

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company: D.M. Textile Mills Limited)

Year ending: 30 June 2022

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are 07 as per the following:

Male	07
Female	-

2. The composition of the Board is as follows:

i)	Independent Directors	02
ii)	Non-Executive Directors	03
iii)	Executive Directors	02

Determination of number of independent Directors comes to 2.33 (rounded to 2) which is based on Seven Directors. The fraction contrived in one-third number is not rounded up as the two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.

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 have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has not arranged Directors' Training program for the following:
1. Mr. Amer Zeb
 2. Mr. Suleman Khan
 3. Mr. Syed Hameed UI Haq
 4. Mr. Rao Khalid Pervaiz
10. The Board has approved appointment of chief financial officer, Company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

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: -

a) Audit Committee

Names	Designation held
Mr. Amer Zeb	Chairman (Independent Director)
Mr. Suleman Khan (w.e.f. 28 April 2022 in place of Mr. Shahid Aziz)	Member (Independent Director)
Mr. Abrar Alam	Member (Non-Executive Director)

b) HR and Remuneration Committee

Names	Designation held
Mr. Suleman Khan (w.e.f. 28 April 2022 in place of Mr. Shahid Hussain)	Chairman (Independent Director)
Mr. Syed Hameed Ul Haq (w.e.f. 28 April 2022 in place of Mr. Shahid Aziz)	Member (Non-Executive Director)
Mr. Sami Ullah	Member (Executive Director)

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

MEETINGS	FREQUENCY
Audit Committee	Five meetings were held during the financial year ended 30 June 2022.
Human Resource and Remuneration Committee	One meeting was held during the financial year ended 30 June 2022.

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
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 and registered with 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 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 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, 8, 27, 32, 33 and 36 of the Regulations have been complied with except Regulation 7, which will be complied with shortly.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	<p>Directors' Training It is encouraged that by 30 June 2022 all the directors on their Boards have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.</p>	Due to COVID-19 pandemic, the Board could not arrange directors' training program for its four directors;	19
2	<p>Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.</p>	Currently, the Board has not constituted a separate nomination committee. The Board may consider to constitute nomination committee after next election of directors.	29
3	<p>Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.</p>	Currently, the Board has not constituted a risk management committee. The Board may consider to constitute risk management committee after next election of directors.	30
4	<p>Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.</p>	Although these are well circulated among the relevant employees and directors, the Board may consider posting such policies and synopsis on its website in near future.	35
5	<p>Representation of Minority shareholders The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.</p>	No one intended to contest election as director representing minority shareholders.	5
6	<p>Responsibilities of the Board and its members The Board is responsible for adoption of corporate governance practices by the Company.</p>	Non-mandatory provisions of the Regulations are partially complied.	10(1)

Rawalpindi.
05 October 2022


MIAN HABIB ULLAH
 Chairman

INDEPENDENT AUDITOR'S MODIFIED REVIEW REPORT

To the members of D.M. Textile 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 D.M. Textile Mills Limited (the Company) for the year ended 30 June 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 and also ensure compliance 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.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

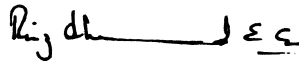
- I. The Board has not appointed whole-time Company Secretary and Chief Financial Officer since the resignation of the previous Company Secretary and Chief Financial Officer as required by the regulation 20 of the Regulations. Further, acting Company Secretary having additional charge of acting Chief Financial Officer does not fulfill the qualification criteria mentioned in regulation 22 of the Regulations;
- li. No member of the Audit Committee is "financially literate" in contravention of regulation 27 [1(iii)] of the Regulations;

- iii. The Company has not complied with the financial reporting and corporate compliance requirements of the Regulations. The financial statements do not give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

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

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Sr. No.	Paragraph reference	Description
(i)	18	As stated in para 18, the Board did not comply with regulation 7 and no female director was appointed upon reconstitution of the Board.



RIAZ AHMAD & COMPANY
Chartered Accountants

ISLAMABAD

Date: 05 October, 2022

UDIN: CR202210187tl31ghskr