

**Condensed Interim
Un-Audited Financial Statements
For the 1st Quarter Ended
September 30, 2018**



DAR ES SALAAM

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COMPANY INFORMATION

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

Director's Review

The Directors of Dar es Salaam Textile Mills Limited (the Company) present the three-month accounts for the period ended September 30, 2018.

Overview and Performance

Economic Outlook / Business, Risk, Challenges and Future Outlook

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

The Company held Extra Ordinary General Meeting on April 30, 2018 to approve the sale of land, building, plant and machinery in order to settle its obligation towards financial institutions and trade and other payables and also approved an alternate business plan as recommended by the board of directors. At present, the Company has partially executed the plan and is working towards disposal of land, building and machinery to pay down its liabilities. The management is confident that it will achieve its business plan in the stipulated time and aims towards implementation of its alternate business plan

Loss per Share:

Loss per share of your Company for the quarter ended September 30, 2018 is PKR 0.51 as compared to PKR 1.63 for the corresponding period.

Acknowledgment

Your Directors are continuing their efforts to prepare a best possible solution for the benefit of all the stakeholders. We would like to thank all our shareholders for their continued support.

Lahore:
October 29, 2018

For and on behalf of the Board


Abida Mukhtar
Director


Faisal Mukhtar
Chief Executive Officer

Condensed Interim Statement of Financial Position (Un-audited)
As at September 30, 2018

	Note	30-Sep-2018 Rupees (Un-Audited)	30-Jun-18 Rupees (Audited)
Non-current assets			
Property Plant and Equipment	7	374,158,500	377,545,052
Intangible		282,116	296,706
Long term deposits		1,426,354	1,426,354
Deferred Tax Asset		63,799,906	62,446,507
		439,666,875	441,714,619
Current assets			
Stores and spares		2,938,850	2,938,850
Stock-in-trade		-	-
Advances, deposits, prepayments and other receivables		37,093,592	36,861,592
Tax refunds due from Government		28,484,224	28,484,224
Cash and bank balances		1,023,967	18,889,427
		69,540,633	87,174,093
Current liabilities			
Trade and other payables		148,516,056	151,002,405
Short term borrowings		148,759,682	148,775,352
Current portion of long term loan	8	125,622,611	150,722,611
Mark-up accrued		109,448,831	109,448,831
		532,347,180	559,949,199
Working capital employed		(462,806,547)	(472,775,106)
		(23,139,672)	(31,060,487)
Non-current liabilities			
Long term loan	8	-	-
Deferred tax liability		-	-
Contingencies and commitments	9	-	-
Net capital employed		(23,139,672)	(31,060,487)
Represented by:			
Share capital and reserves			
Authorized share capital		150,000,000	150,000,000
Share capital		80,000,000	80,000,000
Accumulated losses		(478,486,462)	(477,720,843)
Surplus on revaluation of fixed assets - net of tax	10	287,464,693	290,778,259
Loan from Sponsors		87,882,097	75,882,097
		(23,139,672)	(31,060,487)
		(23,139,672)	(31,060,487)

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Comprehensive Income (Unaudited)
for the quarter ended September 30, 2018

	<i>Note</i>	Quarter ended September 30,2018 (Un-Audited)	Quarter ended September 30,2017 (Un-Audited)
Sales	11	-	-
Cost of sales	12	3,386,555	12,296,578
Gross Loss		(3,386,555)	(12,296,578)
Operating expenses:			
Administrative expenses		2,053,975	1,825,884
Distribution cost		-	-
		2,053,975	1,825,884
Operating Loss		(5,440,531)	(14,122,462)
Finance cost		(7,055)	-
Other Income	13	15,000	1,047,542
Other operating charges		-	-
Loss before taxation		(5,432,586)	(13,074,920)
Taxation	14	1,353,400	-
Loss after taxation		(4,079,186)	(13,074,920)
Other Comprehensive income for the period			
Incremental depreciation for the period		3,313,566	6,835,981
Total Comprehensive Loss for the period		(765,620)	(6,238,939)
Loss per share - basic and diluted		(0.51)	(1.63)

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Cash Flows (Un-audited)
for the quarter ended September 30, 2018

	September 30,2018 Rupees (Un-Audited)	September 30,2017 Rupees (Un-Audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(5,432,586)	(13,074,920)
Adjustments for:		
Depreciation	3,386,555	12,547,529
Amortization	14,589	18,359
Rental Income	(15,000)	
Finance cost	7,055	-
	3,393,200	12,565,888
Operating Cashflow before changes in working capital	(2,039,386)	(509,032)
Changes in working capital		
Stores, spares and loose tools	-	-
Advances, prepayments and other receivables	(232,000)	-
Trade and other payables	(2,487,019)	(338,028)
	(2,719,019)	(338,028)
Cash generated from operations	(4,758,405)	(847,060)
Payments for :		
Finance cost paid	(7,055)	-
Gratuity Paid	-	-
Taxation Paid	-	-
Net cash flow from operating activities	(4,765,460)	(847,060)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets addition	-	-
Capital work-in-progress	-	-
Net cash used in investing activities	-	-
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from Sponsors	12,000,000	894,236
Short term finance	(25,100,000)	-
Net cash used in financing activities	(13,100,000)	894,236
Net increase/(decrease) in cash and cash equivalents	(17,865,460)	47,176
Cash and cash equivalents as at beginning of the year	18,889,427	300,648
Cash and cash equivalents as at end of the year	1,023,967	347,824

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Lahore: October 29, 2018


Faisal Mukhtar
Chief Executive Officer


Abida Mukhtar
Director

**Condensed Interim Statement of Changes in Equity (Un-audited)
for the quarter ended September 30, 2018**

	Issued subscribed and paid-up capital	Accumulated Losses	Revaluation Surplus	loan from Directors & Sponsors	Total Equity
Balance as at July 01, 2017 - Audited	80,000,000	(441,570,624)		47,540,360	(314,030,264)
Total Comprehensive loss for the period	-	(6,238,939)		894,236	(5,344,703)
Balance as at September 30, 2017 - Un- audited	80,000,000	(447,809,563)		48,434,596	(319,374,967)
Balance as at June 30, 2018 - Audited	80,000,000	(477,720,843)	290,778,258	75,882,097	(31,060,488)
Loan During the Period				12,000,000	12,000,000
Incremental Depreciation net of Deferred Tax		3,313,566	(3,313,566)		(4,666,966)
Loss for the period	-	(4,079,186)			(765,620)
Balance as at September 30, 2018 - Un- audited	80,000,000	(478,486,462)	287,464,693	87,882,097	(23,139,672)

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Notes to the Condensed Interim Financial Information (Un-audited) for the quarter ended September 30, 2018

1 Reporting entity

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

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

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

Disposal of plant and equipment (refer note 7)

3 Basis of preparation

3.1 Statement of compliance

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

3.2 Going concern assumption

The Company has been facing operational issues for the last couple of years including shut down of electricity and shortage of gas supplies due to which the Company has incurred loss before tax of Rs. 5.432 million (2017: Rs.13.075 million) and has accumulated losses amounting to Rs. 478.48 million (2017: 477.72 million) at the year end. In addition to this, the Company's current liabilities exceeded its current assets by Rs. 462.81 million (2017: Rs.472.775 million) at reporting date.

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

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

In view of the above, these financial statements have been prepared on going concern basis on the grounds that the Company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable level and availability of adequate working capital through support from sponsors. Management is of the view that the Company will continue to get support of sponsors.

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

3.3 Functional and presentation currency

The condensed interim financial information are presented in Pak Rupees which is the functional and presentation currency of the Company.

4 Accounting policies

The accounting policies and methods of computation adopted in the presentation of these condensed interim financial information are the same as those adopted in the preparation of audited annual financial statements of the Company for the preceding year ended June 30, 2018.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

5 Accounting estimates and judgements

The preparation of condensed interim financial information required management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimating uncertainty were the same as those applied to in the financial statements for the year ended June 30, 2018.

6 Taxation

Provisions in respect of taxation is estimated and is subject to final adjustments in the annual audited financial statements. Deferred tax impact in the condensed interim financial information including on revaluation of fixed assets, has not been accounted for.

	Note	September 30,2018 Rupees	June 30, 2018 Rupees
7 Fixed assets			
Property Plant and equipment			
Operating fixed assets	7.1	374,158,497	377,545,052
Intangible assets	7.2	281,871	296,706
		374,440,367	377,841,758
7.1 Operating assets			
Opening balance		377,545,052	523,866,530
Additions during the period / year		-	-
		377,545,052	523,866,530
Less		-	-
Disposal/ Adjustment During the Year		-	104,650,156
Depreciation charged during the period		3,386,555	41,671,322
		3,386,555	146,321,478
		374,158,497	377,545,052
7.2 Intangible assets			
Cost		1,874,241	1,874,241
Opening accumulated amortization		1,577,535	1,507,064
Amortization for the period / year		14,835	70,471
Closing accumulated amortization		1,592,370	1,577,535
		281,871	296,706
8 LOAN TERM LOANS - SECURED			
From Commercial Banks			
- Bank of Punjab		12,412,177	14,380,177
- United Bank Limited (NIDF-V)		-	7,068,576
- United Bank Limited (NIDF-VI)		3,936,476	20,000,000
- United Bank Limited Encashment of BG		10,000,000	10,000,000
- National Bank of Pakistan		78,749,958	78,749,958
- National Bank of Pakistan (CF swap)		15,976,000	15,976,000
- National Bank of Pakistan (Frozen mark-up)		4,548,000	4,548,000
		125,622,611	150,722,711
Less Current maturity		(125,622,611)	(150,722,711)
		-	-

- 8.1 The above loans are secured against first pari passu charge on fixed assets for Rs 534.00 million.
- 8.2 Total outstanding amount has been classified in current liabilities as amounts are overdue as of balance sheet date.

9 Contingencies and commitments

9.1 Contingencies

- 9.1.1 In tax year 2005 ending on 30-09-2004 and 30-06-2005 respectively the department has not given credit of tax deducted on exports u/s 154 amounting to Rs. 6,617,590 and Rs. 4,250,270 against minimum tax liability for the tax years under reference. The taxpayer filed an appeal against the orders of the department issued under section 122 of the Income Tax Ordinance, 2001 before CIR(A) but he rejected the plea of the taxpayer. The taxpayer being aggrieved filed an appeal before Appellate Tribunal Inland Revenue which is pending for hearing. The company is very positive that they will win the case in the appellate forum as the case has already been decided in favor of the Company in assessment year 2000-01 & 2001-02 in the light of authoritative judgment of the high Court.
- 9.1.2 As a result of assessment order u/s 122(5A), the tax liability amounting to Rs. 1,594,999/- is created. The case has been responded by the company at its own. Further, the taxpayer filed an appeal before Commissioner Inland Revenue and the appeal was decided that the tax demand created was adjusted against the tax credit u/s 65B amounting to Rs. 3,603,276/-. Thus the tax demand assessed by the learned DCIR was deleted, but the loss was amended as per the additions of learned DCIR on account of exchange loss amounting to Rs. 1,990,851/-. The assessed loss was 49,789,078/-.
- 9.1.3 The company filed income tax return for the tax year 2009 by declaring the total loss amounting to Rs. (17,452,949) out which Rs. (14,534,816) relates to local sales. The department assessed the income tax return and passed an order and created a tax demand amounting to Rs. 47,443,907/-. The taxpayer being aggrieved filed an appeal before the Commissioner appeals [CIR(A)] whereby all additions made by the DCIR were deleted except addition made on account of staff retirement benefits amounting to Rs. 3,166,000/-. The department filed an appeal against the above stated CIR(A) order before Appellate Tribunal Inland, the adjudication of the same is pending.
- 9.1.4 The SNGPL levied surcharge amounting to Rs. 8,213,847 under Gas Infrastructure Development Surcharge on industrial undertakings. Lahore High Court passed an order and directed to constitute a high power committee to look into the case of industrial undertaking. The Company has supplied all the required information; however, the matter is still pending.
- 9.1.5 The Company was selected for audit u/s 214(D), the correspondence legal ground with the department are in process
- 9.1.6 Faysal Bank Limited filed a suit against the Company and its management for the recovery of Rs 22,697,054/- before Banking Court Lahore. Said suit was decreed and has been challenged by the Company before the division bench of Lahore High Court Lahore. The said appeal is still pending adjudication and the final outcome of this matter depends upon the decision of this appeal. The bank has filed an execution petition before the banking court No II Lahore which is also pending adjudication. The Company is vigilantly pursuing this case
- 9.1.7 National Bank has filed a suit against the Company and its management before the Lahore High Court Lahore. Wherein the bank claimed recovery of Rs 100.628 million. This suit is pending adjudication. This case is being vigorously and diligently contested by the company and there are good chances of favourable result in this case.
- 9.1.8 United Bank Limited has filed a suit against the Company and its management before the Lahore High Court Lahore. Wherein the bank claimed recovery of Rs 183.709 million. This suit is pending adjudication. This case is being vigorously and diligently contested by the company and there are good chances of favourable result in this case.
- 9.1.9 The Company has filed a suit against National Bank of Pakistan before Lahore High Court Lahore challenging Bank's alleged claim based upon the LC's facilities sanctioned 7/8 years back. The claim of the bank is baseless and time barred. This suit is still pending adjudication. There is no scope of any financial loss to the Company in the instant matter. This case is being vigorously pursued by the Company.
- 9.1.10 The National Bank of Pakistan has lodged a frivolous and time barred claim based upon the LC's facilities sanctioned about 7/8 years back. The NaB has also taken up the matter, which act of the bank and NAB has been challenged in a writ petition before Lahore High Court Lahore. This writ Petition is pending adjudication before the division bench of Lahore High Court Lahore and an injunctive order has also been passed. This case is being vigorously and diligently pursued by the company and there are good chances of favorable result in this case.

9.2 Commitments

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

	September 30,2018 Rupees	June 30, 2018 Rupees
10 Surplus on revaluation of fixed assets		
Opening balance	290,778,259	397,201,401
Revaluation surplus during the period on fixed assets	-	183,334,451
	290,778,259	580,535,852
Transferred to accumulated loss on account of incremental depreciation	(3,313,566)	(25,268,555)
Revaluation loss on plant and machinery up to available surplus	-	(230,236,989)
	287,464,693	325,030,308
Less: Related deferred tax liability	-	(34,252,049)
	287,464,693	290,778,259
	Quarter ended September 30,2018 Rupees	Quarter ended September 30,2017 Rupees
11 Sales	-	-
12 Cost of Sales		
Depreciation	3,386,555	12,296,578
13 Other income		
13.1 Sale Proceeds of Agricultural produce	-	1,047,542
13.2 Rental Income	15,000	-
	15,000	1,047,542

14 TAXATION

Current tax for the period has not been calculated as the company has incurred gross loss as per the provisions of Income Tax Ordinance, 2001

15 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 29,2018 by the Board of Directors of the Company.

16 GENERAL

16.1 Figures have been rounded off to the nearest rupee.

16.2 Corresponding figures have been re-arranged where necessary to facilitate comparison however, there are no significant reclassifications during the period.



DAR ES SALAAM
TEXTILE MILLS LIMITED

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