

D.M TEXTILE MILLS LTD

NOTES TO THE ACCOUNTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007 (UN-AUDITED)

1. THE COMPANY AND ITS ACTIVITIES

D.M Textile Mills Limited is a public limited company incorporated in Pakistan under the companies Act 1913 (Now Companies Ordinance 1984). Shares of company are quoted on Karachi and Islamabad Stock Exchanges. Registered office of the company is situated at Rawalpindi. The Company is engaged in the manufacturing, sale and trading of cotton, polyester, viscose, blended yarn and cloth.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 2.1 These financial statements are Un-audited and are being submitted to share holders as required u/s 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the International Accounting Standards No.34, interim financial reporting as applicable in Pakistan as notified by Securities and Exchange Commission of Pakistan.
- 2.2 The accounting policies and method of computation followed in the preparation of first quarterly financial statements are same as those published in the annual financial statements for the period ended 30 June 2007.
- 2.3 Transactions and contracts with the related parties are carried out at an arm's length prices determined in accordance with comparable uncontrolled price method.

3 SURPLUS ON REVALUATION OF FIXED ASSETS

| | 30 September 2007 Rupees | 30-Jun 2007 Rupees |
|--|--------------------------------|--------------------------|
| Opening Balance | 558,562,313 | 232,650,934 |
| Surplus arising on revaluation of fixed assets | - | 290,679,073 |
| Deferred taxation | - | 48,749,725 |
| | | 339,428,798 |
| Transferred to accumulated profit / (loss) in respect of surplus realized on disposal of revalued fixed assets | - | (16,502,053) |
| Related deferred tax liability | - | 5,775,718 |
| | | (10,726,335) |
| Transferred to accumulated profit/(loss) in respect of incremental depreciation charged during the year/Period | (1,516,149) | (4,293,976) |
| Related deferred tax liability | - | 1,502,892 |
| | (1,516,149) | (2,791,084) |
| | <u>557,046,164</u> | <u>558,562,313</u> |

4. LONG TERM FINANCES

Long term finances under mark up arrangements from banking companies (secured)

| | | |
|--------------------------------------|-------------------|-------------------|
| PICIC Commercial Bank Limited (PCBL) | 73,193,999 | 74,374,999 |
| MCB Bank Limited (MCB) | 2,851,000 | 3,804,000 |
| | 76,044,999 | 78,178,999 |
| Less-Current Portion | 36,141,670 | 33,781,003 |
| | <u>39,903,329</u> | <u>44,397,996</u> |

PCBL finances carry markup rate Kibor plus 4.5% pa with floor rate of 8 % and MCB @ 10% p.a

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

Taxation

- (a) Income tax demand for assessment year 2002-2003 was raised for Rupees 774,582 out of which 15% amounting to Rupees 116,188 was paid. The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore who decided the case in the Company's favour on April 11, 2005, but the Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005 which has decided the case in the Company's favour. The Company has applied for the appeal effects.
- (b) The Company filed an appeal with the Commissioner of Income Tax (Appeals) Zone III Lahore against the assessment order for assessment year 1998-1999, in which Rupees 44.306 million were treated as income of the Company. The appeal was decided in Company's favour on May 02, 2005. The Company applied for appeal effects to the concerned taxation officer but benefit of Rupees 44.306 million has not yet been given. The Company has filed rectification application in this regard but income tax department has filed an appeal with Income Tax Appellate Tribunal Islamabad against the order of the CIT (A). The appeal has been decided in Company's favour accordingly the Company has
- (c) Collector of customs, Rawalpindi has filed a case against the Company for recovery of 5% custom duty under SRO 452(1)/2004 dated 12 June 2004 to avail exit scheme on imported machinery. The Company has however paid Rupees 3.5 million on 30 June 2007 to avail amnesty announced by Central Board of Revenue vide SRO 485(1)/07 dated 09 June 2007 in this connection. The Company is hopeful that the case against the Company in customs, excise and sales tax Appellate Tribunal Karachi Bench, Karachi will be withdrawn on receipt of amnesty certificate from Central

5.2 Commitments

Letters of credit for capital expenditure amounting to Rupees 54.42 million (June 2007: Rupees 59.127 million).

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NOTES TO THE ACCOUNTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007 (UN-AUDITED)

| | 30 September 2007 Rupees | 30-Jun 2007 Rupees |
|---|---|---|
| 6. PROPERTY, PLANT AND EQUIPMENT | | |
| Operating: | | |
| Owned | | |
| Opening book value | 794,988,886 | 504,304,366 |
| Addition during the period / year | 481,668 | 147,140,236 |
| | <u>795,470,554</u> | <u>651,444,602</u> |
| Book value of the property, plant and equipment disposed off during the period/year | - | (158,665,235) |
| Accumulated depreciation of property, plant and equipment disposed off during the period / year | - | 26,387,621 |
| | - | (132,277,614) |
| Depreciation charged during the period/Year | (4,710,970) | (14,857,175) |
| Closing Net book value | 790,759,584 | 504,309,813 |
| Add Revaluation Reserve | - | 290,679,073 |
| Revalued Amount | <u>790,759,584</u> | <u>794,988,886</u> |
| Leased | | |
| Opening book value | 199,602,955 | 85,640,940 |
| Addition during the period / year | - | 107,510,080 |
| | <u>199,602,955</u> | <u>193,151,020</u> |
| Book value of the property, plant and equipment disposed off during the period/year | - | - |
| Accumulated depreciation of property, plant and equipment disposed off during the period / year | - | - |
| | - | - |
| Depreciation charged during the period/Year | (16,199,538) | (7,374,270) |
| Closing book value | <u>183,403,417</u> | <u>185,776,750</u> |
| | <u>974,163,001</u> | <u>980,765,636</u> |
| | 30 September 2007 Rupees | 30 September 2006 Rupees |
| 7. COST OF GOODS SOLD | | |
| Raw material consumed | 136,420,318 | 142,359,964 |
| Stores and spares consumed | 3,319,127 | 2,459,187 |
| Salaries, wages and benefits | 14,115,771 | 15,255,192 |
| Fuel and power | 13,793,765 | 22,978,757 |
| Insurance | 465,823 | 380,251 |
| Packing material | 3,155,440 | 3,447,760 |
| Labour welfare | 190,070 | 206,885 |
| Depreciation | 6,258,876 | 3,818,344 |
| | <u>177,719,190</u> | <u>190,906,340</u> |
| Work-in-process | | |
| Opening stock | 11,146,800 | 12,150,308 |
| Closing stock | (10,257,984) | (11,345,310) |
| | <u>888,816</u> | <u>804,998</u> |
| Cost of goods manufactured | 178,608,006 | 191,711,338 |
| Finished goods | | |
| Opening stock | 18,225,701 | 2,373,731 |
| Closing stock | (15,362,194) | (5,542,118) |
| | <u>2,863,507</u> | <u>(3,168,387)</u> |
| Cost of Yarn sold | 181,471,513 | 188,542,951 |
| Cost of Cloth Sold | 17,707,998 | - |
| Cost of raw material sold | 14,015,054 | 17,537,369 |
| Cost of Goods Sold | <u>213,194,565</u> | <u>206,080,320</u> |

D.M TEXTILE MILLS LTD**NOTES TO THE ACCOUNTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2007
(UN-AUDITED)**

| | 30 September 2007 Rupees | 30 September 2006 Rupees |
|--|--|--------------------------------|
| 8. CASH GENERATED FROM OPERATIONS | | |
| Profit/ (Loss) before taxation | (7,348,112) | 8,215,609 |
| Adjustments for non cash charges and other items: | | |
| Depreciation | 7,084,302 | 4,510,078 |
| Gratuity | 830,462 | 1,035,382 |
| (Gain)/Loss on sale of property, plant and equipment | - | 1,468,942 |
| Workers' profit participation fund | - | 432,400 |
| Financial charges | 13,735,762 | 14,047,144 |
| working capital changes | 8.1 46,286,742 | 8,341,095 |
| Operating profit before working capital changes | 60,589,156 | 38,050,650 |
| 8.1 Working capital changes | | |
| (Increase)/decrease in current assets | | |
| Stores, spares and loose tools | (613,242) | (839,549) |
| Stock-in-trade | 62,532,386 | 16,727,822 |
| Trade debts | (8,178,433) | 906,282 |
| Advances | 5,317,409 | (266,138) |
| Deposits and short term prepayments | (1,532,840) | (1,400,025) |
| Other receivables | 1,263,765 | (417,042) |
| | 58,789,045 | 14,711,350 |
| Increase/(decrease) in current liabilities | | |
| Trade and other payable | (12,502,303) | (6,370,255) |
| | 46,286,742 | 8,341,095 |
| 9. TRANSACTIONS WITH RELATED PARTIES | | |
| Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows. | | |
| Bilal Textiles (Private) Limited | | |
| Sale of goods and services | 755,430 | 1,979,726 |
| Purchase of goods and services | 36,269,846 | 7,286,458 |
| Trade debt receivables | 113,810 | - |
| Bilal Fibers Limited | | |
| Purchase of goods and services | - | - |
| 10. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS | | |
| These financial statements were authorised for issue on 29 October 2007 by the Board of Directors of the company. | | |
| 11. COMPARATIVE FIGURES | | |
| 11.1 | Previous period's figures have been re-arranged and reclassified where ever necessary for the purpose of comparison. However no significant reclassification has been made except pursuant to the changes in accounting policy regarding recognition and measurement of financial instruments (IAS-39) the comparative figures have been restated. | |
| 11.2 | Figures have been rounded off to the nearest Rupee. | |

CHIEF EXECUTIVE_____
DIRECTOR