

D.M. TEXTILE MILLS LIMITED
SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

1. THE COMPANY AND ITS OPERATIONS

D.M. Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on Karachi and Islamabad Stock Exchanges. Its registered office is situated at Westridge, Rawalpindi. The company is engaged in the business of textile manufacturing, sale and trading of cotton, polyester, viscose and blended yarn.

- 1** and it has accumulated losses of Rupees 100.447 million as on 31 December 2010 (30 June 2010: Rupees 92.305 million). Also the current liabilities of the company exceeded its current assets by Rupees 296.515 million (30 June 2010: Rupees 294.937 million). The financing from banks and leasing companies is overdue. These events indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. However, the condensed interim financial information has been prepared under going concern assumption as the management is hopeful of negotiation with banks for restructuring/rescheduling of loans.

2. BASIS OF PREPARATION

2010 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the company for the year ended 30 June 2010.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the company for the year ended 30 June 2010.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended 30 June 2010.