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COMPANY INFORMATION

Board of Directors Mrs. Nilofar Mukhtar *Chairperson & Director*
Mr. Faisal Mukhtar *Chief Executive*

Directors Mrs. Mahwesh Faisal Mukhtar
Miss Abida Mukhtar
Mr. Parvez Ashraf
Mr. Zulfiqar Ahmad Malik
Mr. Ejaz Akbar Khan

**Chief Financial Officer
& Company Secretary** Mr. Shahid Amin Chaudhry

Auditors M/s Hassan Naeem & Co.
Chartered Accountants

Legal Advisor Mr. Muhammad Ashraf

Bankers United Bank Limited
The Bank of Punjab
Bank Alfalah Limited
Faysal Bank Limited
KASB Bank Limited

Share Registrar M/s Corplink (Pvt.) Ltd.
Wing Arcade,
1-K, Commercial, Model Town,
Lahore.
Tel: 5839182, 5869037

Registered Office 63-B-I, Gulberg-III,
Lahore.
Tel: (042) 5878643-4

Factory 10th Km Muridke-Sheikhupura Road,
Muridke.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of Shareholders of **Dar Es Salaam Textile Mills Limited** will be held on Monday the October 31, 2011 at 11:00 a.m. at the Registered Office of the Company, 63-B-I, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting held on 30-10-2010.
2. To receive, consider and adopt the Audited Financial Statements for the year ended June 30, 2011 and the Directors' and Auditors' Report thereon.
3. To appoint auditors and to fix their remuneration. The auditors of the Company Messrs UHY Hassan Naeem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year ended June 30, 2012.
4. To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

Place : Lahore

SHAHID AMIN

Date : October 11, 2011

Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from 22-10-2011 to 31-10-2011 (both days inclusive)
2. A member entitled to vote at the meeting may appoint any other member as his/her proxy. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclosed an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to send the copies of their CNICs to meet the Compliance with Requirements of Insertion of CNIC Number in Transfer Deeds and Form –A in accordance with the Provisions of First and Third Schedule of the Companies Ordinance, 1984.
5. Shareholders are also requested to promptly communicate any change in their addresses to our Company's Share Registrar i.e M/s Corplink (Pvt) Limited, Wings Arcade, 1 –K, Commercial, Model Town, Lahore.

Vision Statement

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

Mission Statement

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

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

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

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

DIRECTORS' REPORT

The Directors of your company have pleasure in presenting you the 22nd Annual Report of the Company and the Audited Financial Statements for the year ended June 30, 2011.

PERFORMANCE DURING THE YEAR

Our sales for the year under review are Rs 1.437 billion (last year Rs. 1.084 billion); this increase of 32.57% depicts the better yarn rates and increase in production capacity.

The operations resulted in a loss before taxation of 84.912 million as compared with profit before taxation of Rs. 9.156 million for the comparable year.

Quantitative analysis shows that production increased by 20% as compared with annualized production of last period.

Finance cost increased by 26.20% mainly due to increase in utilization of available short term borrowing limits. Distribution cost decreased by 95.94% mainly due to nil export sales during the current year. The Administrative Expenses were controlled and increase depicts the inflation factor.

PROSPECTS FOR THE YEAR

Dar Es Salaam Textile Mills Limited is focusing on maximizing its potential. Our Company is stepping forward to achieve the desired productivity levels after increase in production facility at mills in last year. The financial results for the year under review are not much encouraging due to certain unavoidable factors discussed in coming paragraphs but the management is committed to continue with the same enthusiasm.

During the year under review, the textile industry observed unexpected fluctuations especially in cotton prices. Other factors like fluctuation of yarn prices in international markets, lower export sales, energy crisis, high interest & inflation rates are the main causes to increased losses during the period.

The management is of the view that operating results will improve in the coming years.

Production Capacity:

The production facility at mills now reached to 26,016 spindles. Furthermore, the company is in process of installation of Compact Yarn Devices for Premium Quality Yarn. These devices will enhance the production by 15% to 18%. The Quality Yarn has better sale rates and demand in local and international markets.

SUMMARIZED FINANCIAL RESULTS

The Company has made a pre tax loss of Rs. 84,911,504/- after charging costs, expenses and depreciation for the period.

	(Rupees)
Loss before Taxation	(84,911,504)
Taxation	(10,865,966)
Loss after Taxation	<u>(95,777,469)</u>
Accumulated Loss Brought Forward	(181,850,009)
Transfer from Surplus on Revaluation of Fixed Assets	<u>(41,834,610)</u>
Accumulated Loss Carried Forward	<u><u>(235,792,868)</u></u>

EARNINGS PER SHARE

Earning per Share for the year is Rs. (11.97) as compared with last period's earning per share of Rs. 0.06.

DIVIDEND

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

OUTSTANDING STATUTORY PAYMENTS

All outstanding statutory payments are of normal and routine nature.

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2011:

- a) The financial statements, prepared by the Management of the Company, fairly present its state of affairs, the results of its operation, cash flow, and changes in equity.
- b) The company has maintained proper books of account.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- h) Operating and financial data and key ratios of the last six years are annexed.
- i) Value of investments based on the audited accounts of Provident Fund and Gratuity Fund for the year ended 30-06-2009 are Rs 3.301 million and Rs. 0.051 million respectively
- j) The pattern of shareholding as at June 30, 2011 along with trading in the shares of the Company by the Directors, CEO and their spouses is annexed to this report.

AUDITORS

The auditors of the Company, Messrs UHY Hassan Naeem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year 2011-2012. The audit committee has recommended re-appointment of the same auditors.

BOARD MEETINGS

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

Name	Attendance
Mr. Faisal Mukhtar	5
Mrs. Nilofar Mukhtar	3
Mrs. Mahwesh Faisal Mukhtar	3
Ms. Abida Mukhtar	3
Mr. Parvez Ashraf	5
Mr. Zulfiqar Ahmad Malik	5
Mr. Ejaz Akbar	1

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

CODE OF ETHICS AND BUSINESS PRACTICES

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

MANAGEMENT AND STAFF RELATIONS

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

For and on behalf of the Board

Place: Lahore
Date: October 11, 2011

FAISAL MUKHTAR
CHIEF EXECUTIVE

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of corporate Governance contained in Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 40 (Chapter XIII) of the Lahore Stock Exchange (Guarantee) 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 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 included six non-executive directors and one executive director.
2. The directors have confirmed that none of them is serving as a director in more than ten 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. No Casual vacancy of directors occurred during the financial year 2010-11.
5. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
7. All the power of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairperson and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. No specific orientation course was held during the year. However, the management continue to be apprised with changes in law to discharge their duties and responsibilities.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of 3 (three) members. All are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any other partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Place: Lahore
Date: October 11, 2011

FAISAL MUKHTAR
CHIEF EXECUTIVE

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

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dar Es Salaam Textile Mills Limited to comply with Listing Regulation No. 35 (Chapter XI) of the Karachi and Lahore Stock Exchanges respectively, where the Company is listed.

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

As 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 approach, We have not carried any special review of the internal control system to enable to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Based on review, except the following:

The orientation courses which were not conducted as explained in point 9 of the "Statement of Compliance with the Code of Corporate Governance".

Dividend was not paid for the five years from the date of declaration of last dividend or bonus as explained in regulation 30 of the listing regulations.

Nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011.

Place : Lahore
Date: October 11, 2011

UHY Hassan Naeem & Co
Chartered Accountants
Ibne Hassan FCA

FINANCIAL HIGHLIGHTS OF THE LAST SIX YEARS

PARTICULARS		June 30 2011	June 30 2010	June 30 2009	June 30 2008 (Restated)	June 30 2007	June 30 2006 (Restated)
Sales	Rs.	1,436,870,778	1,083,859,573	850,027,163	725,702,932	772,328,259	689,889,946
Gross Profit	Rs.	24,601,141	111,342,061	1,747,909	487,721	62,482,599	76,449,076
Profit/(Loss) Before Tax	Rs.	(84,911,503)	9,156,049	(28,220,621)	(104,766,902)	(36,570,749)	(19,464,775)
Profit/(Loss) After Tax	Rs.	(95,777,469)	484,174	(103,646,519)	(93,433,357)	(35,246,187)	(16,377,287)
Share Capital	Rs.	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Share Holders Equity	Rs.	410,450,018	404,986,110	104,702,479	208,348,998	304,782,355	164,534,391
Fixed Assets - Net	Rs.	1,000,229,725	882,363,050	562,339,280	612,993,745	656,178,232	475,956,408
Total Assets	Rs.	1,328,429,621	1,081,078,262	752,753,260	937,433,590	951,773,905	693,814,729
Production	Kgs	3,778,319	5,125,323	5,479,610	5,125,185	5,367,323	5,295,526
Sales	Kgs	3,825,347	5,172,905	5,110,542	5,185,292	5,531,962	5,110,542
Dividend - Cash		-	-	-	-	-	-
Ratios							
Profitability							
Gross Margin		1.71%	10.27%	0.21%	0.07%	8.09%	11.08%
Profit/(Loss) Before Tax		-5.91%	0.84%	-3.32%	-14.44%	-4.74%	-2.82%
Profit/(Loss) After Tax		-6.67%	0.04%	-12.19%	-12.87%	-4.56%	-2.37%
Return to Shareholders							
Return on Equity (BT)		-20.69%	2.26%	-26.95%	-50.28%	-12.00%	-11.83%
Return on Equity (AT)		-23.33%	0.12%	-98.99%	-44.84%	-11.56%	-9.95%
Earnings Per Share (BT)	Rs.	(10.61)	1.14	(3.53)	(13.10)	(4.57)	(2.43)
Earnings Per Share (AT)	Rs.	(11.97)	0.06	(12.96)	(11.68)	(4.41)	(2.05)
Activity							
Sales to Total Assets (Times)		1.08	1.00	1.13	0.77	0.81	0.99
Sales to Fixed Assets (Times)		1.44	1.23	1.51	1.18	1.18	1.45
Liquidity							
Current Ratio (Times)		0.53	0.46	0.43	0.62	0.67	0.75
Break up Value Per Share	Rs.	51.31	50.62	13.09	26.04	38.10	20.57

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

1. Incorporation Number **L-01895**2. Name of the Company **DAR-ES-SALAAM TEXTILE MILLS LTD.**3. Pattern of holding of the share held by the shareholders as at **30-06-2011**

----- Shareholding -----			
4. No. of Shareholders	From	To	Total Shares Held
89	1	100	6,923
1034	101	500	504,688
78	501	1000	76,300
77	1001	5000	193,461
21	5001	10000	169,605
7	10001	15000	86,704
3	15001	20000	56,000
2	20001	25000	44,000
5	25001	30000	129,896
1	30001	35000	32,000
1	35001	40000	38,500
1	40001	45000	44,750
1	50001	55000	53,000
1	55001	60000	59,462
1	65001	70000	70,000
1	75001	80000	80,000
1	110001	115000	112,291
1	115001	120000	120,000
1	165001	170000	168,568
1	175001	180000	180,000
1	195001	200000	199,750
1	265001	270000	266,787
1	515001	520000	516,750
1	820001	825000	824,125
1	1245001	1250000	1,247,197
1	1290001	1295000	1,290,960
1	1425001	1430000	1,428,283
1334			8,000,000

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, undertakings and related parties.	3,818,032	47.7254
5.2 Associated Companies, undertakings and related parties.	0	-
5.3 NIT and ICP	277,857	3.4732
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions	25,896	0.3237
5.5 Insurance Companies	-	-
5.6 Modarabas and Mutual Funds	-	-
5.7 Share holders holding 10%	3,633,032	45.4129
5.8 General Public a. Local b. Foreign	3,828,272	47.8534
5.9 Others (to be specified) 1- Joint Stock Companies 2- Other Companies	49,943	0.6243
6. Signature of Company Secretary		
7. Name of Signature	Shahid Amin	
8. Designation	Company Secretary	
9. NIC Number		
10. Date	30	06
	2011	

Categories of Share Holders as required under C.C.G. as on 30th June, 2011

Sr. No.	NAME	HOLDING	% AGE
<u>DIRECTOR, CEO THEIR SPOUSES & MINOR CHILDREN</u>			
1.	Miss Nilofar Mukhtar	44,750	0.5594
	Miss Nelofar Mukhtar	824,125	10.3016
2.	Mrs. Mehvesh Faisal Mukhtar	2,500	0.0313
3.	Sh. Pervaiz Ashraf	2,500	0.0313
4.	Mr. Zulfiqar Ahmed	180,000	2.2500
5.	Mr. Faisal Mukhtar	199,750	2.4969
	Mr. Faisal Mukhtar	1,247,197	15.5900
6.	Mrs. Abida Mukhtar	26,250	0.3281
	Mrs. Abida Mukhtar	1,290,960	16.1370
7.	Director of (NIT Nominee)	-	-
		3,818,032	47.7254
<u>ASSOCIATED COMPANIES</u>		0	0.0000
<u>NIT & ICP</u>			
1.	National Bank of Pakistan, Trustee Deptt. (CDC)	266,787	3.3348
2.	National Investment Trust Limited (CDC)	6,870	0.0859
3.	Investment Corp. of Pakistan	4,200	0.0525
		277,857	3.4732
<u>BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS</u>			
1.	National Bank of Pakistan, Trustee Deptt. (CDC)	25,396	0.3175
2.	Escorts Investment Bank Limited (CDC)	500	0.0063
		25,896	0.3237
<u>MODARABA COMPANIES</u>			
		0	0.0000
<u>JOINT STOCK COMPANIES</u>			
1.	128 Securities (Pvt) Limited (CDC)	400	0.0050
2.	ACE Securities (Pvt) Limited (CDC)	5,000	0.0625
3.	Darson Securities (Pvt) Ltd. (CDC)	18	0.0002
4.	H.M. Investment (Pvt) Ltd. (CDC)	100	0.0013
5.	M.R. Securities (SMC-Pvt) Ltd. (CDC)	25	0.0003
6.	SAAO Capital (Pvt) Limited (CDC)	32,000	0.4000
7.	Time Securities (Pvt) Ltd. (CDC)	500	0.0063
8.	Amin Textile Mills (Pvt) Limited	9,000	0.1125
9.	S.H. Bukhari (Pvt) Limited	2,900	0.0363
		49,943	0.6243
<u>SHARES HELD BY THE GENERAL PUBLIC</u>		3,828,272	47.8534
<u>EXECUTIVES</u>			
		--	--
		8,000,000	100.0000
<u>SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL</u>			
		Holding	%Age
1.	Mrs. Nilofar Mukhtar	868,875	10.8609
2.	Mr. Faisal Mukhtar	1,446,947	18.0868
3.	Ms. Abida Mukhtar	1,317,210	16.4651
		3,633,032	45.4129

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

Sr. No.	NAME	SALE	PURCHASE
1.	Mr. Faisal Mukhtar	-	120,000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Dar Es Salaam Textile Mills Limited** ("the company") as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement 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 purpose 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 misstatements. 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) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account 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;
- (c) in our opinion and to the best of our information, and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement 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, 2011 and of the losses, its cash flows and changes in equity for the year then ended; and
- (d) 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 1.2 to the financial statements, which state that as on June 30, 2011 the company had accumulated losses of Rs. 235.793 million, resulting in negative equity of Rs. 155.793 million, also the current liabilities exceed current assets by Rs. 289.38 million (2010: 235.702 million). These conditions indicate the existence of the material uncertainty which may cast significant doubt about the company's ability to continue as going concern.

Place : Lahore
Date: October 11, 2011

UHY Hassan Naeem & Co
Chartered Accountants
Ibne Hassan FCA

BALANCE SHEET AS AT JUNE 30, 2011

	Notes	June 30, 2011 (Rupees)	June 30, 2010 (Rupees)
NON CURRENT ASSETS			
Fixed Assets	5	1,000,229,725	882,363,050
Long Term Deposits	6	1,772,685	1,925,535
CURRENT ASSETS			
Stores & Spares	7	19,120,432	17,628,637
Stock in Trade	8	199,726,911	67,380,715
Trade Debtors	9	12,939,308	16,800,641
Advances, Deposits, Prepayments & Other Receivables	10	88,757,223	89,386,976
Cash & Bank Balances	11	5,883,338	5,592,709
		326,427,212	196,789,678
CURRENT LIABILITIES			
Short Term Finance-Secured	12	371,368,772	208,995,299
Current Portion of Long Term Loans	17	38,982,545	43,002,680
Current Portion of Liabilities Against Assets Subject to Finance Lease	18	443,139	7,823,456
Trade & Other Payables	13	170,567,119	147,290,374
Provision for Taxation	14	14,413,104	6,389,910
Mark up Payable	15	20,027,775	18,989,945
		615,802,454	432,491,664
Total Assets less Current Liabilities		712,627,168	648,586,599
NON CURRENT LIABILITIES			
Subordinated Sponsors' Loan	16	80,240,000	80,240,000
Long Term Loans-Secured	17	141,536,475	133,120,652
Liabilities Against Assets Subject to Finance Lease	18	713,911	1,375,999
Long Term Deposits	19	1,500,000	1,500,000
Deferred Liabilities			
Retirement Benefits	20	4,765,241	4,909,766
Deferred Tax Liability	21	73,421,523	22,454,072
		302,177,150	243,600,489
CONTINGENCIES & COMMITMENTS	22	-	-
		410,450,018	404,986,110
NET WORTH			
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Authorized share capital 15,000,000 Ordinary shares (2010: 15,000,000 ordinary shares) of Rs 10/- each		150,000,000	150,000,000
Share Capital	23	80,000,000	80,000,000
Accumulated Losses		(235,792,868)	(181,850,009)
		(155,792,868)	(101,850,009)
SURPLUS ON REVALUATION OF FIXED ASSETS	24	566,242,887	506,836,119
		410,450,018	404,986,110

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

SHAHID AMIN
Chief Financial Officer

FAISAL MUKHTAR
Chief Executive

SH. PARVEZ ASHRAF
Director

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011**

	Notes	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
SALES	25	1,436,870,778	1,083,859,573
COST OF SALES	26	1,412,269,637	972,517,512
GROSS PROFIT		24,601,141	111,342,061
OPERATING EXPENSES			
Administrative Expenses	27	37,443,605	36,449,120
Distribution Cost	28	306,663	7,550,401
		37,750,268	43,999,521
(OPERATING PROFIT/LOSS)		(13,149,126)	67,342,540
FINANCIAL CHARGES	29	(70,212,615)	(55,637,447)
OTHER INCOME	30	441,090	1,157,431
OTHER OPERATING CHARGES	31	(1,990,851)	(3,706,475)
PROFIT/(LOSS) BEFORE TAXATION		(84,911,503)	9,156,049
TAXATION	32	(10,865,966)	(8,671,875)
PROFIT/(LOSS) AFTER TAXATION		(95,777,469)	484,174
Other Comprehensive Income			
Incremental depreciation	24.2	41,834,610	30,671,164
Total comprehensive income/(loss) for the period		(53,942,859)	31,155,338
EARNINGS PER SHARE	33	(11.97)	0.06

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

SHAHID AMIN
Chief Financial Officer

FAISAL MUKHTAR
Chief Executive

SH. PARVEZ ASHRAF
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011 (Rupees)	June 30, 2010 (Rupees)
Cash Flow From Operating Activities		
Profit/(loss) Before Taxation	(84,911,503)	9,156,049
Adjustments For:		
Depreciation	80,378,655	53,937,114
Amortization	56,320	70,400
Financial Expenses	70,212,615	55,637,447
Workers' Profit Participation Fund	-	491,732
Workers' Welfare Fund	-	186,859
Profit on Sale of Fixed Assets	(429,310)	(1,131,534)
Provision for Gratuity	2,867,932	3,174,483
	153,086,213	112,366,501
Operating Profit Before Working Capital Changes	68,174,710	121,522,550
Increase in Stores & Spares	(1,491,794)	(1,795,999)
(Increase)/Decrease in Stock in Trade	(132,346,196)	(13,991,893)
Decrease in Trade Debtors	3,861,334	1,588,103
(Increase)/Decrease in Advances, Deposits, Prepayments & Other Receivables	17,660,548	12,743,837
Increase in Trade & Other Payables	23,276,745	71,632,796
	(89,039,364)	70,176,844
Cash (Used In)/Generated From Operations	(20,864,654)	191,699,394
Financial Expenses Paid	(69,174,785)	(61,517,985)
Gratuity paid	(3,012,457)	(1,604,515)
Taxes Paid	(23,420,705)	(8,021,707)
	(95,607,946)	(71,144,207)
Net Cash Inflow/(Outflow) From Operating Activities	(116,472,600)	120,555,187
Cash Flow From Investing Activities		
Addition to Fixed Assets	(41,500,968)	(62,559,483)
Increase in Capital Work In Progress	(1,165,408)	(2,420,356)
Decrease in Long Term Deposits	152,850	3,836,408
Sale Proceeds on Disposal of Fixed Assets	550,000	2,310,000
Net Cash Out Flow From Investing Activities	(41,963,526)	(58,833,431)
Cash Flow From Financing Activities		
Increase in Sponsors' Loan	-	-
Increase in Long Term Loans	4,395,688	26,879,881
Lease Payments	(8,042,405)	(7,815,355)
Increase / (Decrease) in Short Term Finance	162,373,472	(76,671,936)
Net Cash Out flow from Financing Activities	158,726,755	(57,607,410)
Net Increase/(Decrease) in Cash & Cash Equivalents	290,629	4,114,346
Cash & Cash Equivalents at Beginning of the Year	5,592,709	1,478,363
Cash & Cash Equivalents at the End of the Year	5,883,338	5,592,709

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

SHAHID AMIN
Chief Financial Officer

FAISAL MUKHTAR
Chief Executive

SH. PARVEZ ASHRAF
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011

Particulars	Issued, Subscribed & Paid up Capital	Accumulated Losses	Total
	Rupees	Rupees	Rupees
Balance as on July 01, 2009	80,000,000	(213,005,347)	(133,005,347)
Total comprehensive income for the Year	-	31,155,338	31,155,338
Balance as on June 30, 2010	80,000,000	(181,850,009)	(101,850,009)
Balance as on July 01, 2010	80,000,000	(181,850,009)	(101,850,009)
Total comprehensive loss for the Year	-	(53,942,859)	(53,942,859)
Balance as on June 30, 2011	80,000,000	(235,792,868)	(155,792,868)

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

SHAHID AMIN
Chief Financial Officer

FAISAL MUKHTAR
Chief Executive

SH. PARVEZ ASHRAF
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

NOTES TO THE FINANCE STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. COMPANY AND ITS OPERATIONS

- 1.1 Dar Es Salaam Textile Mills Limited is a public limited company incorporated in Pakistan on September 28, 1989 under the Companies Ordinance, 1984. The Company is listed on Karachi and Lahore Stock Exchanges. 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.
- 1.2 During the year the Company incurred loss of Rs. 95.777 million (2010 :Profit Rs.0.484 million) and has accumulated losses amounting to Rs. 235.793 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 289.375million (2010: Rs. 235.702 million) at the year end.

Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and ability of adequate working capital through continued support from:

- (a) the principal lenders of the Company; and
(b) the sponsors of the Company.

the financial statements have been prepared on going concern basis on the ground that current year losses are on account of significant fluctuations in the prices of raw cotton. This position has been stabilised in the subsequent period and the company's financial results have shown improvement.

To improve the quality of production the management as a part of its plan has installed new machinery which came into production in the year under consideration. This would also contribute in the financial viability.

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. 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 Standards, interpretations and amendments to published approved accounting standards

2.2.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 July 2010).

IAS 7 'Statement of Cash Flows' (effective for annual periods beginning on or after 1 July 2010).

IAS 17 ' Leases' (effective for annual periods beginning on or after 1 July 2010).

IAS-27 - (Amendment), 'Consolidated and Separate Financial Statements' (effective for annual periods beginning on or after 1 July, 2010)

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010).

IFRIC 19 - 'Existing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010).

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2010).

IFRS 5 (Amendment), Non Current Assets Held for Sale and Discontinued Operations' (applicable for annual periods beginning on or after 1 July 2010).

IFRS 1 (Amendment) ' First time adoption of International Financial Reporting Standards' (applicable for annual periods beginning on or after 1 July 2010).

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2010).

2.2.2 Standards, interpretations and amendments to existing standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

IFRS 7, 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after January 1, 2011). The amendments add an explicit statement that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial statements. In addition, the IASB amended and removed existing disclosure requirements.

IFRS-9 'Financial Instruments' (effective for annual periods beginning on or after January 1, 2013). IFRS 9 is the first standard issued as a part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary classifications depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IAS 34 (Amendment), 'Interim financial reporting', is effective for annual period beginning on or after January 1, 2011. The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

IAS 24, 'Related Party Disclosures (revised 2009)' (effective for annual periods beginning on or after January 1, 2011). The revised IAS amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

IFRIC 13, 'Customer Loyalty Programs' (effective for annual periods beginning on or after January 1, 2011). The amendment clarify that the fair value of the award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

IFRIC - 14 IAS 19- The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments on or after 01 July 2011).

IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after January 1, 2013)

IFRS 11 ' Joint Arrangements' (effective for annual periods beginning on or after January 1, 2013)

IFRS 12 ' Disclosure of interest in other entities (effective for annual periods beginning on or after January 1, 2013)

IFRS 13 ' Fair Value Measurement' (effective for annual periods beginning on or after January 1, 2013)

3. 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 4.02 and revaluation of certain fixed assets referred to in 4.06.

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 & Equipment-(Note 5)
- b. Taxation-(Note 32)
- c. Defined Benefit Plan-(Note 20)

4. PRINCIPAL ACCOUNTING POLICIES

4.01 Borrowings

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

All markups, interest and other charges on long term and short term borrowings are charged to profit in the period in which they are incurred except as stated in note 4.12.

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

4.02 Staff Retirement Benefits

4.02.1 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.

4.02.2 Defined Benefit Plan

The company also operates a funded gratuity scheme applicable to the executives and those employees not opting for provident fund scheme. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out for the year ended June 30, 2011.

Actuarial gain and losses are recognized in accordance within the limit set by IAS-19.

4.03 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.

4.04 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.

4.05 Contingencies & Commitments

Contingencies and commitments are recognized only when they become due.

4.06 Tangible Fixed Assets, Depreciation and Impairment

4.06.1 Operating Fixed Assets

Freehold Land and Buildings as on June 30, 2005, Plant & Machinery as on June 30, 2007 and Freehold Land, Buildings and Plant & Machinery as on December 31, 2009, subsequently Building and Plant & Machinery were revalued by an independent valuer as on June 30, 2011 and are shown at revalued figures. All other operating fixed assets have been stated at cost less accumulated depreciation and any identified impairment loss.

Increases in the carrying amount arising on revaluation of fixed assets are credited to surplus on revaluation of fixed assets. Decreases that offsets previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of fixed assets to inappropriate profit. All transfers to/from surplus on revaluation of fixed assets are net of applicable deferred income taxes.

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 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.

4.06.2 Capital work in progress

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

4.06.3 Intangible Assets

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

4.07 Leases

4.07.1 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.

4.08 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.

4.09 Stock In Trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw Material	At weighted average cost
Work in Process & Finished Goods	On actual cost basis that includes cost of direct material and appropriate conversion cost

Net realizable value signifies the estimated selling price in the ordinary course of the business as reduced by estimated cost of completion and estimated cost necessary to be incurred in order to make the sale.

4.10 Receivables

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

4.13.1 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.

4.13.2 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.

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

These comprise of cash and bank balances.

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

Property, plant and equipment
 Operating assets
 Capital Work in Progress

(Note 5.1)
 (Note 5.2)

Intangible Assets

(Note 5.3)

June 30, 2011	June 30, 2010
<Rupees>	<Rupees>
998,839,037	882,081,450
1,165,408	-
1,000,004,445	882,081,450
225,280	281,600
1,000,229,725	882,363,050

5.1 Reconciliation of carrying amounts at the beginning and end of the year is as follows:

CLASS OF ASSETS	COST				%	DEPRECIATION				W.D.V. / Revalued Amount As on June 30, 2011	
	Cost as at July 01, 2010	Additions	Deletions	Total as on June 30, 2011		Accumulated as at July 01, 2010	Adjustments	For the year	Accumulated as on June 30, 2011		
	W.D.V. / Revalued Amount As on June 30, 2010	Revaluation surplus	W.D.V. / Revalued Amount As on June 30, 2011								
Tangible											
Land (Freehold)	39,578,125	-	-	39,578,125	0	-	-	-	39,578,125	-	39,578,125
Factory Building (Freehold)	143,762,440	-	-	143,762,440	5	47,544,915	4,810,876	52,355,791	91,406,648	22,049,951	113,456,600
Colony Building (Freehold)	51,067,055	-	-	51,067,055	5	14,649,243	1,820,891	16,470,134	34,596,921	6,294,079	40,891,000
Electrical Fittings	11,480,433	-	-	11,480,433	10	7,038,706	444,173	7,482,879	3,997,554	-	3,997,554
Elect. Fittings Colony	2,071,049	-	-	2,071,049	10	1,293,999	77,705	1,371,704	699,345	-	699,345
Plant & Machinery	891,959,631	35,785,889	(1,069,239)	926,676,251	10	327,997,899	57,998,627	385,047,977	541,628,273	127,411,935	669,040,209
Equipment	12,128,842	41,400	-	12,170,242	10	6,450,881	571,584	7,022,465	5,147,777	-	5,147,777
Furniture & Fixture	3,772,371	-	-	3,772,371	10	1,955,929	181,644	2,137,573	1,634,798	-	1,634,798
Air Conditioning	12,235,624	119,968	-	12,355,592	20	7,836,408	883,853	8,720,261	3,635,331	-	3,635,331
Office Equipment	937,773	39,000	-	976,773	20	641,859	63,988	705,847	270,926	-	270,926
Household	146,964	-	-	146,964	20	134,768	2,439	137,207	9,757	-	9,757
Arms	236,506	-	-	236,506	10	171,535	6,497	178,032	58,474	-	58,474
Tarpaulins	569,007	-	-	569,007	20	472,092	19,383	491,475	77,532	-	77,532
Sludge Pumps	99,504	-	-	99,504	10	83,930	1,557	85,487	14,017	-	14,017
Tube Well	296,809	-	-	296,809	10	206,596	9,021	215,617	81,192	-	81,192
Generator	66,157,938	52,000	-	66,209,938	10	20,773,883	4,540,144	25,314,027	40,895,912	-	40,895,912
Weighing Scales	2,297,629	-	-	2,297,629	10	1,427,573	87,006	1,514,579	783,050	-	783,050
Telephone/Intercom	366,523	-	-	366,523	10	240,495	12,603	253,098	113,425	-	113,425
Computer	3,564,325	62,740	-	3,627,065	10	2,111,673	151,415	2,263,088	1,363,977	-	1,363,977
Vehicles	3,294,049	5,400,000	-	8,694,049	20	761,182	687,067	1,448,249	7,245,800	-	7,245,800
Sub total	1,246,022,897	41,500,968	(1,069,239)	1,286,454,326		441,793,566	(948,549)	513,215,491	773,238,835	155,755,966	928,994,801
ASSETS SUBJECT TO FINANCE LEASE											
Plant & Machinery	9,785,259	-	-	9,785,259	10	2,876,619	690,864	3,567,483	6,217,776	-	6,217,776
Generators	68,616,193	-	-	68,616,193	10	8,179,117	6,043,708	14,222,825	54,393,368	-	54,393,368
Equipment	12,932,651	-	-	12,932,651	10	4,655,348	827,730	5,483,078	7,449,573	-	7,449,573
Vehicles	3,585,480	-	-	3,585,480	20	1,356,081	445,880	1,801,961	1,783,519	-	1,783,519
Sub total	94,919,583	-	-	94,919,583		17,067,165	8,008,182	25,075,347	69,844,236	-	69,844,236
TOTAL RUPEES: 2011	1,340,942,180	41,500,968	(1,069,239)	1,381,373,909		458,860,731	(948,549)	538,290,837	843,083,072	155,755,966	998,839,037
TOTAL RUPEES: 2010	967,140,089	78,421,498	(14,849,316)	1,030,712,269		406,438,151	(1,514,534)	458,840,731	571,851,538	310,229,911	882,081,450

5.1.1 Depreciation has been charged as under:

	Note	2011 (Rupees)	2010 (Rupees)
Cost of Sales	26	79,008,766	52,641,280
Administrative Expenses	27	1,369,889	1,295,834
		80,378,655	53,937,114

5.1.2 Revaluation of, building and property plant and machinery was carried as on June 30, 2011.

5.1.3 If the Freehold land, building, plant & machinery and generator were measured using the cost model, the carrying amount would be as follows.

Particulars	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Freehold Land	2,346,030	-	2,346,030	-
Building	68,979,500	40,308,780	68,979,500	38,799,795
Plant & Machinery	515,382,323	302,006,300	479,717,154	276,517,349
Generator	13,270,984	9,040,371	13,270,984	8,592,525
	599,978,837	351,375,452	564,313,668	323,909,669

5.1.4 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Book Value	Profit/ (Loss)	Party Name	Mode of Disposal
Howa Drawing Frame DFK.2CS	1,069,239	948,549	120,690	429,310	Sheikhupura Textile Bhalpharu	Negotiation
Total	1,069,239	948,549	120,690	429,310		

Above represents sale of assets not sold to Chief Executive, Directors, Other Executives and Shareholders holding not less than 10% of shares or associated undertakings.

5.2 Capital Work in Progress

	2011 (Rupees)	2010 (Rupees)
Civil Works on freehold land	1,165,408.00	-
Plant & Machinery	-	-
	1,165,408.00	-

5.3 INTANGIBLE ASSETS

NAME OF ASSETS	COST			%	AMORTIZATION		
	Cost as at July 01, 2010	Additions	Deletions		Accumulated as at July 01, 2010	Adjustments	For the year
Software	550,000	-	-	20	268,400	-	56,320
							324,720
TOTAL RUPEES: 2011	550,000	-	-	550,000	268,400	-	324,720
TOTAL RUPEES: 2010	550,000	-	-	550,000	198,000	-	268,400
							281,600

5.3.1 Amortization has been charged as under:

	Note	2011 (Rupees)	2010 (Rupees)
Administrative Expenses	27	56,320	88,000
		56,320	88,000

	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
6. LONG TERM DEPOSITS		
Security against Assets Subject to Finance Lease Wapda & Others	582,900 1,258,585	4,726,308 1,258,585
Less: Current Portion of Lease Security Deposits (Note 10.1)	68,800	4,059,358
	1,772,685	1,925,535
7. STORES & SPARES		
Stores	836,230	879,677
Spares (Note 7.2)	15,985,912	15,494,775
Less: Provision for Obsolescence	(210,000)	(210,000)
Packing Material	15,775,912	15,284,775
	2,508,290	1,464,185
	19,120,432	17,628,637
7.1 Store and spares are held for normal repair and maintenance. No Stores & Spares are held for capital expenditure.		
7.2 Spares include spares in transit of Rs. 710,770 (2010: Rs. 1,205,257)		
8. STOCK IN TRADE		
Raw Material	173,397,707	48,814,203
Work in Process	17,563,570	10,519,844
Finished Goods	8,765,634	8,046,668
	199,726,911	67,380,715
8.1 Raw Material and Finished Goods are pledged as security against short term finances.		
9. TRADE DEBTORS		
The local debtors are unsecured but considered good.		
10. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES		
Advances - Secured & Considered Good Non-executives	2,161,213	1,234,165
Advances - Unsecured but Considered Good Suppliers	19,789,628	48,551,277
Expenses	1,261,327	1,913,946
Security Deposits (Note 10.1)	68,800	4,059,358
Letters of Credit	189,183	36,951
Prepayments	6,905,112	698,211
Due From The Government Agencies Income Tax Deducted at Source (Note 10.2)	41,137,885	24,107,090
Excise Duty	15,615	15,615
Sales Tax	3,984,547	3,591,953
Others	13,243,913	5,178,411
	88,757,223	89,386,976
10.1 This represents lease deposits relating to leases Rs. 68,800 to be matured in next twelve months.		
10.2 Income Tax Deducted at Source		
Opening Balance	24,107,090	17,539,747
Add: Paid during the year	23,420,705	8,021,707
	47,527,795	25,561,454
Less: Adjustments	6,389,910	1,454,364
	41,137,885	24,107,090
11. CASH & BANK BALANCES		
Cash in Hand	391,526	411,442
Balances with Banks -In Current Accounts	5,491,812	5,167,745
Balances with Banks -In Saving Accounts	-	13,522
	5,883,338	5,592,709
12. SHORT TERM FINANCE-SECURED		
The facilities for short term finance, available from various banks amounted to Rs. 530.5 million (2010: Rs. 447 million) are payable within next 12 months. These are secured by pledge of raw material stock, hypothecation of yarn stock and lien on export L/Cs.		

	June 30, 2011	June 30, 2010
	<Rupees>	<Rupees>
13. TRADE AND OTHER PAYABLES		
Due to Others		
Creditors for Goods Supplied	64,786,510	57,831,656
Advances from Customers	21,004,371	12,020,886
Accrued Expenses	20,993,862	19,147,629
Due to Government Agencies		
Income Tax withheld	5,071,672	88,221
Provident fund payable	1,097,245	197,133
Unclaimed Dividend	1,160,139	1,160,139
Others (Note 13.1)	55,774,730	56,166,119
Workers' profit participation fund	491,732	491,732
Workers' Welfare fund	186,858	186,858
	170,567,119	147,290,374
13.1 This represents interest free payables to private parties.		
14. PROVISION FOR TAXATION		
Opening Balance	6,389,910	1,454,364
Add: Provision for the year (Note 32)	14,413,104	6,389,910
	20,803,014	7,844,274
Less: Refunds / Adjustments	6,389,910	1,454,364
	14,413,104	6,389,910
15. MARK UP PAYABLE		
Mark up on Short Term Finance	10,393,586	11,114,400
Mark up on Long Term Finance	9,634,189	7,779,141
Mark up on Lease Finance	-	96,404
	20,027,775	18,989,945
16. SUBORDINATED SPONSORS' LOAN		
This represents interest free unsecured loan from Sponsor Directors of the Company. It is not repayable in next twelve months.		
17. LONG TERM LOANS - SECURED		
Demand Finance (NIDF-III) (Note 17.1)	20,500,000	39,285,713
Demand Finance BOP (Note 17.2)	42,000,000	54,064,000
LTF-EOP SBP (Note 17.3)	-	6,345,661
Demand Finance (NIDF-V) (Note 17.4)	28,019,062	29,887,000
Demand Finance NBP (Note 17.5)	89,999,958	46,540,958
	180,519,020	176,123,332
Less: Current Maturity		
Demand Finance (NIDF-III)	14,642,855	17,857,145
Demand Finance BOP	15,000,000	15,064,000
LTF-EOP SBP	-	6,345,660
Demand Finance (NIDF-V)	9,339,690	3,735,875
Demand Finance NBP	-	-
	38,982,545	43,002,680
	141,536,475	133,120,652
17.1 This represents demand finance (NIDF-III) of Rs. 26.36 million sanctioned by United Bank Limited for balancing, modernization and replacement (BMR) requirements. The loan is rescheduled by the bank on December 17, 2007. As per rescheduled terms it carries mark up at the rate of 6 Month KIBOR plus 150 basis points with no floor and cap. The loan is repayable within 5 years including 18 months grace period from August 31, 2009 in 9 equal quarterly installments of Rs. 2.929 million each.		
17.2 This represents Demand Finance of Rs. 60.00 million sanctioned by Bank of Punjab for Swapping of Demand Finance from United Bank Limited. It carries mark up at the rate of 6 Month KIBOR plus 250 basis points with floor rate of 12%. The loan is repayable in 6 years including 1 year grace period from November 07, 2007 in 20 equal quarterly installments of Rs. 3.000 million each.		
17.3 This represents loan being undertaken by State Bank of Pakistan under LTF Scheme for export oriented projects.		
17.4 This represents demand finance (NIDF-V) of Rs. 29.887 million sanctioned by United Bank Limited for restructuring financial requirements. The loan is sanctioned by the bank on December 18, 2009. 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 within 5 years from the date of disbursement with 12 months grace period from the date of disbursement in 16 equal quarterly installments of Rs. 1.868 million each.		
17.5 This represents Demand Finance of Rs. 90.00 million sanctioned by the National Bank of Pakistan for Re-profiling of 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 Month KIBOR plus 150 with no floor and cap. The loan is repayable in 6 years including 2 year grace period from June 03, 2010 in 08 equal bi-annual installments of Rs. 11.250 million each.		

17.6 The above loans are secured against 1st Pari Passu Charge on fixed assets for Rs 400.00 million.

	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
18.1 The amount of future payments and periods during which they fall due are:		
Year Ending		
June 30,		
2011	-	8,012,664
2012	513,792	1,532,804
2013	730,816	826,995
	1,244,608	10,372,463
Less:		
Financial charges allocated to future period	87,558	1,173,008
Present value of minimum lease payments	1,157,050	9,199,455
Less:		
Current Portion	443,139	7,823,456
	713,911	1,375,999

18.2 Present value of minimum lease payments have been discounted at interest rates, ranging from 7.51% to 15.00%, which approximately equates the rate implicit in the lease agreement. In case of default of any payment, additional charges at varying rates are payable on overdue amounts. If any lease is terminated, the lessee shall pay for assets the entire amount of rentals for unexpired period of the lease agreements. The liability is partly secured by deposits of Rs. 0.583 million (2010 : Rs. 4.726 million), the residual value of leased assets is Rs. 0.583 million (2010 : Rs. 4.726 million). The purchase option is available to the Company on payment / surrender of deposit along with last installment. There is no financial restriction in the lease agreements.

18.3 Reconciliation of minimum lease payments and their present values is given below:

	Minimum Lease payments		Present Value of MLP	
	2011 <Rupees>	2010 <Rupees>	2011 <Rupees>	2010 <Rupees>
Due within one year	513,792	8,012,664	443,139	7,823,456
Due after one year but not later than 5 years	730,816	2,359,799	713,911	1,375,999
Due after 5 years	-	-	-	-
	1,244,608	10,372,463	1,157,050	9,199,455
Financial Charges	87,558	1,173,008	-	-
	1,157,050	9,199,455	1,157,050	9,199,455

19. LONG TERM DEPOSITS

19.1 These deposits are against the sale of cotton waste. The contractors have given company right to utilize these deposits in normal course of business.

20. RETIREMENT BENEFITS

The future contribution of this scheme includes allowances for deficit and surplus.

20.1 Discount Rate		14% p.a.	12% p.a.
Expected Rate of increase in salary level		13% p.a.	11% p.a.
Expected Rate of return		12% p.a.	12% p.a.
Average remaining working life		15 years	7 years
		June 30, 2011	June 30, 2010
		<Rupees>	<Rupees>
20.2 Movement in net liability recognised			
Opening Liability		4,909,766	3,339,798
Charge for the period	(Note 20.4)	2,867,932	3,174,483
Contributions during the period		(3,012,457)	(1,604,515)
		4,765,241	4,909,766
20.3 The amount recognised in the balance sheet are as follows:			
Present value of benefit obligation		4,661,691	3,971,654
Fair value of plan assets		(51,058)	(51,058)
Unrecognised actuarial gain / (loss)		154,608	989,170
Liability as on June 30,		4,765,241	4,909,766

	<u>June 30, 2011</u> <Rupees>	<u>June 30, 2010</u> <Rupees>		
20.4 Charged to profit & loss account for the period				
Current service cost	2,451,280	2,763,773		
Interest cost	476,598	416,837		
Expected Return on Plan Assets	(6,127)	(6,127)		
Actuarial (Gains) / Losses Charge	(53,819)	-		
	2,867,932	3,174,483		
20.5 Actual Return on Plan Assets				
Expected Return on Plan Assets	6,127	6,127		
Actuarial Gain/(Loss) on Plan Assets	(6,127)	(6,127)		
	-	-		
21. DEFERRED TAX LIABILITY				
This is comprised of the following:				
Accelerated tax depreciation	100,927,079	45,805,306		
Unused tax losses and tax credits	(112,097,387)	(74,993,556)		
Surplus on revaluation of property, Plant and equipment	84,591,831	51,642,322		
Net Liability as on Balance sheet date	73,421,523	22,454,072		
22. CONTINGENCIES & COMMITMENTS				
22.1 Contingencies				
Appeal in respect of income year 1999-2000(assessment year 2001-2002) was finalized by the Commissioner of Income Tax (Appeals) in favour of the company. The tax liability originally assessed by the Deputy Commissioner of Income Tax was Rs. 10.929 million which was subsequently restricted to Rs. 2.906 million by the Commissioner of Income Tax (Appeals) whereas the provision accounted for in the financial statements amounts to Rs. 9.433 million. Corresponding adjustments have been made in the financial statements but the Income Tax Department has filed an appeal against the said order of Commissioner of Income Tax (Appeals) before the Income Tax Appellate Tribunal. It is expected that, on the basis of tax advisor's opinion, the appeal will be finalized in favour of the Company.				
22.2 Commitments				
(a) Letter of Credit of Rs. 189,183(2010: Rs. 36,951).				
(b) Letter of Guarantee issued in favour of SNGPL Rs. 11.606 million (2010: Rs. 11.606 millions).				
23. SHARE CAPITAL				
Issued , Subscribed and Paid -up:				
8,000,000 Ordinary Shares (2010: 8,000,000 Ordinary Shares)				
of Rs. 10/- each, issued for consideration in cash.	80,000,000	80,000,000		
24. SURPLUS ON REVALUATION OF FIXED ASSETS				
Opening Balance as on July 01,	506,836,119	237,707,826		
Add: Revaluation surplus on fixed assets - Net of tax	101,241,378	299,799,457		
	608,077,497	537,507,283		
Less:				
Transferred to Accumulated Loss on account of Incremental Depreciation (Note 24.2)	(41,834,610)	(30,671,164)		
Closing Balance	566,242,887	506,836,119		
24.1 Land and Buildings was revalued by independent valuer M/s. Bfa (Pvt.) Limited as on June 30, 2005 and Plant & Machinery was revalued on June 30, 2007 by BFA (Pvt.) Limited . Further revaluation of Land, Building and Plant & Machinery was carried out as December 31, 2009 and subsequently on June 30, 2011 by independent valuer M/s. Indus Surveyors (Pvt.) Limited. The replacement cost method was used to determine fair market value of the above assets.				
24.2 Incremental Depreciation				
	Opening Balance	Revaluation surplus on fixed assets - Net of tax	Rate	Depreciation Net of Tax
Land	37,232,095	-	0%	-
Factory Building	68,606,163	14,332,468	5%	3,430,308
Colony Building	33,909,689	4,091,151	5%	1,695,484
Plant & Machinery - Owned	328,594,357	82,817,758	10%	32,859,436
Plant & Machinery - Leased	1,210,004	-	10%	121,000
Generators	37,283,812	-	10%	3,728,381
	506,836,119	101,241,378		41,834,610

		June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
25. SALES			
Sales- Local		1,441,310,320	907,016,988
- Export		-	184,348,037
		1,441,310,320	1,091,365,025
- Less: Commission		4,439,542	7,505,452
		1,436,870,778	1,083,859,573
26. COST OF SALES			
Raw Material Consumed	(Note 26.1)	1,136,245,610	736,799,925
Packing Material		13,195,688	14,274,712
Stores & Spares		14,832,734	13,237,764
Salaries, Wages & Other Benefits	(Note 26.2)	70,318,481	61,807,093
Fuel & Power		100,335,726	86,045,223
Repair & Maintenance		2,659,339	2,263,276
Insurance		3,435,985	3,094,982
Depreciation	(Note 5.1.1)	79,008,766	52,641,280
		1,420,032,330	970,164,255
Add: Opening Work in Process		10,519,844	8,830,725
		1,430,552,173	978,994,980
Less: Closing Work in Process		(17,563,570)	(10,519,843)
Cost of goods manufactured		1,412,988,603	968,475,137
Add: Opening Stock of Finished Goods		8,046,668	12,089,043
		1,421,035,271	980,564,180
Less: Closing Stock of Finished Goods		(8,765,634)	(8,046,668)
		1,412,269,637	972,517,512
26.1 Raw Material Consumed			
Opening Stock		48,814,203	32,469,053
Add : Purchases		1,260,829,114	753,145,075
Less : Closing Stock		(173,397,707)	(48,814,203)
		1,136,245,610	736,799,925
26.2 Salaries, Wages & Other Benefits include Rs. 1.941 million (2010: Rs. 2.290 million) in respect of retirement benefit.			
27. ADMINISTRATIVE EXPENSES			
Office Staff Salaries & Benefits	(Note 27.1)	15,139,689	14,384,960
Travelling & Conveyance		3,025,395	1,416,424
Printing & Stationery		933,739	1,049,515
Postage, Telephone & Telegram		1,029,895	2,203,856
Rents, Rates & Taxes		2,482,995	2,594,882
Insurance		287,622	34,612
Vehicle Running & Maintenance		3,289,208	3,427,109
Fees & Subscription		373,810	407,674
Electricity		1,416,093	1,556,724
Entertainment		839,075	707,982
Medical Expenses		486,408	637,419
Registrar Service Charges		135,000	120,000
Repair & Maintenance		389,998	1,200,047
Legal & Professional Charges		3,237,110	3,350,150
Auditors Remuneration	(Note 27.2)	430,000	430,000
School Expenses		443,022	371,623
Depreciation	(Note 5.1.1)	1,369,889	1,295,835
Amortization	(Note 5.3.1)	56,320	70,400
Miscellaneous Expenses		2,078,337	1,189,909
		37,443,605	36,449,120
27.1 Office Staff Salaries & Benefits include Rs. 0.927 million (2010: Rs 0.899 million) in respect of retirement benefit.			
27.2 Auditors' Remuneration			
Annual Audit Fee		200,000	200,000
Half Yearly Review		50,000	50,000
Tax Consultancy		180,000	180,000
		430,000	430,000
28. DISTRIBUTION COST			
Advertisement		38,250	36,280
Samples		15,000	27,000
Yarn Loading		130,867	120,505
Export Expenses		-	5,231,768
Freight & Octroi		19,550	1,008,050
Travelling & Conveyance		-	902,112
Courier Charges		19,676	109,745
Others		83,320	114,941
		306,663	7,550,401

	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
29. FINANCIAL CHARGES		
Markup on Long Term Loans	30,290,464	21,200,103
Markup on Short Term Loans	35,626,711	29,811,947
Commission & Bank Charges	3,926,031	2,990,980
Finance Charges on Leased Assets	369,409	1,634,417
	70,212,615	55,637,447

30. OTHER INCOME		
Profit on Disposal of Fixed Assets	429,310	1,131,534
Other Income	11,780	25,897
	441,090	1,157,431

31. OTHER OPERATING CHARGES			
Exchange Loss	31.1	1,990,851	3,027,885
Workers' Profit Participation Fund		-	491,732
Workers' Welfare Fund		-	186,858
		1,990,851	3,706,475

31.1 The exchange loss is on account of short term borrowings in foreign currency.

	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
32. TAXATION		
Current Year	14,413,103	6,389,910
Deferred tax	(3,547,137)	2,281,965
	10,865,966	8,671,875

32.1 The assessments have been completed up to the income year 2009-2010 (Tax year 2010).

33. EARNINGS PER SHARE			
Profit/(Loss) after Tax - Rupees		(95,777,469)	484,174
Weighted average number of Ordinary Shares outstanding during the year		8,000,000	8,000,000
Basic Earning Per Share		(11.97)	0.06

33.1 There is no dilutive effect on the basic earning per share of the Company.

34. RELATED PARTY TRANSACTIONS

The related parties comprise directors and executives of the Company. During the year no related party transaction was incurred other than salaries and benefits to Chief Executive and Executives as per terms of their employment:

34.1 DIRECTORS' & EXECUTIVES' REMUNERATION

Particulars	Year Ended June 30, 2011		Year Ended June 30, 2010	
	Chief Executive	Executives	Chief Executive	Executives
Managerial Remuneration	2,357,143	3,900,000	1,982,143	3,898,655
House Rent	707,143	1,170,000	792,857	1,278,842
Medical	235,714	390,000		
Utilities	-	442,160	-	391,663
Total Rupees	3,300,000	5,902,160	2,775,000	5,569,160
No. of Persons	1	4	1	8

34.2 In addition to the above, company maintained cars are provided to the chief executive and executives.

35. FINANCIAL ASSETS & LIABILITIES

Particulars	Effective Yield / Mark Up Rate	Interest Bearing				Non-Interest Bearing				Amount In Rupees	
		Maturity upto one year	Maturity after One Year up to five year	Maturity after five year	Sub Total	Maturity upto one year	Maturity after five year	Maturity after five year	Sub Total	Grand Total 2011	Grand Total 2010
Financial Assets											
Long Term Deposits		-	-	-	-	1,258,585	-	-	1,258,585	1,258,585	1,258,585
Trade Debts		-	-	-	-	12,939,308	-	-	12,939,308	12,939,308	16,800,641
Advances, Deposits, Prepayments & Other Receivables		-	-	-	-	14,694,423	-	-	14,694,423	14,694,423	11,188,665
Cash & Bank Balance		-	-	-	-	5,883,338	-	-	5,883,338	5,883,338	5,592,709
		-	-	-	-	33,517,068	1,258,585	-	34,775,653	34,775,653	34,840,600
Financial Liabilities											
On balance sheet items											
Long Term Loan	6.85% to 16.28%	38,982,545	141,536,475	-	180,519,020	-	-	-	-	180,519,020	176,123,332
Liabilities against assets subject to finance lease	5.00%	443,139	713,911	-	1,157,050	-	-	-	-	1,157,050	9,199,455
Retirement Benefits	12.00%	-	4,765,241	-	4,765,241	-	-	-	-	4,765,241	4,909,766
Short Term Finances	9.21% To 17.02%	371,368,772	-	-	371,368,772	-	-	-	149,562,748	371,368,772	208,995,299
Trade and Other Payable		-	-	-	-	-	-	-	-	149,562,748	135,269,488
		410,794,456	142,250,386	4,765,241	557,810,082	149,562,748	-	-	149,562,748	707,372,831	534,497,340
Off balance sheets items											
Letter of Guarantee		-	-	-	-	11,605,700	-	-	11,605,700	11,605,700	11,605,700
		410,794,456	142,250,386	4,765,241	557,810,082	161,168,448	-	-	161,168,448	718,978,531	546,103,040

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

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk and concentration of credit risk

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

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 34.776 million (2010: Rs. 34.861 million), the financial assets that are subject to credit risk amounted to Rs. 28.893 million (2010: Rs.29.248 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:

	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
Trade Debtors	12,939,308	16,800,641
Advances, Deposits, Prepayments & Other Receivables	14,694,423	11,188,665
Cash & Bank Balances	5,883,338	5,592,709
	<u>33,517,068</u>	<u>33,582,015</u>

The breakup of amount due from customers other than related parties as stated in note is presented.

Due from foreign customers	-	-
Due from local customers	12,939,308	16,800,641
	<u>12,939,308</u>	<u>16,800,641</u>

The aging of trade debts at the reporting date is :

Past due 0- 30 days	9,738,123	13,180,488
Past due 31- 60 days	84,105	91,670
Past due 61-90 days	71,166	96,748
Past due 91- 120 days	98,339	146,003
Past due 121 days or more	2,947,574	3,285,732
	<u>12,939,308</u>	<u>16,800,641</u>

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

Significant balances of financial assets and liabilities shall mature within twelve months as evident from the information presented above.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

Currency risk

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

	June 30, 2011 <Rupees>	June 30, 2010 <Rupees>
Foreign debtors	-	-
Gross balance sheet exposure	-	-
Letters of credit	189,183	36,951
Net exposure	<u>189,183</u>	<u>36,951</u>

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2011	2010	2011	2010
USD to PKR	86.25	83.25	86.05	85.40

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

	2011	2010
Effect on profit or loss	(18,918)	(3,695)

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

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

Interest rate risk

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

	2011		2010	
	Effective rate in percentage		Carrying amount Rupees	
Financial liabilities				
Variable rate Instruments				
Long term loans	6.85% to 16.28%	6.85% to 15.30%	180,519,020	176,123,332
Lease Liabilities	7.51 % To 15.00%	7.51 % To 15.00%	1,157,050	9,199,455
Short term borrowings	9.21% To 17.02%	9.21% To 15.68%	371,368,772	208,995,299

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 2011.

	Profit and loss 100 bp	
	Increase	decrease
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	(662,866)	662,866
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	(526,465)	526,465

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, 2011 and June 30, 2010 were as follows:

	June 30, 2011	June 30, 2010
	<Rupees>	<Rupees>
Total Borrowings	551,887,792	385,118,631
Less: Cash and cash equivalents	(5,883,338)	(5,592,709)
Net Debt	546,004,454	379,525,922
Total Equity	(155,792,868)	(101,850,009)
Total Capital	390,211,586	277,675,913
Gearing Ratio	139.93	136.68

36. NUMBER OF EMPLOYEES

Total number of employees at year end were 688 (2010: 662).

37 PLANT CAPACITY & PRODUCTION

	June 30, 2011	June 30, 2010
Number of Spindles Installed	26,016	26,016
Installed Capacity Converted into 20's Count (Million Kgs.)	9.685	9.685
Actual Production Converted into 20's Count (Million Kgs.)	8.938	7.429
Number of Shifts Worked	1,092	1,092
Days Worked	364	364

37.1 The variance of actual production from capacity is on account of product mix.

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 11, 2011 by the Board of Directors of the Company.

39. GENERAL

39.1 Figures have been rounded off to the nearest rupee.

Form of Proxy

L/F NO.	
NO. OF SHARES	

I/We _____

of _____

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

(Name)

of _____

(another member of the Company) failing him

(Name)

of _____

(another member of the Company) to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday the October 31, 2011 at 11:00 a.m. at the Registered Office of the Company, 63-B-I, Gulberg-III, Lahore and at any adjournment thereof.

As witness my hand this _____ day of _____ 2011.

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.