

**D.M. TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED**  
**INTERIM FINANCIAL INFORMATION (Un-audited)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**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 in Pakistan. Its registered office is situated at Westridge, Rawalpindi. The company is engaged in the business of manufacturing, sale and trading of cotton, polyester, viscose, blended yarn and cloth.

- 1.1** During the half year ended 31 December 2011, the company has sustained a gross loss of Rupees 12.575 million and net loss of Rupees 29.804 million. As of that date its accumulated loss was Rupees 171.708 million. Also the current liabilities of the company exceeded its current assets by Rupees 404.062 million. These events indicate a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. However, this condensed interim financial information has been prepared under going concern assumption as the management is hopeful in negotiation with banks for restructuring / rescheduling of loans.

**2. BASIS OF PREPARATION**

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the company for the half year ended 31 December 2011 has been prepared in accordance with the requirements of 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 should be read in conjunction with the audited annual published financial statements of the company for the year ended 30 June 2011.

**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 2011.

**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.

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 2011.