

D.M. TEXTILE MILLS LIMITED
SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2009

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

This 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, 2009.

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 2009

	Un-Audited 30 September 2009 Rupees	Audited 30 June 2009 Rupees
5. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening Balance	557,541,834	563,528,529
Transferred to accumulated loss in respect of Surplus realized on disposal of revalued property, plant and equipment	-	(553,735)
Related deferred tax liability	-	193,807
	-	(359,928)
Transferred to accumulated loss in respect of incremental depreciation charged	(2,027,767)	(8,656,563)
Related deferred tax liability	709,719	3,029,797
	(1,318,048)	(5,626,766)
	<u>556,223,786</u>	<u>557,541,835</u>
6. LONG TERM FINANCING	-	
Financing from banking companies-secured	73,193,999	73,638,999
From related parties-unsecured, interest free		
Chief Executive	8,020,000	8,020,000
Spouse of chief executive	6,320,000	6,320,000
Famous Securities (SMC Private) Limited	9,675,000	9,800,000
	<u>97,208,999</u>	<u>97,778,999</u>
Less: Current portion shown under current liabilities	62,569,006	59,472,339
	<u>34,639,993</u>	<u>38,306,660</u>
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments	175,421,754	177,341,419
Less: Un-amortized finance charges	50,834,504	51,562,725
Present value of minimum lease payments	<u>124,587,250</u>	<u>125,778,694</u>
Less: Current portion shown under current liabilities	25,164,531	25,287,331
	<u>99,422,719</u>	<u>100,491,363</u>
8. DEFERRED MARKUP		
MCB Bank Limited has deferred payment of mark up capitalized amounting to Rupees 12.455 million (30 June 2009:12.455 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 using effective interest rate of 10% p.a		

9. CONTINGENCIES AND COMMITMENTS

Contingencies

- (a) 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. The Company has however paid Rupees 3.5 million on June 30, 2007 to avail amnesty announced by Central Board of Revenue vide SRO 485(1)07 dated June 09, 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 federal Board of Revenue.
- (b) Sui Northern Gas Pipelines Limited Islamabad 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 December 18, 2007 which has granted stay in favour of the Company. The case was transferred to Islamabad High Court and now the case is pending. In the meantime no provision has been created in these financial statements as the Company is hopeful of favourable outcome of the case.
- (c) 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 June 30,2006 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.
- (d) The company filed an appeal before Lahore High Court, Rawalpindi Bench, 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.
- (e) Guarantees of Rupees 17.532 million (2008: Rupees 16.387 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection.

9.1 Commitments

Letters of credit for capital expenditure amount to Rupees Nil (30 June 2008:Nil)

		Un-Audited 30 September 2009 Rupees	Audited 30 June 2009 Rupees
10. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	(Note 10.1)	765,162,845	769,339,830
Assets subject to finance lease	(Note 10.2)	165,057,681	167,175,197
		<u>930,220,526</u>	<u>936,515,027</u>
10.1 OPERATING FIXED ASSETS			
Opening written down value		769,339,830	787,138,391
Add: Cost of additions during the period	(Note 10.1.1)	13,500	987,579
Surplus on revaluation		-	-
		<u>13,500</u>	<u>987,579</u>
		769,353,330	788,125,970
Less: Book Value of deletions durign the period	(Note 10.1.1)	-	739,364
Less : Depreciation charge for the period		<u>4,190,485</u>	<u>18,046,776</u>
		<u>765,162,845</u>	<u>769,339,830</u>
		Un-Audited 30 September 2009 Rupees	Audited 30 June 2009 Rupees
10.1.1 Cost of additions during the period			
Plant and machinery		-	954,879
Furniture and Fixture		-	32,700
Equipment and installations		13,500	-
		<u>13,500</u>	<u>987,579</u>
10.1.2 Book value of deletions during the period			
Plant and machinery		-	739,364
		-	739,364
10.2 ASSETS SUBJECT TO FINANCE LEASE			
Opening book value		167,175,197.00	176,120,344
Addition-during the period / year plant and machinery		-	-
		<u>167,175,197.00</u>	<u>176,120,344.00</u>
Less: Depreciation charge for the period /year		2,117,516.00	8,945,147
Less: Deletion		-	-
		<u>165,057,681</u>	<u>167,175,197</u>

	Un-Audited 30 September 2009 Rupees	Un-Audited 30 September 2008 Rupees
11. COST OF GOODS SOLD		
Raw material consumed	143,437,672	169,700,351
Stores and spares consumed	4,092,491	4,049,968
Salaries, wages and benefits	14,116,249	14,690,272
Fuel and power	20,107,056	20,256,458
Insurance	219,412	376,706
Packing material	3,491,549	3,165,510
Labour welfare	218,615	215,819
Depreciation	5,235,640	5,988,788
	<u>190,918,684</u>	<u>218,443,872</u>
Work-in-process		
Opening stock	13,796,698	13,648,236
Closing stock	(14,376,026)	(13,745,339)
	<u>(579,328)</u>	<u>(97,103)</u>
Cost of goods manufactured	190,339,356	218,346,769
Finished goods		
Opening stock	34,674,640	21,698,799
Closing stock	(32,076,913)	(9,824,683)
	<u>2,597,727</u>	<u>11,874,116</u>
Cost of Yarn Sold	192,937,083	230,220,885
Cost of raw material sold	241,046	10,025,720
Cost of goods Sold	<u>193,178,129</u>	<u>240,246,605</u>
12. EARNING / (Loss) PER SHARE- BASIC AND DILUTED	(4.07)	(1.85)
There is no dilutive effect on the basic earnings / (Loss) per share.		
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	(11,432,308)	(5,133,306)
Adjustments for non cash charges and other items:		
Depreciation	6,308,001	6,736,072
Gratuity	49,490	1,332,934
(Gain)/Loss on sale of property, plant and equipment	-	60,629
Financial charges	12,036,685	12,564,768
working capital changes	(2,263,475)	(3,015,867)
Operating profit before working capital changes	<u>4,698,393</u>	<u>12,545,230</u>
	Un-Audited 30 September 2009 Rupees	Un-Audited 30 September 2008 Rupees
13.1 Working capital changes		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(421,065)	(3,119,069)
Stock-in-trade	(23,009,588)	7,277,501
Trade debts	(3,281,748)	(1,572,886)
Advances	(173,975)	495,247
Deposits and short term prepayments	4,204,884	(1,496,438)
Tax refund due from government	(529,289)	
Other receivables	(670,041)	(2,033,488)
	<u>(23,880,822)</u>	<u>(449,133)</u>
Increase/(decrease) in current liabilities		
Trade and other payable	<u>21,617,347</u>	<u>(2,566,734)</u>
	<u>(2,263,475)</u>	<u>(3,015,867)</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
Purchase of goods and services	-	201,480
Bilal Fibers Limited		
Purchase of goods and services	-	35,000
Remuneration paid to Chief Executive Officer and Directors	808,027	796,020

- 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 26 October 2009 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