

D.M. TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE QUARTERS ENDED 31 MARCH 2007
(UN-AUDITED)

1. THE COMPANY AND ITS ACTIVITIES

D.M Textile Mills Limited is a public company incorporated in Pakistan under the companies Act 1913 (Now Companies Ordinance 1984). Shares of the 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 and blended yarn.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are unaudited but subject to limited scope review by the auditors and are being submitted to share holders as required u/s 245 of the Companies Ordinance 1984. These have been prepared in accordance with the International Accounting Standard -34: "Interim Financial Reporting" as applicable in Pakistan and notified by Securities and Exchange Commission of Pakistan.

3. ACCOUNTING POLICES AND COMPUTATION METHOD

The accounting policies and methods of computation adopted for the preparation of these half yearly financial statements are same as applied in the preparation of the preceding annual financial statements of the company for the year ended 30 June 2006.

4. SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

	31 March 2007 Rupees	30 June 2006 Rupees
Opening Balance	232,650,934	235,649,065
Surplus realized on disposal of revalued fixed assets during the year/period	(8,664,689)	-
Incremental depreciation on revalued assets relating to current period / year transferred to accumulated profit / (losses)-net of deferred tax	(2,093,313)	(2,998,131)
	221,892,932	232,650,934

	31 March 2007 Rupees	30 June 2006 Rupees
5. LONG TERM FINANCES		
Long term finances from banking companies (secured) utilized under mark up arrangements are as under :		
PICIC Commercial Bank Limited	74,374,999	77,916,666
MCB Bank Limited	3,804,000	5,710,000
	<u>78,178,999</u>	<u>83,626,666</u>
Less: Current portion	16,072,668	23,156,002
Less: Over due	14,166,668	-
	<u>30,239,336</u>	<u>23,156,002</u>
	<u><u>47,939,663</u></u>	<u><u>60,470,664</u></u>

6. DEFERRED MARK UP

MCB Bank Limited has deferred payment of mark up capitalized of Rupees 12.455 million (June 2006: Rupees 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.

7. CONTINGENCIES AND COMMITMENTS

7.1 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. The decision was in Companies' favor on April 11, 2005, but the Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005. The Company has applied for appeal effects as the Income Tax Appellate Tribunal Islamabad decided in favor of the Company.
- (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 favor 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 given. The Company filed rectification application in this regard but income tax department filed an appeal with Income Tax Appellate Tribunal Islamabad against the order of the CIT (A). The Company has applied for appeal effects as the Income Tax Appellate Tribunal Islamabad decided in favor of the Company.
- (c) The amount of Rs 3.587 million has been recognized as liability payable to the Collector Custom Karachi as per CBR order on account of Custom duty @ 5% under SRO 554(1) dated June 12 1998 and as amended by SRO 579(1) 2006 dated June 5 2006.

Commitments

- 7.1 Letters of credit for import of plant and machinery amounting to Rupees 39.746 million (June 2006: Rupees 46.692 million) has been established.

	31 March 2007 Rupees	30 June 2006 Rupees
8. PROPERTY, PLANT AND EQUIPMENT		
Operating:		
Owned		
Opening book value	504,304,367	478,584,865
Additions during the period / year	8.1 <u>111,284,599</u>	<u>97,216,989</u>
	615,588,966	575,801,855
Book value of property, plant and equipment disposed off during the period / year	8.1 (98,585,788)	(58,929,521)
Accumulated depreciation of property, plant and equipment disposed off during the period / year	10,138,140	411,344
	(88,447,648)	(58,518,177)
Depreciation charged during the period / year	<u>(10,975,730)</u>	<u>(12,979,310)</u>
Closing book value	516,165,588	504,304,368
Leased		
Opening book value	85,640,940	48,230,770
Additions during the period / year	8.1 <u>75,910,080</u>	<u>49,045,575</u>
	161,551,020	97,276,345
Book value of property, plant and equipment disposed off during the period / year	-	(19,078,128)
Accumulated depreciation of property, plant and equipment disposed off during the period / year	-	11,428,442
the period / year	-	(7,649,686)
Depreciation charged during the period / year	<u>(4,836,567)</u>	<u>(3,985,719)</u>
Closing book value	<u>156,714,453</u>	<u>85,640,940</u>
	672,880,041	589,945,308
Capital work in progress	-	9,811,140
	<u>672,880,041</u>	<u>599,756,448</u>

8.1 Following is the detail of additions and disposals of property, plant and equipment

ADDITIONS

Owned

Factory building and freehold land	5,840,411	11,536,800
Colony godowns and offices on freehold land	5,933,774	988,014

Plant and machinery	98,208,630	79,248,350
Furniture and fixture	165,825	253,909
Equipment and installations	262,373	439,196
Electrical installations	-	1,185,920
vehicles	873,587	3,564,800
	<u>111,284,599</u>	<u>97,216,989</u>
Leased		
Plant and machinery	75,910,080	49,045,575
DISPOSALS		
Owned		
Plant and machinery	98,366,906	58,929,521
vehicles	218,882	-
	<u>98,585,788</u>	<u>58,929,521</u>
Leased		
Plant and machinery	<u>-</u>	<u>19,078,128</u>

	Three Quarters Ended 31 March 2007 Rupees	Quarter Ended 31 March 2007 Rupees	Three Quarters Ended 31 March 2006 Rupees	Quarter Ended 31 March 2006 Rupees
9. COST OF SALES				
Raw material consumed	406,250,424	130,037,137	359,429,683	121,326,518
Stores and spares consumed	7,946,435	2,518,378	8,559,395	2,469,096
Salaries, wages and benefits	49,159,730	17,562,655	40,362,274	14,308,355
Fuel and power	56,272,086	14,200,727	62,301,827	20,597,787
Insurance	1,142,823	376,156	756,488	219,453
Packing material	9,440,740	2,931,090	7,652,112	2,745,228
Labour welfare	927,449	554,665	1,289,982	389,446
Depreciation	13,609,750	5,419,222	10,371,549	3,879,555
	<u>544,749,437</u>	<u>173,600,030</u>	<u>490,723,310</u>	<u>165,935,438</u>
Work-in-process				
Opening stock	12,150,308	13,398,910	8,209,301	9,319,051
Closing stock	(11,749,530)	(11,749,530)	(10,411,936)	(10,411,936)
	<u>400,778</u>	<u>1,649,380</u>	<u>(2,202,635)</u>	<u>(1,092,885)</u>
Cost of goods manufactured	<u>545,150,215</u>	<u>175,249,410</u>	<u>488,520,675</u>	<u>164,842,553</u>
Finished goods				
Opening stock	2,373,731	13,236,192	6,852,409	12,354,953
Closing stock	(3,945,331)	(3,945,331)	(14,898,352)	(14,898,352)
	<u>(1,571,600)</u>	<u>9,290,861</u>	<u>(8,045,943)</u>	<u>(2,543,399)</u>
Cost of yarn sold	<u>543,578,615</u>	<u>184,540,271</u>	<u>480,474,732</u>	<u>162,299,154</u>
Cost of raw material sold	63,222,167	1,621,148	6,919,841	4,843,431
Cost of cloth sold	7,130,140	7,130,140	-	-
Cost of goods sold	<u><u>613,930,922</u></u>	<u><u>193,291,559</u></u>	<u><u>487,394,573</u></u>	<u><u>167,142,585</u></u>

	31 March 2007 Rupees	31 March 2006 Rupees
10. CASH GENERATED FROM OPERATIONS		
Profit before taxation	112,270	33,634,324
Adjustments for non cash charges and other items:		
Depreciation	15,812,297	12,126,981
Gratuity	3,064,132	3,752,728
Loss/(Gain) on sale and lease back of property, plant and equipment	2,228,046	(3,008,953)
Loss on sale of property, plant and equipment	43,833	-
Workers' profit participation fund	5,909	1,770,228
Financial charges	42,602,829	22,551,465
working capital changes	10.1 67,638,394	(124,835,917)
Operating profit/(loss) before working capital changes	<u>131,507,710</u>	<u>(54,009,144)</u>
10.1 Working capital changes		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(1,416,102)	(1,105,442)
Stock-in-trade	34,168,282	(95,710,713)
Trade debts	(5,050,479)	(2,187,053)
Advances	66,553,985	(85,286,612)
Deposits and short term prepayments	(1,370,351)	(1,208,399)
Other receivables	(1,117,660)	23,300
	<u>91,767,675</u>	<u>(185,474,919)</u>
Increase/(decrease) in current liabilities		
Trade and other payable	(24,129,281)	60,639,002
	<u>67,638,394</u>	<u>(124,835,917)</u>
11. TRANSACTIONS WITH RELATED PARTIES		

Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transactions with related parties are as follows

Bilal Textiles (Private) Limited

Sale of goods and services	2,058,765	453,770
Purchase of goods and services	19,177,740	9,016,860

12. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 25 April 2007 by the board of directors of the company.

13. COMPARATIVE FIGURES

13.1 Previous period's figures have been rearranged and reclassified wherever necessary for the purpose of comparison. However no significant reclassification has been made.

13.2 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR