

D.M Textile Mills Ltd DIRECTORS' REPORT

Dear Shareholders,

The Directors welcome you to the 56th 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, 2013 along with Auditors' Report thereon.

1. Net Profit/(Loss)

During the year the company suffered a net loss of Rs. (33.69) Million as compared to previous year net loss of Rs. (70.85) Million.

Directors are pleased to inform the respected shareholders that due to comparatively better market conditions and efforts of the management, the company resumed its operations from May 2013 but still faces problems due to energy crises and high inflation costs.

2- Comparative financial results are given below:

Year Ended on	Rupees in Thousand	
	30-06-2013	30-06-2012
Gross Sales	44,346	27,242
Cost of Sales	(66,526)	(53,339)
Gross Profit/(Loss)	(22,180)	(26,096)
Gross Profit/(Loss) Rate (%)	(0.50)%	(0.96)%
Selling, Admin & Other operating Expenses	(13,627)	(33,020)
Other Operating Income	33,165	31,114
Financial and Other Charges	(24,851)	(30,206)
Provision for Taxation	(6,199)	(12,645)
Profit / (Loss) after taxation	(33,691)	(70,854)
Basic Earning/(Loss) per share in Rs.	(11.04)	(23.21)
Breakup Value per share in Rs.	118.95	129.81

3- Production Results

Year Ended		30-06-2013	30-06-2012
Actual production yarn	Million Kgs	157.944	-
Converted production yarn 20's	Million Kgs	408.632	-

4- Debt Servicing

During the period final settlement agreement with M/s Saudi Pak Leasing Company Ltd and First Dawood Investment Bank Ltd has taken place. Further Mian Habib Ullah CEO of the company is in the process of negotiating with other debt provider companies so as to reduce the financial liabilities of the company.

5- Dividend

The Directors have not recommended any dividend due to losses.

6- Directors have granted specific approval for the following transactions/adjustments mentioned in the financial statements:

Property, plant and equipment - owned	Rupees
Cost of additions	4,165,455
Cost of deletions	25,532,748
Long outstanding creditors written back	72,457
Long outstanding receivables written off	206,090
Short term borrowings – net	18,389,195
Donations	92,400
Chief Executive Remuneration	2,400,000
Gain on settlement of lease liabilities	30,002,889
Provision for gratuity	597,182

Directors have also granted general approval for following transactions in the financial statements.

- a. Sales/purchase of Fixed Assets through negotiation as per note No 14.2
- b. Approval of expenditures including Capital expenditure.
- c. Advances given in note 15 & 20

7- Statement on Corporate and Financial Reporting Frame Work

- a) The financial statements prepared by the management of the Company, present fairly the 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 form and is annexed to the Annual Report.
- i) There are no overdue taxes and levies as on June 30, 2013 except reported in note No. 13 under contingencies and commitments in the balance sheet.
- j) Pattern of Shareholding and Additional information is also annexed to the Annual Report.
- 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 has been as follows:

	Sale	Purchase
Mr. Hussain Ahmad Qureshi	---	1,000

- 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. Shahid Aziz (Nominee of NIT)	4
Hussain Ahmed Ozgen	4
Ch Mohammad Yasin	1
Mr. Hussain Ahmed Qureshi	4
Syed Obaid-ul-Haq	1
Rao Khalid Pervaiz	4

Directors who could not attend Board Meetings due to illness or 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.

8- Future Prospects & Plans

After successfully resuming the operations of the Mills, Directors are hopeful for better results and up-gradation of the machinery though the prediction is difficult due to the continuing energy crises and high inflation costs. The management is also trying to avail suppliers' credit to continue the operations of the Mills.

9- Auditors

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

10- Remarks on Auditors' Report & Review Report to the members:

(Quote: 1)

The company sustained net loss of Rupees 33.692 million during the year ended 30 June 2013 and as of that date its accumulated loss was Rupees 241.357 million due to which total equity stood at negative balance of Rupees 210.833 million. As of 30 June 2013, the company's current liabilities exceeded its current assets by Rupees 421.349 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 for three hundred and ten days during the year 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: 1)

It is clarified that the company has renegotiated its outstanding loans due towards M/s. Saudi Pak Leasing Company Ltd & First Dawood Investment Bank Ltd during the financial year. As a result settlements have been reached with both the institutions for repayment of the liabilities. Further, the management is trying its level best to negotiate with other debt provider companies for rescheduling and restructuring of loans and are hopeful to settle amicably in the due course. As the Mill is operational now, hence we see no significant doubts upon the Company's ability to continue as a going concern.

(Quote: 2)

in our opinion and to the best of our information and according to the explanations given to us, because of the effects of matter discussed in paragraph (a) above, the balance sheet, profit ad loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof do not confirm 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 2013 and of the loss, its comprehensive 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

(Unquote:2)

The Board of Directors is of the view that the company follows the approved accounting standards as applicable in Pakistan and the accounts do give a true and fair view of the state of company's affairs as at 30 June 2013.

(Quote: 3)

Head of Internal Audit does not fulfill the appointment criteria mentioned in clause xiv of the Code;

(Unquote:3)

As the Mills was not operational at the time of enforcement of revised Code of Corporate Governance, hence despite our efforts, professionals were not willing to join the company. Now we have resumed our operations and have hired a person meeting the appointment criteria and is due to join every soon.

Advance against property:

As explained in Note 15, this matter is pending before the Honorable Lahore High Court Rawalpindi Bench whereby stay order was granted to suspend the operation of impugned order of the Director Enforcement of Securities & Exchange Commission of Pakistan.

11- 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 on behalf of the Board of Directors

Habib Ullah

Chief Executive

Rawalpindi: October 08, 2013

Hussain Ahmad Qureshi

Director