

D.M Textile Mills Ltd

DIRECTORS' REPORT

Dear Shareholders,

The Directors welcome you to the 55th Annual General Meeting of D.M. Textile Mills Ltd and present audited accounts and annual report of the company for the year ended June 30, 2012 along with Auditors' Report thereon.

1. Net Profit/(Loss)

During the year the company suffered a net loss of Rs. (70.85) Million as compared to previous year net loss of Rs. (63.550) Million.

Due to high inflation cost, curtailed gas supply and load shedding the mill was not in operation during the period.

2- Comparative financial results are given below:

Year Ended on	Rupees in Thousand	
	30-06-2012	30-06-2011
Gross Sales	27,242	831,952
Cost of Sales	(71,894)	(846,145)
Gross Profit/(Loss)	(44,651)	(14,193)
Gross Profit/(Loss) Rate (%)	(1.63)%	(1.71)%
Selling, Admin & Other operating Expenses	(14,465)	(29,967)
Other Operating Income	31,114	0.281
Financial and Other Charges	(30,206)	(36,217)
Provision for Taxation	(12,645)	16,545
Profit / (Loss) after taxation	(70,854)	(63,550)
Basic Earning/(Loss) per share in Rs	(23.21)	(20.82)
Breakup Value per share in Rs	129.81	146.88

5- Production Results.

Year Ended		30-06-2012	30-06-2011
Actual production yarn	Million Kgs	-	3.054
Converted production yarn 20's	Million Kgs	-	7.270
Average count spun	No.	-	35.40
Yield combine	% age	-	91.48

6- Debt Servicing

During the period full and final settlement with three leasing companies has been taken place i.e, M/s Orix Leasing, Saudi Pak Industrial & Agricultural Investment Company and BRR Guardian Modaraba, settlement with M/s Saudi Pak Leasing has taken place after the year end. Further Mian Habib Ullah CEO of the company is in the process of negotiating with other debt provider companies to reduce the financial liabilities of the company.

7- Dividend

The Directors have not recommended any dividend due to losses.

8- Directors granted specific approval regarding the following transactions/ Adjustments incorporated in the financial statements:

	Rupees
Property, plant and equipment	
• Additions (Owned)	237,275
• Cost of deletions	(7,975,782)
Impairment of assets	18,554,742
Revaluation Surplus – Net	3,091,483
Gain on settlement of lease liabilities	26,724,643
Chief Executive Remuneration	2,400,000
Provision for gratuity	2,497,483
Creditors over 3 years written off	2,509,561
Related party transactions in note 38	

Directors granted general approval of following transactions in the financial statements.

- A. Sales of Fixed Assets through negotiation as per note No 14.3
- B. Approval of expenditures including Capital expenditure.
- C. Advances given in note 15 & 21
- D. Revaluation of assets

9- Statement on Corporate and Financial Reporting Frame Work

- a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
- b) Company has maintained proper books of accounts.
- c) In preparation of financial statements appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments.
- d) International Accounting standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weakness in control will be removed.
- 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 the listing regulations.
- h) Key Operating and Financial Data for the last six years in summarized from is annexed.
- i) There are no overdue taxes and levies as on June 30, 2012 except reported in note No. 13 under contingencies and commitments in balance sheet.
- j) Pattern of Shareholding and Additional information is annexed.

- k) During the year under review trading in shares of company by Directors, Chief Executive, Chief Financial Officer/ Company Secretary, their spouses and minor children is as follows:

	Sale	Purchase
Mrs. Riffat Habib W/O Habib Ullah	145,124	-----

- l) During the year four meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Directors	No. of Meetings attended
Mr. Habib Ullah	4
Mr. Hussain Ahmed Qureshi	4
Syed Obaid-ul-Haq	4
Mr. Shahid Anwar (Nominee of NIT)	1
Mr. Shahid Aziz (Nominee of NIT)	1
Rao Khalid Pervaiz	4
Hussain Ahmed Ozgen	4
Ch Mohammad Yasin	-

Directors who could not attend Board Meetings due to illness or some other engagements were granted leave of absence in accordance with the law.

- m) Messrs. Corplink (Private) Limited, Wings Arcade, 1-K Commercial Model Town, Lahore is our share registrar under section 204-A of the companies ordinance 1984

10- Future Prospects & Plans

Textile is facing problem due to shut down of gas and electricity.

11- Auditors

The retiring Auditors M/s Riaz Ahmed & Company Chartered Accountants being eligible offer themselves for re-appointment.

12- Remarks in Auditors' report to the members:

Quote:

The company sustained net loss of Rupees 70.854 million during the year ended 30 June 2012 and as of that date its accumulated loss was Rupees 210.541 million due to which total equity stood at negative balance of Rupees 180.017 million. As of 30 June 2012, the company's current liabilities exceeded its current assets by Rupees 426.772 million. Financing from banking companies and liabilities against assets subject to finance lease are overdue. The company has been unable to re-negotiate or obtain replacement financing. The mill remained closed during the year ended 30 June 2012 due to non-supply of captive power gas. The management of the company did not provide us its assessment of going concern assumption used in preparation of these financial statements and the future financial projections indicating the economic viability of the company. 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 realize its assets and discharge its liabilities in the normal course of business. These financial statements have been prepared on the going concern basis: **(Unquote)**

It is clarified that the company is trying its level best to negotiate with debt provider companies for rescheduling and restructuring of loans and hopeful to settle amicably in full and final.

13- Acknowledgement

The directors wish to place on record their acknowledgement for the cooperation extended by the financial institutions. Appreciation is also due to the employees of the company for their hard work and devoted efforts for the betterment of the company.

For and behalf of the Board of Directors

Habib Ullah

Chief Executive

Rawalpindi: October 09, 2012

Hussain Ahmad Qureshi

Director