

D.M. TEXTILE MILLS LIMITED
SELECTED NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THREE QUARTERS ENDED 31 MARCH 2009
(UNAUDITED)

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. 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 of the Company for the year ended 30 June 2008.

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 those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2008.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Judgments 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 2008.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Un-Audited 31 March 2009 Rupees	Audited 30 June 2008 Rupees
Opening balance	550,709,795	558,562,313
Less: Transferred to accumulated loss net of deferred taxation in respect of:		
Surplus realized on disposal of revalued assets	(553,735)	(1,787,928)
Incremental depreciation charged during the period / year	(3,933,239)	(6,064,590)
	<u>546,222,821</u>	<u>550,709,795</u>

6. LONG TERM FINANCING - Secured

Opening balance	75,091,999	78,178,999
Less : Repayment during the period/year	<u>953,000</u>	<u>3,087,000</u>
	74,138,999	75,091,999
Less: Current portion shown under current liabilities		
Current maturity	14,166,668	16,064,668
Over due	42,264,004	30,694,003
	<u>56,430,672</u>	<u>46,758,671</u>
	<u>17,708,327</u>	<u>28,333,328</u>
	Un-Audited 31 March 2009 Rupees	Audited 30 June 2008 Rupees

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Minimum lease payments	127,027,557	148,549,611
Less: Un-amortized finance charges	<u>392,067</u>	<u>21,101,523</u>
	126,635,490	127,448,088
Less: Current portion shown under current liabilities		
Current maturity	45,313,573	42,905,833
Overdue	22,582,049	6,064,986
	<u>67,895,622</u>	<u>48,970,819</u>
	<u>58,739,868</u>	<u>78,477,269</u>

8. DEFERRED MARK UP

MCB Bank Limited has deferred payment of mark up capitalized amounting to Rupees 12.455 million (30 June 2008: 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 using effective interest rate of 10%.

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 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 which has decided the case in the Company's favour. The Company has applied for the appeal effect.
- (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 effect 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 effect.
- (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 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 which has granted stay in favour of the Company. The case has been transferred to Islamabad High Court. In the mean time, no provision has been created in this interim financial information as the Company is hopeful of favourable outcome of the case.
- (e) The Company filed an appeal before Lahore High Court, Rawalpindi Bench, Rawalpindi against enhancement of annual rental value of building by Rupees 1.068 million for the period ended 30 June 2006 by Cantonment Board of Rawalpindi for property tax purposes. The case is pending in Lahore High Court while no provision has been made as the Company is hopeful of favourable outcome of the case.
- (f) The Company filed an appeal before Lahore High Court, Rawalpindi Bench, Rawalpindi, against conservancy charges amounting to Rupees 0.420 million (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.
- (g) Short term deposits include an amount of Rupees 2 million recoverable from Messrs Fauji Foundation. The Court has decided the case in favour of the Company on June 10, 1999. Fauji Foundation has, however, filed appeal before Honourable Lahore High Court, Rawalpindi Bench, against the aforesaid order, and provided bank guarantee of Rupees 2 million to the Honourable Court. Honourable High Court remanded the case to the Civil Court who decided against the Company. The Company has filed petition in Lahore High Court, Rawalpindi Bench where the case is still pending. Meanwhile no provision there against has been made in this interim financial information as the Company believes that it has strong grounds for favourable outcome of the case.
- (h) Guarantees of Rupees 16.387 million (30 June 2008: Rupees 16.387 million) have been given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connection.

Commitments

- 9.2** Post dated cheques issued to suppliers amount to Rupees 61.252 million (30 June 2008: Rupees 20.209).

	NOTE	Un-Audited 31 March 2009 Rupees	Audited 30 June 2008 Rupees
10. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	10.1	776,334,698	787,138,391
Assets subject to finance lease	10.2	169,411,484	176,120,344
		<u>945,746,182</u>	<u>963,258,735</u>
10.1 OPERATING FIXED ASSETS			
Opening written down value		787,138,391	794,988,886
Add : Cost of additions during the period / year	10.1.1	981,379	28,299,981
Less : Depreciation transferred from leased assets		-	191,216
		<u>788,119,770</u>	<u>823,097,651</u>
Less : Written down value of deletions during the period/ year	10.1.2	739,364	16,767,158
Less : Depreciation charge for the period / year		11,045,708	19,192,102
		<u>776,334,698</u>	<u>787,138,391</u>
10.1.1 Cost of additions during the period / year			
Factory building on freehold land		-	97,872
Plant and machinery		954,879	27,677,029
Furniture and fixture		-	29,230
Equipment and installations		26,500	99,850
Vehicles		-	396,000
		<u>981,379</u>	<u>28,299,981</u>
10.1.2 Written down value of deletions during the period / year			
Plant and machinery		739,364	16,767,158
10.2 ASSETS SUBJECT TO FINANCE LEASE			
Opening written down value		176,120,344	185,776,750
Less : Depreciation charge for the period / year		6,708,860	9,451,622
Less : Written down value of deletions during the period / year		-	204,784
		<u>169,411,484</u>	<u>176,120,344</u>

11 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, and extended upto 31 august 2009. 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.

	Un-Audited		Un-Audited	
	THREE QUARTERS ENDED		QUARTER ENDED	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	Rupees	Rupees	Rupees	Rupees
12. COST OF SALES				
Raw materials consumed	288,096,509	402,338,776	35,238,807	133,606,985
Stores and spares consumed	7,068,272	9,534,606	1,111,377	3,748,367
Salaries, wages and other benefits	28,888,242	44,241,554	3,158,959	15,866,983
Fuel and power	38,086,514	49,967,020	5,566,812	19,744,156
Insurance	974,378	1,396,387	236,864	465,282
Packing materials	6,081,694	8,083,498	673,254	2,606,607
Labour welfare	597,675	843,102	175,487	414,244
Depreciation	15,512,718	16,540,227	3,535,579	4,013,270
	<u>385,306,002</u>	<u>532,945,170</u>	<u>49,697,139</u>	<u>180,465,894</u>
Work-in-process				
Opening stock	13,648,236	11,146,800	11,477,604	12,317,568
Closing stock	<u>(11,329,270)</u>	<u>(12,384,989)</u>	<u>(11,329,270)</u>	<u>(12,384,989)</u>
	<u>2,318,966</u>	<u>(1,238,189)</u>	<u>148,334</u>	<u>(67,421)</u>
Cost of goods manufactured	<u>387,624,968</u>	<u>531,706,981</u>	<u>49,845,473</u>	<u>180,398,473</u>
Finished goods including waste				
Opening stock	21,698,799	18,225,701	4,940,284	41,895,014
Closing stock	<u>(30,015,615)</u>	<u>(21,439,771)</u>	<u>(30,015,615)</u>	<u>(21,439,771)</u>
	<u>(8,316,816)</u>	<u>(3,214,070)</u>	<u>(25,075,331)</u>	<u>20,455,243</u>
Cost of yarn sold	<u>379,308,152</u>	<u>528,492,911</u>	<u>24,770,142</u>	<u>200,853,716</u>
Cost of raw materials sold	<u>19,680,182</u>	<u>21,193,875</u>	<u>2,371,913</u>	<u>797,155</u>
Cost of cloth sold	<u>-</u>	<u>21,669,198</u>	<u>-</u>	<u>-</u>
Cost of goods sold	<u><u>398,988,334</u></u>	<u><u>571,355,984</u></u>	<u><u>27,142,055</u></u>	<u><u>201,650,871</u></u>
13. EARNINGS PER SHARE - BASIC AND DILUTED				
There is no dilutive effect on the basic earnings per share.	(9.56)	(2.08)	(5.78)	(1.00)
14. 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		Un-Audited	
	THREE QUARTERS ENDED		QUARTER ENDED	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	Rupees	Rupees	Rupees	Rupees
ASSOCIATED COMPANIES				
Bilal Textile (Private) Limited				
Sale of goods and services	40,122,753	15,804,581	16,566,032	1,043,734
Purchase of goods and services	46,387,756	45,309,831	12,441,916	16,555,872
Bilal Fibers Limited				
Return of Advance due to non supply of cotton	10,000,000	-	-	-
Advance to procure cotton	10,000,000	-	-	-
Sale of goods and services	35,000	-	-	-
Famous Securities (Private) Limited				
Long term loan	9,800,000	-	(200,000)	-
OTHER RELATED PARTIES				
Remuneration paid to chief executive and directors	2,422,078	2,380,860	808,620	808,620

- 14.1 In half yearly accounts ended on 31.12.2009 it was wrongly stated that amount of Rs. 10 Million was received from Bilal Fibers Limited and repaid but actually advance of Rs. 10 Million was paid to Bilal Fibers Limited to procure cotton and then advance returned due to non supply of cotton.

15. DATE OF AUTHORIZATION FOR ISSUE

This interim financial information was approved by the Board of Directors and authorized for issue on 24 April 2009.

16. COMPARATIVE FIGURES

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

17. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR