

D.M. TEXTILE MILLS LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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. The registered office of the Company is situated at Westridge, Rawalpindi. The Company is engaged in the manufacturing, sale and trading of cotton, polyester, viscose, blended yarn and cloth.

2. During the period ended 31 December 2009, the Company has sustained a net loss of Rupees 0.412 million and it has accumulated losses of Rupees 89.474 million as on 31 December 2009 (30 June 2009: Rupees 97.267 million). Also the current liabilities of the Company exceeded its current assets by Rupees 276.003 million (30 June 2009: Rupees 270.910 million). These events indicate a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. However the condensed interim financial information has been prepared under going concern assumption as the management is hopeful in negotiation with banks for restructuring / rescheduling of loans.

3. BASIS OF PREPARATION

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed 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 condensed interim financial information should be read in conjunction with the audited annual published financial statements for the year ended 30 June 2009.

4. ACCOUNTING POLICIES AND COMPUTATION METHODS

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the company for the year ended 30 June 2009.

The following amendment to published approved accounting standard and standard relevant to the company has been adopted in the current period:

IAS 1 (Revised) 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The company has preferred to present two statements; a profit and loss account and a statement of comprehensive income. In this condensed interim financial information, comparative information has been re-presented in conformity with the revised standard. Since this change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

In addition to above, there are other new standards and amendments to published approved accounting standards which are mandatory for financial statements for annual periods beginning on or after 01 January 2009 and are also relevant to the company. However, the adoption of these new standards and amendments to standards did not have any significant impact on this condensed interim financial information of the company, therefore, are not analyzed in detail.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the

During preparation of this condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the company for the year ended 30 June 2009.

| | Un-audited 31 December 2009 Rupees | Audited 30 June 2009 Rupees |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------|
| 6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | |
| Opening Balance | 557,541,835 | 563,528,529 |
| Transferred to accumulated losses in respect of surplus realized on disposal of revalued property, plant and equipment | (1,177,500) | (553,735) |
| Related deferred tax liability | 412,124 | 193,807 |
| | (765,376) | (359,928) |
| Transferred to statement of accumulated losses in respect of incremental depreciation charged during the period / year | (4,007,607) | (8,656,563) |
| Related deferred tax liability | 1,402,663 | 3,029,797 |
| | (2,604,944) | (5,626,766) |
| | <u>554,171,515</u> | <u>557,541,835</u> |
| 7. LONG TERM FINANCING - Secured | | |
| Opening balance | 97,778,999 | 75,091,999 |
| Add: Obtained during the period / year | - | 24,140,000 |
| Less: Repaid during the period / year | 2,550,000 | 1,453,000 |
| Closing balance | <u>95,228,999</u> | <u>97,778,999</u> |
| Less: Current portion shown under current liabilities | | |
| Current maturity | 14,166,668 | 14,166,668 |
| Overdue | 51,944,005 | 45,305,671 |
| | <u>66,110,673</u> | <u>59,472,339</u> |
| | <u>29,118,326</u> | <u>38,306,660</u> |
| 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | |
| Minimum lease payments | 172,185,631 | 177,341,419 |
| Less: Un-amortized finance charges | 35,020,474 | 51,562,725 |
| Present value of minimum lease payments | <u>137,165,157</u> | <u>125,778,694</u> |
| Less: Current portion shown under current liabilities | | |
| Current maturity | 30,814,488 | 17,150,139 |
| Overdue | 6,536,464 | 8,137,192 |
| | <u>37,350,952</u> | <u>25,287,331</u> |
| | <u>99,814,205</u> | <u>100,491,363</u> |
| 9. DEFERRED MARK UP | | |
| MCB Bank Limited has deferred payment of mark up capitalized amounting to Rupees 12.455 million (30 June 2009: Rupees 12.455 million) payable in 20 equal half yearly installments with effect from September 01, 2009. | | |
| 10. CONTINGENCIES AND COMMITMENTS | | |
| 10.1 Contingencies | | |
| (a) 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 June 30, 2007 to avail amnesty announced by Central Board of Revenue vide SRO 485(1)07 dated June 09, 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 | | |
| (b) Sui Northern Gas Pipelines Limited Islamabad has demanded arrears of Rs.10,405,330 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 December 18, 2007 which has granted stay in favour of the Company. Previously the case was transferred to Islamabad High Court and now the case is pending. In the meantime no provision has been created in these financial statements as the Company is hopeful of favourable outcome of the case. | | |
| (c) 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 for recovery of these charges. The case is still pending before the court. | | |
| (d) Guarantees of Rupees 2.239 million (2009: Rupees 17.532 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection. | | |
| 10.2 Commitments | | |
| Letters of credit for capital expenditure amount to Nil (30 June 2009: Nil). | | |

