

**SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED 30 SEPTEMBER, 2011**

**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 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, 2011.

**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 2011

	<b>(Un-Audited)</b> <b>30 September</b> 2011 Rupees	<b>(Audited)</b> <b>30 June</b> 2011 Rupees
<b>5. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
Opening Balance	561,787,617	573,661,722
Transferred to accumulated loss in respect of Surplus realized on disposal of revalued property, plant and equipment	(2,575,932)	(11,097,804)
Related deferred tax liability	901,576	3,884,231
	<u>(1,674,356)</u>	<u>(7,213,573)</u>
Transferred to accumulated loss in respect of incremental depreciation charged	(1,592,610)	(7,170,050)
Related deferred tax liability	557,413	2,509,518
	<u>(1,035,197)</u>	<u>(4,660,532)</u>
	<u><u>559,078,064</u></u>	<u><u>561,787,617</u></u>
<b>6. LONG TERM FINANCES</b>	-	
Financing from banking companies-secured	73,193,999	73,193,999
Less: Current portion shown under current liabilities	73,193,999	73,193,999
	<u><u>-</u></u>	<u><u>-</u></u>

	(Un-Audited) 30 September 2011 Rupees	(Audited) 30 June 2011 Rupees
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Minimum lease payments	108,727,998	132,099,595
Less: Un-amortized finance charges	30,644,745	22,785,015
<b>Present value of minimum lease payments</b>	<b>78,083,253</b>	<b>109,314,580</b>
Less: Current portion shown under current liabilities	34,545,375	65,416,801
	<b>43,537,878</b>	<b>43,897,779</b>

**8. DEFERRED MARKUP**

- 8.1 MCB Bank Limited (MCB) has deferred payment of capitalized mark-up of Rupees 8.815 million (2010: Rupees 12.455 million) which will be repaid in 19 equal quarterly installments of Rupees 455,000 and 1 installment of Rupees 170,000 in the end commenced from 01 September 2009, after repayment of original demand finance. The deferred mark-up has been stated at present value using effective interest rate of 10%. Deferred markup is secured against charge over fixed assets amounting to Rupees 51,288 millions.
- 8.2 This represents 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) 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 statements.
- (b) The Company has filed an appeal before Lahore high court, Rawalpindi bench against the recovery of electricity duty amounting to Rupees 19,068,877 on self generation charged by Electric Inspector Islamabad Region. The Court has issued notices to the respondents to file comments. The case is still pending before the Court and the Company, based on advice of legal advisor, is hopeful for favorable outcome.
- (c) The Company has filed an appeal before Lahore high court, Rawalpindi bench Rawalpindi against the recovery of property tax of Rupees 5,505,926 charged by Inspector Military Lands and Cantonments, Rawalpindi region.
- (d) For tax year 2010, assessment order dated 20 February 2011 has been passed under section 122(1) read with section 122(5) of Income Tax Ordinance, 2001 by the Deputy Commissioner Inland Revenue, whereby demand of tax amounting to Rupees 4,223,054 has been created. The Company has filed an appeal before Commissioner Inland Revenue (Appeals) and is hoping for favorable outcome.
- (e) 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.
- (f) 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 adjudication before Lahore High Court. The Company has filed a counter suit against NIB Bank limited before Islamabad High Court.
- (g) Guarantees of Rupees 0.687 million (2010: Rupees 1.094 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 2011:Nil)

		(Un-Audited) 30 September 2011 Rupees	(Audited) 30 June 2011 Rupees
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	(Note 10.1)	708,624,920	712,481,000
Assets subject to finance lease	(Note 10.2)	<u>148,779,515</u>	<u>150,680,834</u>
		857,404,435	863,161,834
<b>10.1 OPERATING FIXED ASSETS</b>			
Opening written down value		712,481,000	752,017,760
Add: Cost of additions during the period / year	(Note 10.1.1)	<u>12,700</u>	<u>732,013</u>
Surplus on revaluation		-	-
		<u>12,700</u>	<u>732,013</u>
		712,493,700	752,749,773
Less: Book Value of deletions during the period / year	(Note 10.1.1)	496,590	25,084,261
Less : Depreciation charge for the period / Year		<u>3,372,190</u>	<u>15,184,512</u>
		<u><u>708,624,920</u></u>	<u><u>712,481,000</u></u>
<b>10.1.1 Cost of additions during the period / year</b>			
Factory building on freehold land		-	-
Colony godowns and offices on freehold land		-	-
Plant and machinery		-	16,508
Furniture and Fixture		-	8,000
Equipment and installations		12,700	78,470
Vehicles		-	629,035
		<u>12,700</u>	<u>732,013</u>
<b>10.1.2 Book value of deletions during the period / year</b>			
Plant and machinery		-	25,084,261
Vehicles		496,590	-
		<u>496,590</u>	<u>25,084,261</u>
<b>10.2 ASSETS SUBJECT TO FINANCE LEASE</b>			
Opening book value		150,680,834	158,705,133
Addition-during the period / year plant and machinery		-	-
		<u>150,680,834</u>	<u>158,705,133</u>
Less: Depreciation charge for the period /year		1,901,319	8,024,299
Less: Deletion		-	-
		<u><u>148,779,515</u></u>	<u><u>150,680,834</u></u>
		(Un-Audited) 30 September 2011 Rupees	(Un-Audited) 30 September 2010 Rupees
<b>11. COST OF GOODS SOLD</b>			
Raw material consumed		-	134,914,914
Stores and spares consumed		-	6,485,775
Salaries, wages and benefits		572,758	18,804,719
Fuel and power		195,110	18,638,561
Insurance		-	455,237
Repair & Maintenance		38,039	2,595,194
Packing material		-	3,657,135
Labour welfare		254,035	418,465
Depreciation		<u>4,632,375</u>	<u>5,256,919</u>
		5,692,317	191,226,919
<b>Work-in-process</b>			
Opening stock		-	16,075,718
Closing stock		-	(16,329,754)
		-	(254,036)
Cost of goods manufactured		<u>5,692,317</u>	<u>190,972,883</u>
<b>Finished goods</b>			
Opening stock		<u>21,853,589</u>	<u>7,759,646</u>
Closing stock		(6,728,538)	(3,498,567)
		<u>15,125,051</u>	<u>4,261,079</u>
Cost of Yarn Sold		20,817,368	195,233,962
Cost of Yarn Purchase		-	15,413,000
Cost of raw material sold		<u>2,798,120</u>	-
Cost of goods Sold		<u>23,615,488</u>	<u>210,646,962</u>
<b>12. EARNING / (Loss) PER SHARE- BASIC AND DILUTED</b>		<b>(4.14)</b>	<b>(7.54)</b>
There is no dilutive effect on the basic earnings / (Loss) per share.			

	<b>(Un-Audited)</b> <b>30 September</b> <b>2011</b> <b>Rupees</b>	<b>(Un-Audited)</b> <b>30 September</b> <b>2010</b> <b>Rupees</b>
<b>13. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	(13,673,953)	(22,109,198)
<b>Adjustments for non cash charges and other items:</b>		
Depreciation	5,273,510	5,980,175
Gratuity	-	3,376,063
(Gain)/Loss on sale of property, plant and equipment	(38,411)	665,127
Financial charges	8,266,795	9,763,302
working capital changes	<u>5,679,948</u>	<u>(2,359,810)</u>
Operating profit before working capital changes	<u>5,507,889</u>	<u>(4,684,341)</u>
<b>13.1 Working capital changes</b>		
<b>(Increase)/decrease in current assets</b>		
Stores, spares and loose tools	-	(288,138)
Stock-in-trade	17,923,171	2,336,784
Trade debts	(670,506)	(12,151,402)
Advances	64,561	(4,632,403)
Deposits and short term prepayments	-	(1,119,960)
Tax refund due from government	-	(325,675)
Other receivables	<u>880,926</u>	<u>(902,209)</u>
	<u>18,198,152</u>	<u>(17,083,003)</u>
<b>Increase/(decrease) in current liabilities</b>		
Trade and other payable	<u>(12,518,204)</u>	<u>14,723,193</u>
	<u><u>5,679,948</u></u>	<u><u>(2,359,810)</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**

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
Sales of goods and services	2,115,060	-
Payment against outstanding balance	500,000	3,230,000

Remuneration paid to Chief Executive Officer and Directors	770,220	808,620
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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 28 October 2011 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

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CHIEF EXECUTIVE

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DIRECTOR