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## COMPANY INFORMATION

<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Muhammad Rafique Khan Miss Abida Mukhtar Mr. Ejaz Akbar Khan	Chairman Member Member
<b>HR &amp; Remuneration Committee</b>	Mr. Muhammad Rafique Khan Mr. Faisal Mukhtar Miss Abida Mukhtar	Chairman Member Member
<b>Chief Financial Officer Company Secretary</b>	Mr. Shahid Amin Chaudhry	
<b>Share Registrar</b>	M/S Corplink (Pvt) Ltd Wing Arcade, 14-K, Commercial, Model Town, Lahore. Tel: 042-35839182, 042-35869037	
<b>Auditors</b>	M/s Hassan Naeem & Co. Chartered Accountants	
<b>Bankers</b>	National Bank of Pakistan The Bank of Punjab United Bank Limited BankIslami Pakistan Limited Faysal Bank Limited	
<b>Registered Office</b>	176-N, Scotch Corner, Upper Mall Lahore. Phones: (042) 35878643-44 Fax (042) 35878642	
<b>Factory</b>	10th Km Muridke-Sheikupura Road, Muridke.	

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 27<sup>th</sup> Annual General Meeting of the company will be held on Saturday 29th October, 2016 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 26th Annual General Meeting held on 30-10-2015.
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, 2016.
3. To appoint the auditors and fix their remuneration for the next financial year 2016-2017.
4. Any other matter with the permission of the chair.

By the order of the Board

Date: October 08, 2016  
Place: LAHORE

Muhammad Rafique Khan  
(Director)

### NOTES:

- I. 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.
- II. The Proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- III. Attested copies of NIC / Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- IV. The proxy shall produce his original NIC/Passport at the time of the meeting.
- V. The shares transfer books of the company will remain closed for fifteen days from 24-10-2016 to 07-11-2016. (Both days inclusive)
- VI. 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.
- VII. 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 27th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2016.

**Overview and Performance**

Due to the continued down turn being faced by the textile sector, the company was forced to shut down mill operations. Operations remained shut down during the period under review; the directors of the company are working on different possibilities to ensure that the mill becomes operational. The directors of your company have also decided not to take any remuneration from the company until the overall situation improves.

Description	June 30, 2016	June 30, 2015
	Rupees	Rupees
Turnover net	-	32,585,974
Cost of Sales	57,088,920	114,345,172
Gross Loss	(57,088,920)	(81,759,198)

**Loss per Share**

Loss per share of your company for the year ended June 30, 2016 is Rs. (7.75) as compared to Rs. (8.24) for the comparative year 30-June-2015.

**Replies of Management to the Auditors Observations / Reservations**

The replies to the queries of statutory auditor on annual accounts for the year ended 30 June 2016 are enclosed as Annexure - 'A' to this report.

**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, 2016 were approved by the Board of Directors on October 7, 2016 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 Pakistan Stock Exchange in its listing regulations, relevant for the year ended June 30, 2016 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. Muhammad Rafique Khan	4
7.	Mr. Muhammad Yousaf	4

## 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. Muhammad Rafique Khan	4
2.	Miss Abida Mukhtar	4
3.	Mr. Ejaz Akbar Khan	4

## 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.	Mrs. Mehvesh Faisal Mukhtar	1
2.	Mr. Muhammad Rafique Khan	1
3.	Mr. Faisal Mukhtar	1
4.	Miss Abida Mukhtar	1

## Auditors

The present auditors M/S. Hassan Naeem & Co Chartered Accountants retire and being eligible to offer themselves for re-appointment as auditors of the company for the year 2016-17. 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, 2017.

## Acknowledgement

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

For and on behalf of the Board



**FAISAL MUKHTAR**  
Chief Executive Officer

Lahore: October 07, 2016

## Annexure A to the Directors' Report

## Company's Replies to the Auditors Observations / Reservations

STATUTORY AUDITORS' RESERVATIONS	COMPANY'S REPLY
(a) We were unable to verify the amount payable to banks of Rs. 275.42 million on account of short and long term financing and markup accrued thereon. Further, markup expense for the year of Rs. 29.25 million could not be verified.	We are in the process of negotiation with banks to restructure our loans both Long term as well as short term facilities and interest thereon and the negotiable process is near to final stage and soon Inshallah it will be resolved. Because of this reasons the banks not confirmed the balances.
(b) Bank statements and bank confirmations were not provided, in the absence of which any banking transactions and bank balances as on closing date remained unverified.	Because of the reason mention in (a) the banks not confirmed these balances. Also the amount is immaterial to the financial statements.
(c) Physical verification of stock in trade and store and spares of Rs. 4.76 million was not carried out and it could also not be verified by applying alternative audit procedures	Because of the the timings of stock count is that we are in the process of dealing with our lessee to sell the closing inventory of store and spares also the written off the obsolete inventory is due to decrease in the market/sale value shown in financial statement as per our deal with lessee based on the present condition of the inventory.
(d) Creditors amounting to Rs. 130.05 million and Other Payables of Rs. 24.35 million, could not be verified in the absence of direct confirmations.	These represents old balances that were verified by the auditors in relevent years with confirmations as well as with other substantive audit procedures. We are also negotiating with creditors to setting of their liabilities in the next financial year.
(e) Confirmation from Company's Legal Advisor and tax consultant 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.	Confirmation letter was sent and relevant replies are awaited.

## Going Concern assumptions

The Company has been facing operational losses mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavorable textile policy of the Government, affecting the textile industry. Currently the Company has not been able to utilize its production capacity due to which the desired profitability remained unachieved.

As the statutory auditor of the company raise doubts on the company's ability to continue as a going concern. However these financials are prepared on going concern basis on the grounds that.

- a. The Company will continue to get support of its sponsors.
- b. The Company will continue to get support of its lenders and be able to obtain relaxation in payment terms of its over-due borrowings and
- c. The Company will be able to generate adequate liquidity through new short term borrowings and will be successful in utilizing funds to increase its operations and achieve its budgeted targets for production and sale of yarn.
- d. Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Clause 5.19 of Rule Book of Pakistan 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	Names
Independent Directors	Mr. Muhammad Rafique Khan
	Mr. Muhammad Yousaf
Executive Directors	Mr. Faisal Mukhtar
	Mr. Ejaz Akbar Khan
Non-Executive Directors	Mrs. Nilofar Mukhtar
	Mrs. Mahwesh Faisal Mukhtar
	Miss Abida Mukhtar

The independent directors meets the criteria of independence under clause 5.19.1(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 NBFIs, or being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year 2015-16.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. 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.
8. 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.

9. The board has not arranged Directors training programme for its directors during the year 2015-16.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. 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.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function.
19. 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with requirements relating to maintenance of register of persons having excess to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
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, 2016

**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") prepared by the Board of Directors ("the Board") of Dar Es Salaam Textile Mills Limited ("the Company") for the year ended June 30, 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange 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, except for the above instance of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Further, we would like to highlight instances of non-compliance with the requirements of the Code as reflected in paragraph 9 of the Statement of Compliance that the orientation courses of directors were not conducted.

Lahore: Date: October 07, 2016

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

**FINANCIAL HIGHLIGHTS OF THE LAST SEVEN YEARS**

PARTICULARS	Rs.	June 30 2016	June 30 2015	June 30 2014	June 30 2013 (Restated)	June 30 2012 (Restated)	June 30 2011	June 30 2010
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
Gross (Loss) / Profit	Rs.	(57,088,920)	(81,759,198)	(120,100,409)	118,265,770	14,317,112	24,601,141	111,342,061
(Loss) / Profit Before Tax	Rs.	(81,524,755)	(80,697,241)	(123,246,487)	(36,681,086)	(97,807,375)	(84,911,503)	9,156,049
(Loss) / Profit After Tax	Rs.	(62,026,931)	(65,891,496)	(110,228,525)	(37,508,866)	(114,709,314)	(95,777,469)	484,174
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.	119,990,979	168,644,801	234,536,297	248,030,762	285,539,628	410,450,018	404,986,110
Fixed Assets-Net	Rs.	665,228,758	723,583,143	792,217,341	794,121,699	861,345,847	1,000,229,725	882,363,050
Total Assets	Rs.	746,549,569	798,826,969	898,673,614	1,113,545,226	1,189,515,037	1,328,429,621	1,081,078,262
Production	Kgs	-	120,547	5,044,848	6,170,956	5,124,830	3,778,319	5,125,323
Sales	Kgs	-	120,905	5,059,863	6,199,397	5,072,575	3,825,347	5,172,905
Dividend-Cash		-	-	-	-	-	-	-
<b>Ratios Profitability</b>								
Gross Margin		0.00%	-250.90%	-8.81%	6.92%	1.07%	1.71%	10.27%
Profit (Loss) Before Tax		0.00%	-247.64%	-9.04%	-2.15%	-7.30%	-5.91%	0.84%
Profit (Loss) After Tax		0.00%	-202.21%	-8.08%	-2.20%	-8.56%	-6.67%	0.04%
<b>Return To Shareholders</b>								
Return on Equity (BT)		-67.94%	-47.85%	-52.55%	-14.79%	-34.25%	-20.69%	2.26%
Return on Equity (AT)		-51.69%	-39.07%	-47.00%	-15.12%	-40.17%	-23.33%	0.12%
Earnings Per Share (BT)	Rs.	(10.19)	(10.09)	(15.41)	(4.59)	(12.23)	(10.61)	1.14
Earnings Per Share (AT)	Rs.	(7.75)	(8.24)	(13.78)	(4.69)	(14.34)	(11.97)	0.06
<b>Activity</b>								
Sales to Total Assets (Times)		-	0.04	1.52	1.53	1.13	1.08	1.00
Sales to Fixed Assets (Times)		-	0.05	1.72	2.15	1.56	1.44	1.23
<b>Liquidity</b>								
Current Ratio (Times)		0.14	0.13	0.19	0.51	0.52	0.53	0.46
Break Up Value Per Share	Rs.	15.00	21.08	29.32	31.00	35.69	51.31	50.62

**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 **30-06-2016**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
131	1	100	6,993
966	101	500	471,178
61	501	1,000	58,974
61	1,001	5,000	157,591
18	5,001	10,000	143,103
6	10,001	15,000	71,863
3	15,001	20,000	60,000
2	20,001	25,000	44,891
3	25,001	30,000	77,500
1	35,001	40,000	36,500
1	40,001	45,000	44,750
1	65,001	70,000	70,000
1	75,001	80,000	80,000
1	110,001	115,000	112,291
1	165,001	170,000	168,568
1	240,001	245,000	241,750
1	260,001	265,000	261,787
1	300,001	305,000	302,500
1	515,001	520,000	516,750
1	820,001	825,000	824,125
1	1,290,001	1,295,000	1,290,960
1	1,420,001	1,425,000	1,420,697
1	1,535,001	1,540,000	1,537,229
<b>1265</b>			<b>8,000,000</b>

5. Categories of shareholders	Shareheld	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	261,787	3.2723
5.7 Share holders holding 10% or more	5,384,761	67.3095
5.8 General Public		
a. Local	3,521,866	44.0233
b. Foreign	0	-
5.9 Others (to be specified)		
1- Joint Stock Companies	32,219	0.4027
2- Pension Funds	24,391	0.3049
3- Trust	1,356	0.0170
6. Signature of Company Secretary	<input type="text"/>	
7. Name of Signatory	<input type="text"/>	
8. Designation	<input type="text" value="Company Secretary"/>	
9. NIC Number	<input type="text"/>	
10 Date	<input type="text" value="30"/>	<input type="text" value="06"/>
		<input type="text" value="2016"/>

Categories of Shareholding required under Code of Corporate Governance (CCG)  
As on June 30, 2016

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

- -

**Mutual Funds (Name Wise Detail)**

1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	261,787	3.2723
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**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, Modarabasand 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	NIL	SALE	PURCHASE
		NIL	-	-

**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, 2016 and the related 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. 275.42 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. 29.25 million could not be verified.
- (b) Bank statements and bank confirmations were not provided, in the absence of which any banking transactions and bank balances as on closing date remained unverified.
- (c) Physical verification of stock in trade and store and spares of Rs. 4.76 million was not carried out and it could also not be verified by applying alternative audit procedures.
- (d) Creditors amounting to Rs. 130.05 million and Other Payables of Rs. 24.35 million could not be verified in the absence of direct confirmations.
- (e) Confirmation from Company's legal advisor and tax consultant regarding detail and status of pending cases filed by or against the Company was not provided. Due to non-availability of such confirmations, 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 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;
  - 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, 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, 2016 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. 81.52 million (2015: Rs. 80.70 million) during the year ended June 30, 2016 resulting into accumulated loss of Rs. 379.58 million (2015: Rs. 347.32 million) and negative equity of Rs. 299.58 million (2015: RS. 267.32 million). Also as of that date, the Company's current liabilities exceeded its current assets by Rs. 528.02 million (2015: 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 doubts over 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: October 07, 2016

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

## Dar Es Salaam Textile Mills Limited

### Statement of Financial Position

As at June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>Non-current assets</b>			
Fixed assets	5	665,228,755	723,583,141
Long term deposits	6	1,649,458	1,649,458
		<b>666,878,213</b>	<b>725,232,599</b>
<b>Current assets</b>			
Stores and spares	7	4,751,302	6,933,740
Stock-in-trade	8	10,189	10,189
Advances, deposits, prepayments and other receivables	9	22,333,782	14,044,357
Tax refunds due from Government	10	52,016,715	52,016,715
Cash and bank balances	11	559,368	589,368
		<b>79,671,356</b>	<b>73,594,369</b>
<b>Current liabilities</b>			
Trade and other payables	12	180,096,580	180,096,580
Short term borrowings	13	172,674,481	172,674,481
Current portion of long term loan	14	158,539,547	158,539,547
Mark-up accrued	15	96,378,948	67,131,592
		<b>607,689,556</b>	<b>578,442,200</b>
<b>Working capital employed</b>		<b>(528,018,200)</b>	<b>(504,847,831)</b>
		<b>138,860,013</b>	<b>220,384,768</b>
<b>Non-current liabilities</b>			
Deferred tax liability	16	18,869,034	51,739,967
		<b>18,869,034</b>	<b>51,739,967</b>
<b>Contingencies and commitments</b>	17	-	-
<b>Net capital employed</b>		<b>119,990,979</b>	<b>168,644,801</b>
<b>Represented by:</b>			
<b>Share capital and reserves</b>			
Authorized share capital (15,000,000 Ordinary shares of Rs. 10 each)		150,000,000	150,000,000
Issued, subscribed and paid up capital	18	80,000,000	80,000,000
Accumulated losses		(379,579,652)	(347,318,673)
		<b>(299,579,652)</b>	<b>(267,318,673)</b>
<b>Surplus on revaluation of fixed assets - net of tax</b>	19	<b>419,570,631</b>	<b>435,963,474</b>
		<b>119,990,979</b>	<b>168,644,801</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
Faisal Mukhtar  
Chief Executive Officer

  
Abida Mukhtar  
Director

Lahore: October 07, 2016

**Dar Es Salaam Textile Mills Limited**  
**Condensed Statement of Comprehensive Income**  
**For the year ended June 30, 2016**

	Note	2016 Rupees	2015 Rupees
Sales	20	-	32,585,974
Cost of sales	21	57,088,920	114,345,172
<b>Gross loss</b>		<b>(57,088,920)</b>	<b>(81,759,198)</b>
<b>Operating expenses:</b>			
Administrative expenses	22	5,006,041	21,571,729
Distribution cost	23	-	36,180
		<b>5,006,041</b>	<b>21,607,909</b>
<b>Operating loss</b>		<b>(62,094,961)</b>	<b>(103,367,107)</b>
Finance cost	24	(29,247,355)	(39,526,763)
Other income	25	12,000,000	70,935,394
Other operating expenses	26	(2,182,439)	(8,738,765)
<b>Loss before taxation</b>		<b>(81,524,755)</b>	<b>(80,697,241)</b>
Taxation	27	19,497,824	14,805,745
<b>Loss after taxation</b>		<b>(62,026,931)</b>	<b>(65,891,496)</b>
<b>Other comprehensive income for the year</b>			
<i><u>Items that will never be reclassified to comprehensive income</u></i>			
Incremental depreciation for the year	19	29,765,952	32,154,649
		<b>29,765,952</b>	<b>32,154,649</b>
<b>Total comprehensive loss for the year</b>		<b>(32,260,979)</b>	<b>(33,736,847)</b>
<b>Loss per share - basic and diluted</b>	28	<b>(7.75)</b>	<b>(8.24)</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
**Faisal Mukhtar**  
**Chief Executive Officer**

  
**Abida Mukhtar**  
**Director**

Lahore: October 07, 2016

**Dar Es Salaam Textile Mills Limited**

Statement of Cash Flows

For the year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
<b>Cash flow from operating activities</b>			
Loss before taxation		(81,524,755)	(80,697,241)
<b>Adjustments for:</b>			
Depreciation	5.1.1	58,254,000	64,374,078
Amortization	5.2	100,386	95,426
Finance cost	24	29,247,355	39,526,763
Trade and other payables written off		-	(61,099,356)
Trade debts written off		-	2,304,987
Profit on disposal of fixed assets		-	(836,038)
Obsolete spares written off	26	2,182,439	6,433,778
		<b>8,259,425</b>	<b>(29,897,603)</b>
<b>Working capital changes</b>			
Stores and spares		-	7,116,130
Stock-in-trade		-	10,106,207
Trade debts		-	3,906,751
Advances, deposits, prepayments and other receivables		(8,289,425)	(5,056,074)
Trade and other payables		-	8,741,223
		<b>(8,289,425)</b>	<b>24,814,237</b>
<b>Cash used in operations</b>			
		<b>(30,000)</b>	<b>(5,083,366)</b>
Finance cost paid		-	(3,254,589)
Gratuity paid		-	(3,612,496)
Taxation paid		-	492,420
		-	<b>(6,374,665)</b>
<b>Net cash used in operating activities</b>			
		<b>(30,000)</b>	<b>(11,458,031)</b>
<b>Cash flow from investing activities</b>			
Additions in property, plant and equipment		-	(484,264)
Proceeds from sale of fixed assets		-	5,485,000
<b>Net cash inflow from investing activities</b>			
		-	<b>5,000,736</b>
<b>Cash flow from financing activities</b>			
Short term finance		-	(46,188)
<b>Net cash outflow from financing activities</b>			
		-	<b>(46,188)</b>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(30,000)</b>	<b>(6,503,483)</b>
<b>Cash and cash equivalents at beginning of the year</b>			
		589,368	7,092,851
<b>Cash and cash equivalents at the end of the year</b>			
	11	<b>559,368</b>	<b>589,368</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
**Faisal Mukhtar**  
 Chief Executive Officer

  
**Abida Mukhtar**  
 Director

Lahore: October 07, 2016

**Dar Es Salaam Textile Mills Limited**  
**Statement of Changes in Equity**  
**For the year ended June 30, 2016**

	Share capital (Rupees)	Accumulated losses (Rupees)	Total (Rupees)
Balance as at July 01, 2014	80,000,000	(313,581,826)	(233,581,826)
Total comprehensive loss for the year	-	(33,736,847)	(33,736,847)
<b>Balance as at June 30, 2015</b>	<b>80,000,000</b>	<b>(347,318,673)</b>	<b>(267,318,673)</b>
Balance as at July 01, 2015	80,000,000	(347,318,673)	(267,318,673)
Total comprehensive loss for the year	-	(32,260,979)	(32,260,979)
<b>Balance as at June 30, 2016</b>	<b>80,000,000</b>	<b>(379,579,652)</b>	<b>(299,579,652)</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
 Faisal Mukhtar  
 Chief Executive Officer

  
 Abida Mukhtar  
 Director

Lahore: October 07, 2016

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

## Dar Es Salaam Textile Mills Limited

### Notes to the Financial Statements

For the year ended June 30, 2016

#### 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 176-N Scotch Corner Upper Mall, Lahore. The principal activity of the Company is manufacturing 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 and shortage of gas supplies due to which the Company has incurred loss before tax of Rs. 81.52 million (2015: Rs.80.70 million) and has accumulated losses amounting to Rs. 379.58 million (2015: 347.32 million) at the year end. In addition to this, the Company's current liabilities exceeded its current assets by Rs. 528.02 million (2015: Rs.504.84 million) at reporting date. 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 31. Further, as at the reporting date, the Company could not comply with certain financial and other covenants imposed by the lenders. As per the agreed terms of long term debts the lenders have unconditional right to call the loans if timely repayments are not made or covenants are not complied with. International Accounting Standard on Presentation of financial statements (IAS - 1) requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it should classify the liability as current.

**2.4 Basis of measurement**

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

**2.5 Use of estimates and judgments**

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

**a. Property, plant and equipment**

The management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period up to which such benefits are expected to be available. The rates of depreciation are specified in note 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 provision should be recorded in profit and loss account. In particular, judgment by management is required in estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

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

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

**2.6 Functional Currency**

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

**3 New standards, amendments to approved accounting standards and new interpretation.****3.1 Standards and amendments to approved accounting standards which became effective during the year ended June 30, 2016:**

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.

**3.2 Amendments to approved accounting standards that are effective for the company's accounting periods beginning after July 1, 2016:**

There are certain new amendments to the approved accounting standards that are mandatory for the company's accounting period beginning after July 1, 2016 but are considered not to be relevant or are not expected to have any significant effect on the company's operations and are, therefore, not disclosed in these financial statements.

**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 20<sup>th</sup> 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 inappropriate profit.

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

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

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

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

#### Capital work in progress

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

#### Intangible assets

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

**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 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	<i>Note</i>	2016 Rupees	2015 Rupees
Property, plant and equipment	5.1	664,779,527	723,033,527
Intangibles	5.2	449,228	549,614
		665,228,755	723,583,141

## 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	Vehicles	
<b>Cost</b>								
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	7,879,736	1,500,290,685
Additions	-	-	-	-	-	-	484,264	484,264
Disposal	-	-	-	-	-	-	(7,398,000)	(7,398,000)
<b>Balance at June 30, 2015</b>	<b>43,733,830</b>	<b>251,226,264</b>	<b>1,168,958,870</b>	<b>4,382,653</b>	<b>19,894,182</b>	<b>4,215,150</b>	<b>966,000</b>	<b>1,493,376,949</b>
Balance as at July 01, 2015	43,733,830	251,226,264	1,168,958,870	4,382,653	19,894,182	4,215,150	966,000	1,493,376,949
Additions	-	-	-	-	-	-	-	-
Disposal/(Adjustment)	-	-	-	-	-	-	-	-
<b>Balance at June 30, 2016</b>	<b>43,733,830</b>	<b>251,226,264</b>	<b>1,168,958,870</b>	<b>4,382,653</b>	<b>19,894,182</b>	<b>4,215,150</b>	<b>966,000</b>	<b>1,493,376,949</b>
<b>Depreciation</b>								
Balance as at July 01, 2014	-	91,337,434	595,177,168	2,825,502	13,965,529	2,658,967	2,753,782	708,718,382
For the year	-	7,813,756	54,587,817	107,068	1,229,528	284,234	351,675	64,374,078
Disposal	-	-	-	-	-	-	(2,749,038)	(2,749,038)
<b>Balance at June 30, 2015</b>	<b>-</b>	<b>99,151,190</b>	<b>649,764,985</b>	<b>2,932,570</b>	<b>15,195,057</b>	<b>2,943,201</b>	<b>356,419</b>	<b>770,343,422</b>
Balance as at July 01, 2015	-	99,151,190	649,764,985	2,932,570	15,195,057	2,943,201	356,419	770,343,422
For the year	-	7,431,899	49,372,408	101,009	1,004,958	232,319	111,407	58,254,000
Disposal	-	-	-	-	-	-	-	-
<b>Balance at June 30, 2016</b>	<b>-</b>	<b>106,583,089</b>	<b>699,137,393</b>	<b>3,033,579</b>	<b>16,200,015</b>	<b>3,175,520</b>	<b>467,826</b>	<b>828,597,422</b>
Carrying value 2015	43,733,830	152,075,074	519,193,885	1,450,083	4,699,125	1,271,949	609,581	723,033,527
Carrying value 2016	43,733,830	144,643,175	469,821,477	1,349,074	3,694,167	1,039,630	498,174	664,779,527
Rate of depreciation (%)	0%	5%	10%	10%	20%	10%	20%	

5.1.1 Depreciation for the year has been allocated as under:

	<i>Note</i>	2016 Rupees	2015 Rupees
Cost of sales	21	57,088,920	63,086,596
Administrative expenses	22	1,165,080	1,287,482
		<u>58,254,000</u>	<u>64,374,078</u>

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

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
<b>2016</b>			
Freehold land	2,346,030	-	2,346,030
Building on freehold land	68,979,500	46,794,643	22,184,857
Plant and machinery	468,278,699	355,800,100	112,478,599
	<u>539,604,229</u>	<u>402,594,743</u>	<u>137,009,486</u>
<b>2015</b>			
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>

	<i>Note</i>	2016 Rupees	2015 Rupees
<b>5.2 Intangibles - computer software</b>			
<b>Cost</b>		<u>1,874,241</u>	<u>1,874,241</u>
<b>Amortization</b>			
Opening balance		1,324,627	1,229,201
For the year	22	100,386	95,426
Closing balance		<u>1,425,013</u>	<u>1,324,627</u>
		<u>449,228</u>	<u>549,614</u>

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

6	Long term deposits	2016 Rupees	2015 Rupees
	Security deposits against utilities	<u>1,649,458</u>	<u>1,649,458</u>
7	Stores and spares	2016 Rupees	2015 Rupees
	Stores	595,053	595,053
	Spares	5,774,707	12,208,484
	Packing material	905,036	905,036
		<u>7,274,796</u>	<u>13,708,573</u>
	Less: Provision for obsolete items	(341,055)	(341,055)
	Obsolete spares written off	7.2 (2,182,439)	(6,433,778)
		<u>4,751,302</u>	<u>6,933,740</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		2016 Rupees	2015 Rupees
	Finished goods		10,189	10,189
9	Advances, deposits, prepayments and other receivables		2016 Rupees	2015 Rupees
	Advances to employees - secured - considered good		361,910	361,910
	Advances - unsecured - considered good			
	- Suppliers		341,840	341,840
	- Expenses		102,197	102,197
	Prepayments		720,362	720,362
	Short term security deposits		3,349,324	3,349,324
	Receivable against operating lease		17,458,149	9,168,724
			<u>22,333,782</u>	<u>14,044,357</u>
10	Tax refunds due from Government		2016 Rupees	2015 Rupees
		<i>Note</i>		
	Income tax deducted at source	<i>10.1</i>	43,055,334	43,055,334
	Sales tax - net		8,961,381	8,961,381
			<u>52,016,715</u>	<u>52,016,715</u>
	<b>10.1 Income tax deducted at source</b>			
	Opening balance		43,055,334	43,984,770
	Paid during the year		-	(929,436)
			<u>43,055,334</u>	<u>43,055,334</u>
11	Cash and bank balances		2016 Rupees	2015 Rupees
	Cash in hand		125,701	155,701
	Cash at banks - current accounts		433,667	433,667
			<u>559,368</u>	<u>589,368</u>
12	Trade and other payables		2016 Rupees	2015 Rupees
	Creditors		130,050,735	130,050,735
	Accrued liabilities		16,418,264	16,418,264
	Tax deducted at source		7,356,844	7,356,844
	Advances from customers		757,829	757,829
	Unclaimed dividend		1,159,777	1,159,777
	Others		24,353,131	24,353,131
			<u>180,096,580</u>	<u>180,096,580</u>
13	Short term borrowings		2016 Rupees	2015 Rupees
		<i>Note</i>		
	Short term borrowings - from commercial banks	<i>13.1</i>	<u>172,674,481</u>	<u>172,674,481</u>

**13.1** These facilities have been obtained from various commercial banks 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 (2015: 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 (2015: 188.56 million). Total balance at reporting date Rs.173.69 million pertains to a facilities expired before reporting date.