| | NOTE | Un-audited 31 December 2009 Rupees | Audited 30 June 2009 Rupees |
|---------------------------------------------------------|--------|---------------------------------------------|--------------------------------------|
| 11. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 11.1 | 759,561,233 | 769,339,830 |
| Assets subject to finance lease | 11.2 | 162,940,165 | 167,175,197 |
| | | <u>922,501,398</u> | <u>936,515,027</u> |
| 11.1 OPERATING FIXED ASSETS | | | |
| Opening written down value | | 769,339,830 | 787,138,391 |
| Add : Cost of additions during the period / year | 11.1.1 | 102,400 | 987,579 |
| | | <u>769,442,230</u> | <u>788,125,970</u> |
| Less : Book value of deletions during the period / year | 11.1.2 | 1,503,376 | 739,364 |
| Less : Depreciation charged for the period / year | | 8,377,621 | 18,046,776 |
| | | <u>759,561,233</u> | <u>769,339,830</u> |
| 11.1.1 Cost of additions | | | |
| Plant and machinery | | - | 954,879 |
| Equipment and installations | | 102,400 | 32,700 |
| | | <u>102,400</u> | <u>987,579</u> |
| 11.1.2 Book value of deletions | | | |
| Plant and machinery | | 1,463,921 | 739,364 |
| Vehicles | | 39,455 | - |
| | | <u>1,503,376</u> | <u>739,364</u> |
| 11.2 ASSETS SUBJECT TO FINANCE LEASE | | | |
| Opening written down value | | 167,175,197 | 176,120,344 |
| Less : Depreciation charged for the period / year | | 4,235,032 | 8,945,147 |
| | | <u>162,940,165</u> | <u>167,175,197</u> |

12. ADVANCE AGAINST PROPERTY

It represents full consideration of Rupees 51.150 million given as advance for purchase of property. The property has not yet been transferred in the Company's name due to the want of completion of legal formalities. With reference to this advance, the Director (Enforcement) of Securities and Exchange Commission of Pakistan (SECP) vide his order dated 29 November ,2007 has imposed a penalty of Rupees 100,000 on each of the director except NIT nominee director of the Company for contravention of Section 196(2J) of the Companies Ordinance, 1984. Further directions were given under section 473 for transferring the property in the name of the Company within thirty days from the order date. The Chief Executive of the Company has filed a revision application with the Appellate bench of SECP under section 484 of the Companies Ordinance, 1984 against this order on 10 January, 2008, where the case is still pending.

Under section 485 of the Companies Ordinance 1984 read with section 34 of Securities and Exchange Commission of Pakistan Act 1977, the Company filed before the Lahore Highcourt Rawalpindi Bench, Rawalpindi, an appeal No. C.O.No 12-2009 against Securities and Exchange Commission of Pakistan Islamabad and an interim order passed on 26 October 2009, whereby the impugned order dated 19 February 2009 passed by Securities and Exchange Commission of Pakistan Islamabad was suspended and notice was issued to the respondent.

Director Enforcement Securities and Exchange Commission of Pakistan imposed a penalty of Rupees 300,000 on contravention of section 196 read with section 476 of Companies Ordinance 1984 which is duly paid by directors on their own.

Executive director enforcement Securities and Exchange Commission of Pakistan imposed a penalty of Rupees 100,000 on each sponsor director under section 492 read with section 476 of Companies Ordinance 1984 and sponsor directors have filed an appeal before the Appellate Bench Islamabad under section 333 of Securities and Exchange Commission of Pakistan Act

(Un-audited)

| HALF YEAR ENDED | | QUARTER ENDED | |
|---------------------|---------------------|---------------------|---------------------|
| 31 December 2009 | 31 December 2008 | 31 December 2009 | 31 December 2008 |

