Limited

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 30, 2015 at 10:00 A.M. at the Four Seasons Hall, Queens Road, Lahore. and at any adjournment thereof.

As witness my hand this _____ day of _____ 2015.

Signature on Revenue
Stamp

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

Date: _____

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



DAR ES SALAAM
TEXTILE MILLS LIMITED

HEAD OFFICE:

63-B-I, Gulberg-III, Lahore. (Pakistan)

Ph : 042-35878643-4

MILLS :

10th Km, Muridke-Sheikhupura Road, Muridke.