

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **D.M. TEXTILE MILLS LIMITED** as at 30 June 2009 and the related profit and loss account, 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 purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) As explained in note 1.1 to the financial statements the company has sustained a loss of Rupees 66.98 million during the year and it has accumulated losses of Rupees 96.72 million as on 30 June 2009. As of 30 June 2009, the company's current liabilities exceeded its current assets by Rupees 270.37 million and financing from banking companies is overdue or payable within one year. The company has been unable to re-negotiate or obtain replacement financing. The mill remained closed for 116 days during the year owing to unfavorable conditions. These events indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared on the going concern basis;
- (b) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (c) 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. The balance sheet and profit and loss account together with the notes thereon 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;
- (d) in our opinion and to the best of our information and according to the explanations given to us, because of the effect of matter discussed in paragraph (a) above, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof do not conform with approved accounting standards as applicable in Pakistan and do not give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the loss, its cash flows and changes in equity for the year then ended. In all other respects, in our opinion the financial statements give the information required by the Companies Ordinance, 1984, in the manner so required; and
- (e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

RIAZ AHMAD & COMPANY
Chartered Accountants

Atif Bin Arshad

ISLAMABAD

Date: