

D.M. TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006
(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 (SECP).

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

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 published financial statements of the company for the year ended 30 June 2006.

	31 December 2006 Rupees	30 June 2006 Rupees
4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening Balance	232,650,934	235,649,065
Incremental depreciation on revalued assets relating to current period / year transferred to accumulated profit/(losses) - Net of deferred tax	(1,395,542)	(2,998,131)
	231,255,392	232,650,934
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	4,757,000	5,710,000
	79,131,999	83,626,666
Less: Current portion	16,072,668	23,156,002
Less: Overdue	10,625,001	-
	26,697,669	23,156,002
	52,434,330	60,470,664

6. DEFERRED MARK-UP

MCB bank limited has deferred payment of markup capitalized amounting to Rupees 12.455 million (30 June 2006: Rupees 12.455 million) which will be paid 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 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. No provision for the remaining demand is made in the financial statements as the company is confident of favourable outcome of the appeal.

- 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 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). No provision for the demand has been made in the financial statements as the company is confident of favourable outcome of the appeal.

7.2 Commitments

Letters of credit for import of plant and machinery amounting to Rupees 34.950 million (30 June 2006:Rupees 46.692million) has been established.

	NOTE	31 December 2006 Rupees	30 June 2006 Rupees
8. PROPERTY, PLANT AND EQUIPMENT			
Operating:			
Owned			
Opening book value		504,304,368	478,584,865
Additions during the period / year	8.1	106,928,792	97,216,989
		<u>611,233,160</u>	<u>575,801,854</u>
Book value of property, plant and equipment disposed off during the period / year	8.1	(78,138,126)	(58,929,521)
Accumulated depreciation of property, plant and equipment disposed off during the period / year		-	411,345
		(78,138,126)	(58,518,176)
Depreciation charged during the period / year		(6,864,366)	(12,979,310)
Closing book value		<u>526,230,668</u>	<u>504,304,368</u>
Leased			
Opening book value		85,640,940	48,230,770
Additions during the period / year	8.1	75,910,080	49,045,575
		<u>161,551,020</u>	<u>97,276,345</u>
Book value of property, plant and equipment disposed off during the period / year	8.1	-	(19,078,128)
Accumulated depreciation of property, plant and equipment disposed off during the period / year		-	11,428,442
		-	(7,649,686)
Depreciation charged during the period / year		(2,766,275)	(3,985,719)
Closing book value		<u>158,784,745</u>	<u>85,640,940</u>
		<u>685,015,413</u>	<u>589,945,308</u>
Capital work in progress		-	9,811,140
		<u>685,015,413</u>	<u>599,756,448</u>

		31 December 2006 Rupees	30 June 2006 Rupees
8.1 Following is detail of additions and disposals of property, plant and equipment			
ADDITIONS			
Owned			
Factory building on freehold land		5,675,666	11,536,800
Colony godowns and offices on freehold land		5,893,167	988,014
Plant and machinery		94,236,268	79,248,350
Furniture and fixture		165,825	253,909
Equipment and installations		84,280	439,196
Electrical installations		-	1,185,920
Vehicles		873,586	3,564,800
		<u>106,928,792</u>	<u>97,216,989</u>
Leased			
Plant and machinery		<u>75,910,080</u>	<u>49,045,575</u>

DISPOSALS

Owned

Plant and machinery	<u>78,138,126</u>	<u>58,929,521</u>
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Leased

Plant and machinery	<u>-</u>	<u>19,078,128</u>
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	Half Year Ended 31 December 2006 Rupees	Quarter Ended 31 December 2006 Rupees	Half Year Ended 31 December 2005 Rupees	Quarter Ended 31 December 2005 Rupees
9. COST OF SALES				
Raw material consumed	276,213,287	133,853,323	238,103,165	121,915,497
Stores and spares consumed	5,428,057	2,968,870	6,090,299	3,500,635
Salaries, wages and benefits	31,597,075	16,341,883	26,053,919	14,397,190
Fuel and power	42,071,359	19,092,602	41,704,040	21,257,321
Insurance	766,667	386,416	537,035	258,033
Packing material	6,509,650	3,061,890	4,906,884	2,629,868
Labour welfare	372,784	165,899	900,536	298,990
Depreciation	8,190,528	4,372,184	6,491,994	3,011,773
	<u>371,149,407</u>	<u>180,243,067</u>	<u>324,787,872</u>	<u>167,269,307</u>
Work-in-process				
Opening stock	12,150,308	11,345,310	8,209,301	9,836,419
Closing stock	(13,398,910)	(13,398,910)	(9,319,051)	(9,319,051)
	<u>(1,248,602)</u>	<u>(2,053,600)</u>	<u>(1,109,750)</u>	<u>517,368</u>
Cost of goods manufactured	369,900,805	178,189,467	323,678,122	167,786,675
Finished goods				
Opening stock	2,373,731	5,542,118	6,852,409	11,119,327
Closing stock	(13,236,192)	(13,236,192)	(12,354,953)	(12,354,953)
	<u>(10,862,461)</u>	<u>(7,694,074)</u>	<u>(5,502,544)</u>	<u>(1,235,626)</u>
Cost of goods sold	359,038,344	170,495,393	318,175,578	166,551,049
Cost of raw material sold	61,601,019	44,063,650	2,076,410	-
Cost of yarn sold	<u>420,639,363</u>	<u>214,559,043</u>	<u>320,251,988</u>	<u>166,551,049</u>

	NOTE	31 December 2006 Rupees	31 December 2005 Rupees
10. CASH GENERATED FROM /(USED IN) OPERATIONS			
Profit before taxation		3,822,267	26,513,766
Adjustments for non cash charges and other items:			
Depreciation		9,630,641	7,627,312
Gratuity		2,170,549	3,041,008
(Gain) / loss on sale of property, plant and equipment		2,228,046	(2,943,704)
Workers' profit participation fund		201,172	1,395,461
Financial charges		28,646,749	13,459,111
Working capital changes	10.1	47,205,809	(61,066,916)
Operating profit / (loss) before working capital changes		<u>93,905,233</u>	<u>(11,973,962)</u>
10.1 Working capital changes			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(311,256)	(787,398)
Stock-in-trade		15,783,803	(63,177,786)
Trade debts		(4,620,863)	(395,260)
Advances		62,568,729	(27,710,268)
Deposits and short term prepayments		(1,008,628)	(721,048)
Other receivables		87,570	900
		<u>72,499,355</u>	<u>(92,790,860)</u>
Increase/(decrease) in current liabilities			
Trade and other payable		(25,293,546)	31,723,944
		<u>47,205,809</u>	<u>(61,066,916)</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:

	Half Year Ended 31 December 2006 Rupees	Half Year Ended 31 December 2005 Rupees
Bilal Textiles (Private) Limited		
Sale of goods and services	1,979,726	3,548,743
Purchase of goods and services	4,613,719	-

12. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 23rd February 2007 by the board of directors of the company

13. COMPARATIVE FIGURES

13.1 Comparative 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