

SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)

FOR THE 1ST QUARTER ENDED 30 SEPTEMBER 2008

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

These Interim Financial information is unaudited and are being submitted to share holders as required u/s 245 of the Companies Ordinance 1984. This Interim Financial information has been prepared in accordance with the International Accounting Standard (IAS)-34: "Interim Financial Reporting" as applicable in Pakistan and notified by The Securities and Exchange Commission of Pakistan (SECP)

3 ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this interim financial information are the same as applied in the preparation of the preceding annual published financial statements of the company for the year ended 30 June 2008

4. CRITICAL ACCOUNTING ESTIMATES JUDGEMENTS

Judgements and estimates made by the management in the preparation of this interim financial information are the same as those applied to the preceding annual published financial statements of the company for the year ended 30 June 2008

5. SURPLUS ON REVALUATION OF FIXED ASSETS

	30 September 2008 Rupees	30 June 2008 Rupees
Opening Balance	550,709,794	558,562,313
Surplus arising on revaluation of fixed assets	-	-
Deferred taxation	-	-
Transferred to accumulated profit / (loss) in respect of Surplus realized on disposal of revalued fixed assets	(553,735)	(2,750,659)
Related deferred tax liability	-	962,731
	(553,735)	(1,787,928)
Transferred to accumulated profit / (loss) in respect of Incremental depreciation charged during the year related deferred tax liability	(2,171,062)	(9,330,140)
	759,872	3,265,550
	(1,411,190)	(6,064,590)
	<u>548,744,869</u>	<u>550,709,795</u>

	30 September 2008 Rupees	30 June 2008 Rupees
6. LONG TERM FINANCES	-	
Opening balance	75,091,999	78,178,999
Less: Repayment during the period /year	953,000	3,087,000
	<u>74,138,999</u>	<u>75,091,999</u>
Less: Current portion shown under current liabilities		
Current maturity	15,111,668	16,064,668
Overdue	34,235,670	30,694,003
	<u>49,347,338</u>	<u>46,758,671</u>
	<u>24,791,661</u>	<u>28,333,328</u>
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments	144,506,042	148,549,611
Less: Un-amortized finance charges	18,229,839	21,101,523
Present value of minimum lease payments	<u>126,276,203</u>	<u>127,448,088</u>
Less: Current portion shown under current liabilities		
Current maturity	41,744,156	42,905,833
Overdue	11,754,834	6,064,986
	<u>53,498,990</u>	<u>48,970,819</u>
	<u>72,777,213</u>	<u>78,477,269</u>

8. DEFERRED MARKUP

MCB Bank Limited has deferred payment of mark up capitalized amounting to Rupees 12.455 million (30 June 2008:12.455 million) which will be repaid in 20 equal half yearly installments with effect from September 01, 2009, after the principal repayment of original demand finance. The deferred markup has been stated at present value.

9. CONTINGENCIES AND COMMITMENTS

Contingencies

9.1 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 applied for appeal effects.

- (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 Board of Revenue.

- (d) Sui Northern Gas Pipelines Limited Islamabad has demanded arrears of Rs.10,405,330 for the period from November,2006 to November, 2007 due to slow meter reading. The Company filed a case in the Court of Senior Civil Judge Islamabad on 18 December 2007 which has granted stay in favour of the company. Now the case has been transferred to Islamabad High Court. In the meantime no provision has been created in these financial statements as the Company is hopeful of favourable outcome of the case.
- (e) The Company filed an appeal before Lahore High Court Rawalpindi Bench, Rawalpindi, against enhancement of annual rental value of building by Rupees 1,068,068 for the period ended 30 June 2006 by Cantonment Board Rawalpindi for property tax purposes. The case is pending in Lahore High Court while no provision has been made as the Company is hopeful of favourable outcome of the case.
- (f) The Company filed an appeal before Lahore High Court, Rawalpindi Bench, Rawalpindi, against conservancy charges amounting to Rupees 420,000 (Rupees 60,000 per annum) from the year 2003 to 2009 charged by Cantonment Board Rawalpindi. The Court has issued a notice for suspension of recovery of these charges. The case is still pending before the court.
- (g) Guarantees of Rupees 16.387 million (2007:Rupees 15.744 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection.

9.2 Commitments

Letters of credit for capital expenditure amount to Rupees Nil (2007: Rupees 59.127 million).

	30 September 2008 Rupees	30 June 2008 Rupees
10. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 10.1)	783,005,622	787,138,391
Assets subject to finance lease (Note 10.2)	173,884,056	176,120,344
	<u>956,889,678</u>	<u>963,258,735</u>
10.1 OPERATING FIXED ASSETS		
Opening written down value	787,138,391	794,988,886
Add: Cost of additions during the period / year (Note 10.1.1)	1,106,379	28,299,981
Surplus on revaluation	-	-
	<u>1,106,379</u>	<u>28,299,981</u>
	788,244,770	823,288,867
Less: Book Value of deletions durign the period / year (Note 10.1.2)	739,363	16,958,374
Less : Depreciation charge for the period / Year	4,499,785	19,192,102
	<u>783,005,622</u>	<u>787,138,391</u>

10.1.1	Cost of additions during the period / year		
	Factory building on freehold land	-	97,872
	Colony godowns and offices on freehold land		-
	Plant and machinery	1,079,879	27,677,029
	Furniture and Fixture	-	29,230
	Equipment and installations	26,500	99,850
	Vehicles	-	396,000
		<u>1,106,379</u>	<u>28,299,981</u>
10.1.2	Book value of deletions during the period / year		
	Plant and machinery	739,363	16,767,158
	Vehicles	-	191,216
		<u>739,363</u>	<u>16,958,374</u>
10.2	ASSETS SUBJECT TO FINANCE LEASE		
	Opening book value	176,120,344.00	185,776,750
	Addition-during the period / year plant and machinery	-	-
		<u>176,120,344.00</u>	<u>185,776,750.00</u>
	Less: Depreciation charge for the period /year	2,236,288.00	9,451,622
	Less: Deletion	-	204,784
		<u><u>173,884,056</u></u>	<u><u>176,120,344</u></u>
		30 September 2008 Rupees	30 September 2007 Rupees

11. COST OF GOODS SOLD

Raw material consumed	169,700,351	136,420,318
Stores and spares consumed	4,049,968	3,319,127
Salaries, wages and benefits	14,690,272	14,115,771
Fuel and power	20,256,458	13,793,765
Insurance	376,706	465,823
Packing material	3,165,510	3,155,440
Labour welfare	215,819	190,070
Depreciation	5,988,788	6,258,876
	<u>218,443,872</u>	<u>177,719,190</u>
Work-in-process		
Opening stock	13,648,236	11,146,800
Closing stock	(13,745,339)	(10,257,984)
	<u>(97,103)</u>	<u>888,816</u>
Cost of goods manufactured	<u>218,346,769</u>	<u>178,608,006</u>
Finished goods		
Opening stock	21,698,799	18,225,701
Closing stock	(9,824,683)	(15,362,194)
	<u>11,874,116</u>	<u>2,863,507</u>
Cost of Yarn Sold	230,220,885	181,471,513
Cost of Cloth Sold	-	17,707,998
Cost of raw material sold	10,025,720	14,015,054

Cost of sales

240,246,605

213,194,565

12. EARNING / (Loss) PER SHARE- BASIC AND DILUTED	(1.85)	(2.55)
There is no dilutive effect on the basic earnings / (Loss) per share.		
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	(5,133,306)	(7,348,112)
Adjustments for non cash charges and other items:		
Depreciation	6,736,072	7,084,302
Gratuity	1,332,934	830,462
(Gain)/Loss on sale of property, plant and equipment	60,629	-
Workers' profit participation fund	-	-
Financial charges	12,564,768	13,735,762
working capital changes	(3,015,867)	46,286,742
Operating profit before working capital changes	<u>12,545,230</u>	<u>60,589,156</u>
13.1 Working capital changes		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(3,119,069)	(613,242)
Stock-in-trade	7,277,501	62,532,386
Trade debts	(1,572,886)	(8,178,433)
Advances	495,247	5,317,409
Deposits and short term prepayments	(1,496,438)	(1,532,840)
Other receivables	<u>(2,033,488)</u>	<u>1,263,765</u>
	(449,133)	58,789,045
Increase/(decrease) in current liabilities		
Trade and other payable	<u>(2,566,734)</u>	<u>(12,502,303)</u>
	<u><u>(3,015,867)</u></u>	<u><u>46,286,742</u></u>

14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transaction 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	1,205,549	755,430
Purchase of goods and services	201,480	36,269,846

Bilal Fibers Limited

Purchase of goods and services	35,000	-
Remuneration paid to Chief Executive Officer and Directors	796,020	715,400

- 14.1 The company purchased from and sold to related parties goods , material and servies at an arm's length determined in accordance with comparable uncontrolled price method .

15 DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 27 October 2008 by the board of directors of the company.

16 COMPARATIVE FIGURES

- 16.1 Previous period's figures have been re-arranged and reclassified where ever necessary for the purpose of comparision.However no significant reclassification has been made except pursuant to the changes in accouting policy regarding recognition and measurement of financial instruments (IAS-39) the comparative figures have been restated

- 16.2 Figures have been rounded of to the nearest Rupees

CHIEF EXECUTIVE

DIRECTOR