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13. COST OF SALES

| | | | | |
|----------------------------------------------|-------------|-------------|-------------|------------|
| Raw materials consumed | 293,321,913 | 252,857,702 | 149,884,241 | 83,157,351 |
| Stores, spare parts and loose tools consumed | 9,204,032 | 5,956,895 | 5,111,541 | 1,906,927 |
| Salaries, wages and other benefits | 32,092,329 | 25,729,283 | 17,976,080 | 11,039,011 |

| | | | | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Fuel and power | 43,406,291 | 32,519,702 | 23,299,235 | 12,263,244 |
| Insurance | 579,084 | 737,514 | 359,672 | 360,808 |
| Packing materials | 7,217,142 | 5,408,440 | 3,725,593 | 2,242,930 |
| Labour welfare | 439,829 | 422,188 | 221,214 | 206,369 |
| Depreciation | 11,254,281 | 11,977,139 | 6,018,641 | 5,988,351 |
| | <u>397,514,901</u> | <u>335,608,863</u> | <u>206,596,217</u> | <u>117,164,991</u> |
| Work-in-process: | | | | |
| Opening stock | 13,796,698 | 13,648,236 | 14,376,026 | 13,745,339 |
| Closing stock | (19,453,882) | (11,477,604) | (19,453,882) | (11,477,604) |
| | <u>(5,657,184)</u> | <u>2,170,632</u> | <u>(5,077,856)</u> | <u>2,267,735</u> |
| Cost of goods manufactured | <u>391,857,717</u> | <u>337,779,495</u> | <u>201,518,361</u> | <u>119,432,726</u> |
| Finished goods including waste: | | | | |
| Opening stock | 34,674,640 | 21,698,799 | 32,076,913 | 9,824,683 |
| Closing stock | (19,982,792) | (4,940,284) | (19,982,792) | (4,940,284) |
| | <u>14,691,848</u> | <u>16,758,515</u> | <u>12,094,121</u> | <u>4,884,399</u> |
| Cost of yarn sold | <u>406,549,565</u> | <u>354,538,010</u> | <u>213,612,482</u> | <u>124,317,125</u> |
| Cost of raw materials sold | <u>3,659,576</u> | <u>17,308,269</u> | <u>3,418,530</u> | <u>7,282,549</u> |
| Cost of goods sold | <u>410,209,141</u> | <u>371,846,279</u> | <u>217,031,012</u> | <u>131,599,674</u> |

14. OTHER OPERATING EXPENSES

| | | | | |
|-----------------------------------------------|----------------|----------------|----------------|----------------|
| Workers' welfare fund | 137,339 | - | 137,339 | - |
| Loss on sale of property, plant and equipment | 533,376 | 614,364 | 533,376 | 553,735 |
| Donations (Note 14.1) | 256,662 | 157,910 | 134,902 | 117,260 |
| | <u>927,377</u> | <u>772,274</u> | <u>805,617</u> | <u>670,995</u> |

14.1 There is no interest of any director or his spouse in donees' fund

15. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, directors of the company and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in this interim financial information are as follows:

(Un-audited)

| HALF YEAR ENDED | | QUARTER ENDED | |
|---------------------|---------------------|---------------------|---------------------|
| 31 December 2009 | 31 December 2008 | 31 December 2009 | 31 December 2008 |

----- R u p e e s -----

ASSOCIATED COMPANIES

Bilal Textile (Private) Limited

| | | | | |
|---------------------------------|------------|------------|-----------|------------|
| Sale of goods and services | 3,739,056 | 23,556,721 | 3,739,056 | 2,500,000 |
| Short term borrowings - receipt | 32,551,000 | - | - | - |
| Short term borrowings - repaid | 20,081,109 | - | - | - |
| Purchase of goods and services | 2,410 | 33,945,840 | 2,410 | 20,845,870 |

Bilal Fibers Limited

| | | | | |
|----------------------------|---|------------|--------|--------|
| Receipt of funds | - | 10,000,000 | - | - |
| Repayment of funds | - | 10,000,000 | - | - |
| Sale of goods and services | - | 35,000 | 35,000 | 35,000 |

Famous Securities (Private) Limited

| | | | | |
|--------------------------------|---------|------------|---------|---|
| Long term borrowings - receipt | - | 10,000,000 | - | - |
| Long term borrowings - repaid | 605,000 | 200,000 | 605,000 | - |

OTHER RELATED PARTIES

| | | | | |
|----------------------------------------------------|-----------|-----------|---------|---------|
| Remuneration paid to chief executive and directors | 1,617,240 | 1,613,450 | 809,213 | 805,423 |
|----------------------------------------------------|-----------|-----------|---------|---------|

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on

17. COMPARATIVE FIGURES

No significant reclassifications or rearrangements of corresponding figures have been made.

18. GENERAL

Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE

DIRECTOR