

**INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Dar es Salaam Textiles Mills Limited**

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Dar es Salaam Textiles Mills Limited (the Company) for the year ended June 30, 2022 in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions, with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Reference Paragraph Description

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|-------------|--|
| 19.1 | Appropriate arrangements for orientation courses and training for the directors have not been carried out. |
| 19.2 | The positions of the Chief Financial Officer and Company Secretary are held by one person contrary to the requirements of the Regulations. |
| 15 and 19.3 | The Company has not yet decided to fill the vacancy in the office of Internal auditor since November 01, 2019. |
| 18 | The Company's independent directors were not selected from the data bank as required under Section 166 of the Companies Act, 2017. |



Rizwan & Company
Chartered Accountants

Engagement Partner: Imran Bashir

Lahore: October 05, 2022

**Statement of Compliance with Listed Companies
(Code of Corporate Governance) Regulations, 2019
Dar es Salaam Textile Mills Limited For the year ended June 30, 2022**

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as the Regulations) in the following manner:

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as the Regulations) in the following manner:

1. The total number of directors are seven (7) as per the following:
 - a) Male: Four (4)
 - b) Female: Three (3)

2. The composition of Board of Directors (the Board) is as follows:

Category	Names
Independent Directors	Mr. Muhammad Gul Nawaz Mr. Muhammad Yousaf Khan
Non-executive Directors	Mr. Faisal Mukhtar Mrs. Mahwesh Faisal Mukhtar Mr. Ejaz Hussain
Executive Directors	Mrs. Nilofar Mukhtar Ms. Abida Mukhtar

Code of corporate governance requires that the company's Independent director shall be higher of two or one third (2.33) of its total Directors (7). However, fraction (0.33) contained in one-third number for independent director has not been rounded up as one, as the existing independent directors have the requisite skills, knowledge and diversified work experience to take independent decision in the interest of the Company.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. No director is duly certified or exempted, from the Directors' Training Program.
10. There was no fresh appointment of Chief Financial Officer, Company Secretary or Head of Internal Audit during the year ended June 30, 2022. The Board has approved the remuneration of Chief Financial Officer and Company Secretary and complied with relevant requirements of the Regulations; the position of Head of Internal Audit remained vacant from November 01, 2019 till date.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed Committees comprising of members given below:

Name of Committees	Names of members and chairman	
Board Audit Committee	Mr. Muhammad Gul Nawaz	Chairman
	Mrs. Mahwesh Faisal Mukhtar	Member
	Mr. Nilofar Mukhtar	Member
Human Resource and Remuneration Committee	Mr. Muhammad Yousaf Khan	Chairman
	Mrs. Mahwesh Faisal Mukhtar	Member
	Mr. Nilofar Mukhtar	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the Committees are as follows:

Name of Committees	Frequency of meetings
Board Audit Committee	Quarterly
Human Resource and Remuneration Committee	Yearly

15. The Board had set up an internal audit function; however, during the year the internal audit department remained unfunctional because of vacancy in the office of Head of Internal Audit since November 01, 2019.
 16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with the Audit Oversight Board of Pakistan, that they and all their 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 (ICAP) and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of
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the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for:

Regulation

Regulation 6

Explanation

The Company's independent directors' although meet all the criteria of independence laid down in the Act, however, they are not selected from the data bank mentioned under Section 166 of the Companies Act, 2017. The Board is of the opinion that the independent directors does not have any relationship, whether pecuniary or otherwise, and are being able to exercise independent judgement without being subservient to any conflict of interest. Further, the Board is fully committed for swift induction of its independent directors into the data bank.

19. Explanations for non-compliance with the requirements other than of the Regulations 3, 6, 7, 8, 27, 32, 33, and 36 are as follows:

- 19.1 The management is taking steps to arrange training for the directors under Directors Training Program as well as orientation course of the directors. The Company is committed to comply with this requirement and is planning to arrange the Directors' Training Program as per requirements of the Regulations.
- 19.2 The positions of the Chief Financial Officer and the Company Secretary have been held by the same person as the Company is not in position to appoint separate person for each position of Chief Financial Officer and Company Secretary considering the quantum of work and financial health of the Company owing to closure of business and operations of the Company.
- 19.3 The position of Head of Internal Audit Function remained vacant during the year as referred to paragraph 15 and the management of the Company is of the view that vacancy shall be filled upon implementation of alternate business plan and revival of the Company.



(Faisal Mukhtar)

Chairman



(Abida Mukhtar)

Chief Executive Officer