

D.M. TEXTILE MILLS LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THREE QUARTERS ENDED 31 MARCH 2010

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 March 2010, the Company has sustained a net profit of Rupees 10.283 million and it has accumulated losses of Rupees 83.614 million as on 31 March 2010 (30 June 2009: Rupees 97.267 million). Also the current liabilities of the Company exceeded its current assets by Rupees 304.026 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 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 circumstances.

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 March 2010 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	(1,875,389)	(553,735)
Related deferred tax liability	656,386	193,807
	(1,219,003)	(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>553,717,888</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	(15,390,000)	1,453,000
Closing balance	82,388,999	97,778,999
Less: Current portion shown under current liabilities		
Current maturity	14,166,668	14,166,668
Overdue	55,485,672	45,305,671
	69,652,340	59,472,339
	<u>12,736,659</u>	<u>38,306,660</u>
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments	168,782,439	177,341,419
Less: Un-amortized finance charges	30,624,219	51,562,725
Present value of minimum lease payments	138,158,220	125,778,694
Less: Current portion shown under current liabilities		
Current maturity	33,444,762	17,150,139
Overdue	10,290,812	8,137,192
	43,735,574	25,287,331
	<u>94,422,646</u>	<u>100,491,363</u>
9. DEFERRED MARK UP		
MCB Bank Limited has deferred payment of mark up capitalized amounting to Rupees 11.832 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 Federal 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 Revenue.		
(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 March 2010 Rupees	Audited 30 June 2009 Rupees
11. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	11.1	754,602,197	769,339,830
Assets subject to finance lease	11.2	160,822,649	167,175,197
		<u>915,424,846</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	485,544	987,579
		<u>769,825,374</u>	<u>788,125,970</u>
Less : Book value of deletions during the period / year	11.1.2	2,748,089	739,364
Less : Depreciation charged for the period / year		12,475,088	18,046,776
		<u>754,602,197</u>	<u>769,339,830</u>
11.1.1 Cost of additions			
Plant and machinery		381,194	954,879
Equipment and installations		104,350	32,700
		<u>485,544</u>	<u>987,579</u>
11.1.2 Book value of deletions			
Plant and machinery		2,708,634	739,364
Vehicles		39,455	-
		<u>2,748,089</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		6,352,548	8,945,147
		<u>160,822,649</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 33 of Securities and Exchange Commission of Pakistan Act 1977.

(Un-audited)

THREE QUARTERS ENDED		QUARTER ENDED	
31 March 2010	31 March 2009	31 March 2010	31 March 2009
----- R u p e e s -----			

13. COST OF SALES

Raw materials consumed	467,304,203	288,096,509	173,982,290	35,238,807
Stores, spare parts and loose tools consumed	15,454,808	7,068,272	6,250,776	1,111,377

Salaries, wages and other benefits	51,222,858	28,888,242	19,130,529	3,158,959
Fuel and power	70,565,021	38,086,514	27,158,730	5,566,812
Insurance	936,704	974,378	357,620	236,864
Packing materials	11,397,547	6,081,694	4,180,405	673,254
Labour welfare	581,178	597,675	141,349	175,487
Depreciation	16,914,998	15,512,718	5,660,717	3,535,579
	<u>634,377,317</u>	<u>385,306,002</u>	<u>236,862,416</u>	<u>49,697,139</u>
Work-in-process:				
Opening stock	13,796,698	13,648,236	19,453,882	11,477,604
Closing stock	(19,397,936)	(11,329,270)	(19,397,936)	(11,329,270)
	<u>(5,601,238)</u>	<u>2,318,966</u>	<u>55,946</u>	<u>148,334</u>
Cost of goods manufactured	628,776,079	387,624,968	236,918,362	49,845,473
Finished goods including waste:				
Opening stock	34,674,640	21,698,799	19,982,792	4,940,284
Closing stock	(24,953,527)	(30,015,615)	(24,953,527)	(30,015,615)
	<u>9,721,113</u>	<u>(8,316,816)</u>	<u>(4,970,735)</u>	<u>(25,075,331)</u>
Cost of yarn sold	638,497,193	379,308,152	231,947,628	24,770,142
Cost of raw materials sold	3,659,576	19,680,182	-	2,371,913
Cost of goods sold	<u>642,156,769</u>	<u>398,988,334</u>	<u>231,947,628</u>	<u>27,142,055</u>

14. OTHER OPERATING EXPENSES

Workers' welfare fund	458,579	-	321,240	-
Workers' Profit Participation Fund	158,550	-	158,550	
Auditors Remuneration's	-	185,816		46,636
Loss on sale of property, plant and equipment	124,462	60,629	(408,914)	(553,735)
Donations (Note 14.1)	273,662	194,910	17,000	37,000
	<u>1,015,253</u>	<u>441,355</u>	<u>87,876</u>	<u>(470,099)</u>

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

15 There is no diluted effect on the earnings per share.

16. 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:

	THREE QUARTERS ENDED		QUARTER ENDED	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	----- R u p e e s -----			
ASSOCIATED COMPANIES				
Bilal Textile (Private) Limited				
Sale of goods and services	3,739,546	40,122,753	3,739,546	16,566,032
Short term borrowings - receipt	61,235,000	-	28,684,000	-
Short term borrowings - repaid	29,842,289	-	9,761,180	-
Purchase of goods and services	2,410	46,387,756	2,410	12,441,916
Bilal Fibers Limited				
Receipt of funds	-	10,000,000	-	-
Repayment of funds	-	10,000,000	-	-
Sale of goods and services	-	35,000	-	-
Famous Securities (Private) Limited				
Long term borrowings - receipt	-	-	-	-
Long term borrowings - repaid	605,000	9,800,000	605,000	(200,000)
Directors	14,340,000	-	12,840,000	-
OTHER RELATED PARTIES				
Remuneration paid to chief executive and directors	2,425,860	2,422,078	808,620	(808,620)

17. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on 26-04-2010.

18. COMPARATIVE FIGURES

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

19. GENERAL

Figures have been rounded off to the nearest Rupees.

CHIEF EXECUTIVE

DIRECTOR