

**D.M. TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**1. THE COMPANY AND ITS OPERATIONS**

D.M Textile Mills Limited is a public limited 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 , blended yarn and cloth.

**2. BASIS OF PREPARATION**

This interim financial information is unaudited but subject to limited scope review by the statutory auditors and are being submitted to share holders as required by section 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). This interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2007.

**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 2007.

**4. CRITICAL ACCOUNTING ESTIMATES AND 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 2007.

	<b>Un-Audited 31 December 2007 Rupees</b>	<b>Audited 30 June 2007 Rupees</b>
<b>5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
Opening balance	558,562,313	232,650,934
Add: Surplus arising on revaluation of fixed assets-net of deferred tax	-	339,428,798
Less: Transferred to accumulated profit/(loss) net of deferred tax in respect of:		
Surplus realized on disposal of revalued assets	-	(10,726,335)
Incremental depreciation charged during the period / year	(3,032,295)	(2,791,084)
	<u>555,530,018</u>	<u>558,562,313</u>
<b>6. LONG TERM FINANCING</b>		
Opening balance	78,178,999	83,626,666
Less : Repayment during the period/year	<u>2,134,000</u>	<u>5,447,667</u>
	76,044,999	78,178,999
Less: Current portion shown under current liabilities		
Current maturity	<u>16,072,668</u>	<u>16,072,668</u>
Overdue	<u>23,610,669</u>	<u>17,708,335</u>
	<u>39,683,337</u>	<u>33,781,003</u>
	<u>36,361,662</u>	<u>44,397,996</u>
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Minimum lease payments	159,186,777	179,772,648
Less: Un-amortized finance charges	<u>23,530,775</u>	<u>31,901,370</u>
	135,656,002	147,871,278
Less: Current portion shown under current liabilities		
Current maturity	<u>38,799,227</u>	<u>41,243,517</u>
Overdue	<u>936,163</u>	<u>235,084</u>
	<u>39,735,390</u>	<u>41,478,601</u>
	<u>95,920,612</u>	<u>106,392,677</u>

## 8. DEFERRED MARK UP

MCB Bank Limited has deferred payment of mark up capitalized amounting to Rupees 12.455 million (30 June 2007: 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. The deferred markup has been stated at present value.

## 9. CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

- (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' favour on April 11, 2005, but the Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005 which has decided the case in the Company's favour. The Company has applied for the appeal effects.
- (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 has filed rectification application in this regard but income tax department has filed an appeal with Income Tax Appellate Tribunal Islamabad against the order of the CIT (A). The appeal has been decided in Company's favour accordingly the Company has applied for appeal effects.
- (c) 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 to avail exit scheme on imported machinery. The Company has however paid Rupees 3.5 million on 30 June 2007 to avail amnesty announced by Federal Board of Revenue vide SRO 485(1)07 dated 09 June 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.
- (d) Sui Northern Gas Pipelines Limited Islamabad has demanded arrears of Rupees 10,405,330 for the period from November 2006 to November 2007 due to slow meter reading. The Company has filed a case in the Court of senior civil judge Islamabad on 18 December 2007 which has granted stay in favour of the Company. No provision has been created in these accounts as the Company is hopeful of favourable outcome of the case.

### Commitments

- 9.2 Letters of credit for capital expenditure amount to Rupees 53.024 million (30 June 2007: Rupees 59.127 million).

	Un-Audited 31 December 2007 Rupees	Audited 30 June 2007 Rupees
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets (Note 10.1)	787,211,038	794,988,886
Asset subject to finance lease (Note 10.2)	181,030,087	185,776,750
	<u>968,241,125</u>	<u>980,765,636</u>
<b>10.1 OPERATING FIXED ASSETS</b>		
Opening written down value	794,988,886	504,304,366
Add : Cost of additions during the period / year (Note 10.1.1)	1,653,791	147,140,236
Surplus on revaluation	-	290,679,073
	<u>1,653,791</u>	<u>437,819,309</u>
	796,642,677	942,123,675
Less : Book value of deletions during the period/ year (Note 10.1.2)	-	132,277,614
Less : Depreciation charge for the period / year	9,431,639	14,857,175
	<u>787,211,038</u>	<u>794,988,886</u>
<b>10.1.1 Cost of additions during the period / year</b>		
Factory building on freehold land	97,872	5,840,411
Colony godowns and offices on freehold land	-	6,219,333
Plant and machinery	1,504,839	133,596,924
Furniture and fixture	29,230	172,435
Equipment and installations	21,850	437,546
Vehicles	-	873,587
	<u>1,653,791</u>	<u>147,140,236</u>

	Un-Audited 31 December 2007 Rupees	Audited 30 June 2007 Rupees
<b>10.1.2 Book value of deletions during the period / year</b>		
Plant and machinery	-	131,781,351
Vehicles	-	496,263
	<u>-</u>	<u>132,277,614</u>

## 10.2 ASSETS SUBJECT TO FINANCE LEASE

Opening book value	185,776,750	85,640,940
Additions during the period / year -plant and machinery	-	107,510,080
	<u>185,776,750</u>	<u>193,151,020</u>
Less : Depreciation charge for the period / year	<u>4,746,663</u>	<u>7,374,270</u>
	<u>181,030,087</u>	<u>185,776,750</u>

	Un-Audited HALF YEAR ENDED		Un-Audited QUARTER ENDED	
	31 December 2007 Rupees	31 December 2006 Rupees	31 December 2007 Rupees	31 December 2006 Rupees
<b>11. COST OF SALES</b>				
Raw materials consumed	268,731,791	276,213,287	132,311,473	133,853,323
Stores, spares and loose tools	5,786,239	5,428,057	2,467,112	2,968,870
Salaries, wages and benefits	28,374,571	31,597,075	14,258,800	16,341,883
Fuel and power	30,222,864	42,071,359	16,429,099	19,092,602
Insurance	931,105	766,667	465,282	386,416
Packing materials	5,476,891	6,509,650	2,321,451	3,061,890
Labour welfare	428,858	372,784	238,788	165,899
Depreciation	12,526,957	8,190,528	6,268,081	4,372,184
	<u>352,479,276</u>	<u>371,149,407</u>	<u>174,760,086</u>	<u>180,243,067</u>
Work-in-process				
Opening stock	11,146,800	12,150,308	10,257,984	11,345,310
Closing stock	(12,317,568)	(13,398,910)	(12,317,568)	(13,398,910)
	<u>(1,170,768)</u>	<u>(1,248,602)</u>	<u>(2,059,584)</u>	<u>(2,053,600)</u>
Cost of goods manufactured	351,308,508	369,900,805	172,700,502	178,189,467
Finished goods				
Opening stock	18,225,701	2,373,731	15,362,194	5,542,118
Closing stock	(41,895,014)	(13,236,192)	(41,895,014)	(13,236,192)
	<u>(23,669,313)</u>	<u>(10,862,461)</u>	<u>(26,532,820)</u>	<u>(7,694,074)</u>
Cost of yarn sold	327,639,195	359,038,344	146,167,682	170,495,393
Cost of raw materials sold	20,396,720	61,601,019	6,381,666	44,063,650
Cost of cloth sold	21,669,198	-	3,961,200	-
Cost of goods sold	<u>369,705,113</u>	<u>420,639,363</u>	<u>156,510,548</u>	<u>214,559,043</u>
<b>12. OTHER OPERATING EXPENSES</b>				
Auditors' remuneration	142,782	138,511	84,608	66,251
Donations (Note 12.1)	207,801	80,343	110,760	69,843
Workers' profit participation fund	-	201,172	-	-
	<u>350,583</u>	<u>420,026</u>	<u>195,368</u>	<u>136,094</u>

12.1 None of the directors or their spouses had any interest in donee's fund.

## 13. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share.

**14. TRANSACTIONS WITH RELATED PARTIES**

	Un-Audited		Un-Audited	
	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	Rupees	Rupees	Rupees	Rupees
Sale of goods and services	14,760,847	1,979,726	8,343,137	-
Purchase of goods and services	28,753,959	4,613,719	7,402,363	4,327,761
Remuneration paid to Chief Executive Officer and Directors	1,572,240	1,284,240	786,120	792,120

- 14.1** The company purchased from and sold to related parties goods, material and services at an arm's length price determined in accordance with comparable uncontrolled price method.

**15. AUTHORIZED FOR ISSUE**

This interim financial information was approved by the Board of Directors and authorized for issue on 26-02-2008.

**16. COMPARATIVE FIGURES**

- 16.1** Comparative figures have been rearranged and reclassified wherever necessary for the purpose of comparison. However no significant reclassification has been made.
- 16.2** Figures have been rounded off to the nearest Rupee.

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**CHIEF EXECUTIVE OFFICER**

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**DIRECTOR**