14 Long term loan - secured	<i>Note</i>	2016 Rupees	2015 Rupees
Demand finance from commercial banks:			
- Bank of Punjab	14.1	14,900,000	14,900,000
- United Bank Limited (NIDF-V)	14.2	14,959,062	14,959,062
- United Bank Limited (NIDF-VI)	14.3	20,000,000	20,000,000
- National Bank of Pakistan	14.4	78,749,958	78,749,958
- Silk Bank Limited (FIM swap)	14.5	9,406,527	9,406,527
- National Bank of Pakistan (CF swap)	14.6	15,976,000	15,976,000
- National Bank of Pakistan (Frozen mark-up)	14.7	4,548,000	4,548,000
		<b>158,539,547</b>	<b>158,539,547</b>
Less: Current portion	14.8	(158,539,547)	(158,539,547)
		<b>-</b>	<b>-</b>
<p>14.1 This represents Demand Finance of Rs. 60.00 million sanctioned by Bank of Punjab for swapping of demand finance from United Bank Limited. It carries mark up at the rate of average 6 Month KIBOR plus 350 basis points with floor rate of 12%. As per rescheduled term the loan is repayable in 1.5 years commencing from February 07, 2013 in quarterly installments of Rs. 3 million each.</p> <p>14.2 This represents demand finance (NIDF-V) of Rs. 16.830 million sanctioned by United Bank Limited on December 18, 2009 for restructuring financial requirements. As per rescheduled terms, it carries mark up at the rate of 6 month KIBOR plus 200 basis points with no floor and cap. The loan is repayable from June 18, 2012 in 15 equal quarterly installments of Rs. 1.868 million each.</p> <p>14.3 This represents demand finance (NIDF-VI) of Rs. 22.50 million converted from FE-25 / NICF-Pledge for restructuring of financial requirements by United Bank Limited on June 03, 2013. It carries mark up at the rate of 3 Month KIBOR plus 150 basis points. The loan is repayable in equal quarterly installments coinciding with existing NIDF-V loan.</p> <p>14.4 This represents demand finance of Rs. 90.00 million sanctioned by the National Bank of Pakistan for re-profiling of the Company's balance sheet/swapping of short term debts of Standard Chartered Bank (Pakistan) Limited and United Bank Limited. It carries mark up at the rate of 6 months KIBOR plus 150 basis points. The loan is repayable in 6 years including 2 years of grace period from Dec 03, 2012 in 08 equal bi-annual installments of Rs. 11.250 million each.</p> <p>14.5 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 installments of Rs. 1 million each.</p> <p>14.6 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. . The loans was repayable in equal quarterly installments till December 31, 2013.</p> <p>14.7 These represent the outstanding balances of frozen markup demand finance pledge facility by the National Bank of Pakistan as on April 08, 2013. Secured against pledged cotton bales. The loans was repayable in equal quarterly installments till December 31, 2013.</p> <p>14.8 Current portion include an amount of Rs.158.54 million payable as at June 30, 2016.</p>			
15 Mark-up accrued		2016 Rupees	2015 Rupees
Mark-up on short term borrowings		52,414,368	36,317,713
Mark-up on long term loan		43,964,580	30,813,879
		<b>96,378,948</b>	<b>67,131,592</b>

## 16 Deferred tax liability

	Opening balance	Charge/(reversal) for the year	Closing balance
<b>2016</b>			
Accelerated tax depreciation	52,977,509	(2,309,488)	50,668,021
Unused tax losses and tax credits	(48,509,097)	(17,188,336)	(65,697,433)
Surplus on revaluation of property, plant and equipment	47,271,555	(13,373,109)	33,898,446
	<b>51,739,967</b>	<b>(32,870,933)</b>	<b>18,869,034</b>
<b>2015</b>			
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
	<b>65,950,474</b>	<b>(14,805,745)</b>	<b>51,739,967</b>

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

## 17 Contingencies and commitments

## 17.1 Contingencies

17.1.1 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 favor in light of previous cases settled by the High Court in favor of the company.

17.1.2 Return for the tax year 2009 ending on 30-06-2009 was filed declaring taxable loss of (Rs. 14,534,816) for the year and claimed b/f losses of Rs. 123,213,497. The assessment u/s 122(5A) of the Income Tax Ordinance, 2001 was finalized by the department at taxable income of Rs. 137,646,895 and computed net tax payable at Rs. 47,443,907. The department made various additions amounting to Rs. 148,826,598 on illegal basis and also did not provide benefit of b/f losses. We are very positive that at least relief of Rs. 129,963,252 will be given to the taxpayer on account of Foreign Exchange Loss amounting to Rs. 8,941,226, addition u/s 39(3) amounting to Rs. 46,303,680/-and addition u/s 21(l) amounting to Rs. 83,659,572.

17.1.3 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<sup>15</sup> hopeful that such liability will be withdrawn by tax authorities in favor of the Company.

17.1.4 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 filled an appeal in the Supreme Court of Pakistan and case is pending till reporting date.

## 17.2 Commitments

Letter of guarantee issued in favor of SNGPL amounting to Rs. 14.906 million (2015: Rs. 14.906 millions.)  
Letter of guarantee amounting to Rs. 30.647 million from united bank limited.

18	Issued, subscribed and paid up capital	2016 Rupees	2015 Rupees
18.1	<b>Issued, subscribed and paid -up capital:</b> 8,000,000 Ordinary shares (2015: 8,000,000 ordinary shares) of Rs. 10/- each, issued for consideration in cash.	<u>80,000,000</u>	<u>80,000,000</u>
18.2	The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the Company. All shares carry "one vote" per share without restriction.		
19	Surplus on revaluation of fixed assets - net of tax	2016 Rupees	2015 Rupees
	Opening balance	<u>483,235,029</u>	<u>515,389,678</u>
	Transferred to accumulated loss on account of incremental depreciation-net of tax	<u>(29,765,952)</u>	<u>(32,154,649)</u>
	Less: Related deferred tax liability	<u>33,898,446</u>	<u>47,271,555</u>
		<u>419,570,631</u>	<u>435,963,474</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 neighborhood and adjoining areas. Neighboring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

**Buildings on freehold land**

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

**Plant and machinery**

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

20	Sales	2016 Rupees	2015 Rupees
	Local sales	-	33,101,648
	Less: Sales tax	-	(515,674)
		<u>-</u>	<u>32,585,974</u>

21	Cost of sales	<i>Note</i>	2016 Rupees	2015 Rupees
	Salaries, wages and other benefits		-	9,444,989
	Raw material consumed	21.1	-	17,834,790
	Fuel and power		-	11,498,001
	Depreciation	5.1.1	57,088,920	63,086,596
	Packing material		-	482,518
	Stores and spares		-	483,848
	Repair and maintenance		-	736,757
	Insurance		-	671,465
			<u>57,088,920</u>	<u>104,238,964</u>
	Opening work-in-process		-	7,848,082
	Closing work-in-process		-	-
	<b>Cost of goods manufactured</b>		<u>57,088,920</u>	<u>112,087,046</u>
	Opening stock of finished goods		10,189	2,268,315
	Closing stock of finished goods		(10,189)	(10,189)
			<u>57,088,920</u>	<u>114,345,172</u>
	<b>21.1 Raw material consumed</b>			
	Opening balance		-	-
	Purchases		-	17,834,790
	Closing balance		-	-
			<u>-</u>	<u>17,834,790</u>
22	Administrative expenses	<i>Note</i>	2016 Rupees	2015 Rupees
	Salaries, wages and other benefits		1,800,000	9,212,917
	Travelling and conveyance		-	2,071,705
	Postage, telephone and telegram		-	191,923
	Rents, rates and taxes		-	272,214
	Vehicle running and maintenance		-	1,173,685
	Fees and subscription		-	761,869
	Electricity		1,295,140	1,974,108
	Repair and maintenance		-	104,667
	Legal and professional charges		-	623,664
	Depreciation	5.1.1	1,165,080	1,287,482
	Entertainment		-	80,515
	Medical expenses		-	122,037
	Printing and stationery		-	32,665
	Auditors' remuneration	22.1	450,000	250,000
	School expenses		-	179,448
	Amortization	5.2	100,386	95,426
	Miscellaneous		195,435	3,137,404
			<u>5,006,041</u>	<u>21,571,729</u>
	<b>22.1 Auditors' remuneration</b>			
	Annual audit fee		350,000	200,000
	Half yearly review		100,000	50,000
			<u>450,000</u>	<u>250,000</u>

23	Distribution cost		2016 Rupees	2015 Rupees
	Loading charges		-	36,180
			<u>-</u>	<u>36,180</u>
24	Finance cost		2016 Rupees	2015 Rupees
	Mark-up on long term loans		13,150,701	15,734,651
	Mark-up on short term borrowings		16,096,654	20,559,238
	Commission and bank charges		-	3,232,874
			<u>29,247,355</u>	<u>39,526,763</u>
25	Other income	<i>Note</i>	2016 Rupees	2015 Rupees
	Profit on disposal of property, plant and equipment - net		-	836,038
	Trade and other payables written off		-	61,099,356
	Lease rentals-factory	25.1	<u>12,000,000</u>	<u>9,000,000</u>
			<u>12,000,000</u>	<u>70,935,394</u>
	25.1 This represents the lease agreement between the Company (lessor) and Sally Textile Mills Limited (lessee) commencing from October 15, 2014 on monthly rent amounting to Rs. 1,000,000, whereby the lessee is responsible for maintenance, administration and operations of the plant.			
26	Other operating expenses	<i>Note</i>	2016 Rupees	2015 Rupees
	Trade debts written off		-	2,304,987
	Obsolete spares written off	7.2	<u>2,182,439</u>	<u>6,433,778</u>
			<u>2,182,439</u>	<u>8,738,765</u>
27	Taxation	<i>Note</i>	2016 Rupees	2015 Rupees
	<b>Current taxation</b>			
	Current year		-	-
	Prior year adjustments		-	-
			-	-
	Deferred tax income	16	<u>(19,497,824)</u>	<u>(14,805,745)</u>
			<u>(19,497,824)</u>	<u>(14,805,745)</u>
	27.1 No provision for current taxation is made as per the provisions of the Income Tax Ordinance, 2001.			
28	Loss per share		2016	2015
	<b>28.1 Loss per share - basic</b>			
	Loss after taxation	<i>Rupees</i>	<u>(62,026,931)</u>	<u>(65,891,496)</u>
	Weighted average number of ordinary shares	<i>Number</i>	<u>8,000,000</u>	<u>8,000,000</u>
	Loss per share - basic	<i>Rupees</i>	<u>(7.75)</u>	<u>(8.24)</u>
	<b>28.2 Loss per share - diluted</b>			
	There is no dilution effect on the basic loss per share as the Company has no such commitments.			

## 29 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees)									
Managerial remuneration	-	-	-	571,430	-	1,428,575	-	-	660,000	2,385,272
Medical	-	-	-	57,142	-	142,855	-	-	60,000	238,528
Utilities	-	-	-	-	-	-	-	-	-	255,760
Rent and house maintenance	-	-	-	171,428	-	428,570	-	-	120,000	715,584
	-	-	-	800,000	-	2,000,000	-	-	840,000	3,595,144
Number of key executives / non executives	1	1	1	1	1	1	4	4	1	6

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

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

## 30 Operating segments

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

30.2 Revenue from sale of cotton yarn represents 0.00 % (2015 : 98.00%) of the total revenue of the Company.

30.3 Company made nil sales during the year.

30.4 All non-current assets of the Company as at 30 June 2016 are located in Pakistan.

## 31 Financial assets and liabilities

### Financial assets

	Maturity upto one year	Maturity after one year up to five year	Maturity after five year	2016	2015
-----Rupees-----					
<u>Non-interest bearing</u>					
Long term deposits	-	1,649,458	-	1,649,458	1,649,458
Trade debts	-	-	-	-	-
Advances, deposits, prepayments and other receivables	22,333,782	-	-	22,333,782	14,044,357
Cash and bank balances	559,368	-	-	559,368	589,368
	<u>22,893,150</u>	<u>1,649,458</u>	<u>-</u>	<u>24,542,608</u>	<u>16,283,183</u>

### Financial liabilities

	Effective yield / mark up rate	Maturity upto one year	Maturity after one year up to five	Maturity after five year	2016	2015
<u>Interest bearing</u>						
<u>Balance sheet items</u>						
Long term loan	8.5% to 10.55%	158,539,547	-	-	158,539,547	158,539,547
Short term borrowings	8.5% to 10.55%	172,674,481	-	-	172,674,481	172,674,481
<u>Non - interest bearing</u>						
Trade and other payables		180,096,580	-	-	180,096,580	180,096,580
		<u>511,310,608</u>	<u>-</u>	<u>-</u>	<u>511,310,608</u>	<u>511,310,608</u>
Off balance sheets items						
Letter of guarantee		45,552,979	-	-	45,552,979	14,906,000
		<u>556,863,587</u>	<u>-</u>	<u>-</u>	<u>556,863,587</u>	<u>526,216,608</u>

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

- Credit risk
- Liquidity risk
- Market risk

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

#### **Credit risk and concentration of credit risk**

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

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets that are subject to the credit risk amounted to Rs. 24.54 million (2015: Rs. 16.28 million).

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

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

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

	2016 Rupees	2015 Rupees
Trade debts	-	-
Advances, deposits, prepayments and other receivables	22,333,782	14,044,357
Cash and bank balances	559,368	589,368
	<b>22,893,150</b>	<b>14,633,725</b>

### 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:

### Long Term Loans

Name of bank	Principle	Mark-up	Total
	Rupees		
Bank of Punjab	14,900,000	5,734,628	20,634,628
United Bank Limited NIDF-V)	14,959,062	4,015,030	18,974,092
United Bank Limited NIDF-VI)	20,000,000	5,092,748	25,092,748
National Bank of Pakistan	78,749,958	26,790,704	105,540,662
Silk Bank Limited (FIM swap)	9,406,527	951,366	10,357,893
National Bank of Pakistan (CF swap)	15,976,000	1,380,103	17,356,103
National Bank of Pakistan (Frozen mark-up)	4,548,000	-	4,548,000
	<b>158,539,547</b>	<b>43,964,580</b>	<b>202,504,126</b>

### Short Term Loans

Name of bank	Principle	Mark-up	Total
	Rupees		
Faysal Bank Limited	15,670	1,350	17,020
United Bank Limited	35,190,739	21,189,945	56,380,684
Silkbank Limited	23,899,129	9,275,885	33,175,014
Faysal Bank Limited	19,646,912	5,750,253	25,397,165
United Bank Limited	81,000,000	11,968,925	92,968,925
Summit Bank Limited	12,922,031	4,228,010	17,150,041
	<b>172,674,481</b>	<b>52,414,368</b>	<b>225,088,849</b>

## 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	
2016	2015	2016	2015
Percentage	Percentage	Rupees	Rupees

## Financial liabilities

### Variable rate instruments

Long term loans	8.5% to 10.55%	10.0% to 13.50%	158,539,547	158,539,547
Short term borrowings	8.5% to 10.55%	10.0% to 13.50%	172,674,481	172,674,481

### 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 2015.

	Profit and loss 100 bp	
	Increase	decrease
<b>As at June 30, 2016</b>		
Cash flow sensitivity-Variable rate financial liabilities	(292,474)	292,474
<b>As at June 30, 2015</b>		
Cash flow sensitivity-Variable rate financial liabilities	(362,939)	362,939

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, 2016 and June 30, 2015 were as follows:

	2016 Rupees	2015 Rupees
Total borrowings	331,214,028	331,214,028
Less: Cash and cash equivalents	(559,368)	(589,368)
Net debt	330,654,660	330,624,660
Total equity	(299,579,652)	(267,318,673)
Total capital	31,075,008	63,305,987
Gearing ratio	1064%	522%

## 32 Number of employees

	2016 Number	2015 Number
Average number of employees for the year	4	317
Total number of employees at year end	4	6

## 33 Employee Benefits

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

## 34 Plant capacity and production

	2016	2015
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
Number of shifts worked	-	276
Days worked	-	94

34.1 The company last operated during 2014 for a period from July 01, 2014 till September 30, 2014, Later it was leased from October 15, 2014 (note 25.1).

## 35 Events after the statement of financial position date

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

## 36 Date of authorization for issue

These financial statements were authorized for issue on October 07, 2016 by the Board of Directors of the Company.

## 37 General

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

37.2 Figures have been rounded off to the nearest rupee.

  
**Faisal Mukhtar**  
 Chief Executive Officer

  
**Abida Mukhtar**  
 Director

Lahore: October 07, 2016

# Dar Es Salaam Textile Mills Limited

## FORM OF PROXY

### ANNUAL GENERAL MEETING

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

L/F NO.	
NO. OF SHARES	

Dear Sir,

I/We \_\_\_\_\_

of \_\_\_\_\_

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

\_\_\_\_\_  
 (NAME)

of \_\_\_\_\_

(another member of the Company) to attend, act and vote for me/us and on my/our behalf at the Annual Ordinary General Meeting of the Company to be held on Saturday October 29, 2016 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 \_\_\_\_\_ 2016.

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.