

D.M. TEXTILE MILLS LIMITED

**SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2010**

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

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

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,

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 2010

5. SURPLUS ON REVALUATION OF FIXED ASSETS

	(Un-Audited) 30 September 2010 Rupees	(Audited) 30 June 2010 Rupees
Opening Balance	573,661,722	579,949,867
Transferred to accumulated loss in respect of Surplus realized on disposal of revalued property, plant and equipment	(1,541,451)	(1,642,967)
Related deferred tax liability	539,508	575,038
	(1,001,943)	(1,067,929)
Transferred to accumulated loss in respect of incremental depreciation charged	(1,770,342)	(8,031,102)
Related deferred tax liability	619,620	2,810,886
	(1,150,722)	(5,220,216)
	<u>571,509,057</u>	<u>573,661,722</u>

6. LONG TERM FINANCES

Financing from banking companies-secured	73,193,999	73,193,999
From related parties-unsecured, interest free		
Chief Executive	8,130,000	7,700,000
Spouse of chief executive	5,750,000	-
Famous Security (SMC Private) Limited	9,417,820	9,095,000
	96,491,819	89,988,999
Less: Current portion shown under current liabilities	73,193,999	73,193,999
	<u>23,297,820</u>	<u>16,795,000</u>

	(Un-Audited) 30 September 2010 Rupees	(Audited) 30 June 2010 Rupees
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments	142,328,568	149,857,836
Less: Un-amortized finance charges	26,201,644	28,514,488
Present value of minimum lease payments	116,126,924	121,343,348
Less: Current portion shown under current liabilities	50,250,480	48,513,856
	65,876,444	72,829,492
8. DEFERRED MARKUP		
8.1 MCB rescheduled and payable 27 equal quarterly installments of Rs.455,000/- each and the remaining installment of Rs.170,000/- commenced from 01-09-2009. It has been stated at present value using effective interest rate of 10%.		
8.2 These represent amounts of deferred markup on finance leases payable by the company through future payments . These are stated at present value using discount rate as per their respective agreements.		
9. CONTINGENCIES AND COMMITMENTS		
Contingencies		
(a) Collector of Customs, Rawalpindi filed a case against the Company for recovery of 5% custom duty under SRO 452(1)/2004 dated 12 June 2004. The Company 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. 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 (SNGPL) Islamabad demanded arrears of Rupees 10.405 million 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. SNGPL has encashed the bank guarantee amounting to Rupees 15.293 million issued to it by NIB Bank Limited on behalf of the Company. The Company, based on advice of its legal counsel, is hopeful for recovering this balance from SNGPL. Consequently, no provision there against has been made in these financial statements and this amount has been shown as a long term deposit with SNGPL in these financial		
(c) The taxation officer has passed an assessment order dated 01 June 2009 containing demand of income tax of Rupees 217,810 under section 161 and Rupees 99,645 under section 205 of Income Tax Ordinance, 2001. The Company has filed a rectification under Section 211 of Income Tax Ordinance, 2001 to taxation officer and the rectification is still pending.		
(d) 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		
(e) NIB Bank limited has filed a suit before Lahore High Court against the Company for recovery of outstanding loans amounting to Rupees 165.041 Million. The suit is pending before Lahore High Court. The Company has filed a counter suit against NIB Bank limit		
(f) Guarantees of Rupees 1.094 million (2009: Rupees 17.532 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 2010:Nil)		

		(Un-Audited) 30 September 2010 Rupees	(Audited) 30 June 2010 Rupees
10. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	(Note 10.1)	744,744,162	752,017,760
Assets subject to finance lease	(Note 10.2)	156,699,058	158,705,133
		<u>901,443,220</u>	<u>910,722,893</u>
10.1 OPERATING FIXED ASSETS			
Opening written down value		752,017,760	769,339,832
Add: Cost of additions during the period / year	(Note 10.1.1)	665,455	2,395,490
Surplus on revaluation		-	-
		<u>665,455</u>	<u>2,395,490</u>
		752,683,215	771,735,322
Less: Book Value of deletions during the period / year	(Note 10.1.1)	3,964,953	2,831,940
Less : Depreciation charge for the period / Year		<u>3,974,100</u>	<u>16,885,622</u>
		<u>744,744,162</u>	<u>752,017,760</u>
10.1.1 Cost of additions during the period / year			
Factory building on freehold land		-	-
Colony godowns and offices on freehold land		-	-
Plant and machinery		-	381,194
Furniture and Fixture		-	-
Equipment and installations		36,420	118,950
Vehicles		629,035	1,895,346
		<u>665,455</u>	<u>2,395,490</u>
10.1.2 Book value of deletions during the period / year			
Plant and machinery		3,964,953	2,740,932
Vehicles		-	91,008
		<u>3,964,953</u>	<u>2,831,940</u>
10.2 ASSETS SUBJECT TO FINANCE LEASE			
Opening book value		158,705,132	167,175,196
Addition-during the period / year plant and machinery		-	-
		<u>158,705,132</u>	<u>167,175,196</u>
Less: Depreciation charge for the period /year		2,006,075	8,470,064
Less: Deletion		-	-
		<u>156,699,058</u>	<u>158,705,133</u>
11. COST OF GOODS SOLD			
Raw material consumed		134,914,914	143,437,672
Stores and spares consumed		6,485,775	3,568,204
Salaries, wages and benefits		18,804,719	14,116,249
Fuel and power		18,638,561	20,107,056
Insurance		455,237	219,412
Repair & Maintenance		2,595,194	524,287
Packing material		3,657,135	3,491,549
Labour welfare		418,465	218,615
Depreciation		5,256,919	5,235,640
		<u>191,226,919</u>	<u>190,918,684</u>
Work-in-process			
Opening stock		16,075,718	13,796,698
Closing stock		(16,329,754)	(14,376,026)
		<u>(254,036)</u>	<u>(579,328)</u>
Cost of goods manufactured		190,972,883	190,339,356
Finished goods			
Opening stock		7,759,646	34,674,640
Closing stock		(3,498,567)	(32,076,913)
		<u>4,261,079</u>	<u>2,597,727</u>
Cost of Yarn Sold		195,233,962	192,937,083
Cost of Yarn Purchase		15,413,000	-
Cost of raw material sold		-	241,046
Cost of goods Sold		<u>210,646,962</u>	<u>193,178,129</u>
12. EARNING / (Loss) PER SHARE- BASIC AND DILUTED		(7.54)	(4.07)
There is no dilutive effect on the basic earnings / (Loss) per share.			

	(Un-Audited) 30 September 2010 Rupees	(Un-Audited) 30 September 2009 Rupees
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	(22,109,198)	(11,432,308)
Adjustments for non cash charges and other items:		
Depreciation	5,980,175	6,308,001
Gratuity	3,376,063	49,490
(Gain)/Loss on sale of property, plant and equipment	665,127	-
Financial charges	9,763,302	12,036,685
working capital changes	(2,359,810)	(2,263,475)
Operating profit before working capital changes	(4,684,341)	4,698,393
13.1 Working capital changes		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(288,138)	(421,065)
Stock-in-trade	2,336,784	(23,009,588)
Trade debts	(12,151,402)	(3,281,748)
Advances	(4,632,403)	(173,975)
Deposits and short term prepayments	(1,119,960)	4,204,884
Tax refund due from government	(325,675)	(529,289)
Other receivables	(902,209)	(670,041)
	(17,083,003)	(23,880,822)
Increase/(decrease) in current liabilities		
Trade and other payable	14,723,193	21,617,347
	(2,359,810)	(2,263,475)

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

Payment against outstanding balance	21,615,032	-
Purchase of goods and services	15,413,000	-

Bilal Fibers Limited

Purchase of goods and services	3,230,000	-
Payment against outstanding balance	3,230,000	-

Remuneration paid to Chief Executive Officer and Directors	808,620	808,027
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- 14.1** The company purchased from and sold to related parties goods, material and services 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 21 October 2010 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 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

- 16.2** Figures have been rounded off to the nearest Rupees

CHIEF EXECUTIVE

DIRECTOR