

**SELECTED NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THREE QUARTERS ENDED 31 MARCH 2012**

1 THE COMPANY AND ITS OPERATION

D.M. Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on Karachi and Islamabad Stock Exchanges in Pakistan. Its registered office is situated at Westridge, Rawalpindi. The company is engaged in the business of manufacturing, sale and trading of cotton, polyester, viscose, blended yarn and cloth.

- 1.1 During three quarters ended 31 March 2012, the company has sustained a gross loss of Rupees 21.995 million and net loss of Rupees 41.789 million. As of that date its accumulated loss was Rupees 183.694 million. Also the current liabilities of the company exceeded its current assets by Rupees 396.281 million.

2 BASIS OF PREPARATION

This condensed interim financial information of the company for three quarters ended 31 March 2012 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information should be read in conjunction with the audited annual published financial statements of the company for the year ended 30 June 2011

3 ACCOUNTING POLICIES

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 2011.

4 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 judgement 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 2011.

	Un-audited 31 March 2012 Rupees	Audited 30 June 2011 Rupees
5 SURPLUS ON REVALUATION OF PROPERTY ,PLANT AND EQUIPMENT-NET		
Opening balance	561,787,617	573,661,722
Transferred to accumulated loss in respect of surplus realized on disposal of revalued property, plant and equipment	-	(11,097,804)
Related deferred tax liability	-	3,884,231
	-	(7,213,573)
Transferred to accumulated loss in respect of incremental depreciation charged during the period / year	(3,196,801)	(7,170,050)
Related deferred tax liability	1,118,880	2,509,518
	(2,077,921)	(4,660,532)
Closing balance	<u>559,709,696</u>	<u>561,787,617</u>
6 LONG TERM FINANCING		
From banking companies - secured	73,193,999	73,193,999
Less: Current portion of long term financing	<u>73,193,999</u>	<u>73,193,999</u>
	-	-
7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Future minimum lease payments	130,603,017	132,099,595
Less: Un-amortized finance charge	<u>37,249,733</u>	<u>22,785,015</u>
Present value of future minimum lease payments	93,353,284	109,314,580
Less: Current portion shown under current liabilities	<u>49,455,505</u>	<u>65,416,801</u>
	<u>43,897,779</u>	<u>43,897,779</u>
8 DEFERRED MARK-UP		
Deferred markup - long term financing	6,053,550	5,748,044
Deferred markup - finance leases	<u>4,630,674</u>	<u>4,317,604</u>
	<u>10,684,224</u>	<u>10,065,648</u>
9 CONTINGENCIES AND COMMITMENTS		
9.1 Contingencies		
There is no significant change in the status of contingencies, as disclosed in preceding audited annual published financial statements of the Company for the year ended 30 June 2011.		
9.2 Commitments		
	<u>NIL</u>	<u>NIL</u>
10 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets		
Owned (Note 10.1)	702,071,016	712,481,000
Leased (Note 10.2)	<u>145,026,188</u>	<u>150,680,834</u>
	<u>847,097,204</u>	<u>863,161,834</u>
10.1 Operating fixed assets - Owned		
Opening book value	712,481,000	752,017,760
Add: Cost of additions during the period / year (Note 10.1.1)	<u>127,700</u>	<u>732,013</u>
	<u>712,608,700</u>	<u>752,749,773</u>
Less: Book value of deletions during the period / year (Note 10.1.2)	563,836	25,084,261
Less: Depreciation charged during the period / year	<u>9,973,848</u>	<u>15,184,512</u>
Closing book value	<u>702,071,016</u>	<u>712,481,000</u>

	Un-audited 31 March 2012 Rupees	Audited 30 June 2011 Rupees
10.1.1 Cost of additions		
Plant and machinery	-	16,508
Factory equipment	127,700	78,470
Furniture, fixtures and office equipment	-	8,000
Vehicles	-	629,035
	127,700	732,013
10.1.2 Book value of deletions		
Plant and machinery	-	25,084,261
Vehicles	563,836	-
	563,836	25,084,261
10.2 Operating fixed assets - Leased		
Opening book value	150,680,834	158,705,133
Less: Depreciation charged during the period / year	5,654,646	8,024,299
Closing book value	145,026,188	150,680,834

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 one nominee director (NIT) of the Company for contravention of Section 196(2j) of 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 Officer of the Company has filed a revision application with the Appellate bench of SECP under section 484 of Companies Ordinance, 1984 against this order on 10 January 2008, where the case is still pending.

The Chief Executive Officer also filed an appeal under section 485 of the Companies Ordinance, 1984 read with Section 34 of SECP Act, 1997 before the Lahore High Court Rawalpindi Bench whereby stay order was granted to suspend the operation of above said impugned order.

12 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

	(Un-audited)			
	THREE QUARTER ENDED		QUARTER ENDED	
	31 March 2012	31 March 2011	31 March 2012	31 December 2011
	----- (Rupees) -----			
Bilal Textiles (Private) Limited				
Sales of goods	-	2,500,000	-	-
Short term borrowings - repaid	-	19,115,032	-	-
Purchase of goods and services	-	15,413,000	-	-
Bilal Fibers Limited				
Purchase of good servies	-	4,965,600	-	1,755,600
Sales of raw materials	2,115,060	-		
Famous Securities (Private) Limited				
Long term financing - obtained	-	480,000	-	-
Long term financing - repaid	275,989	252,836	30,564	38,443
Director -receipt		11,530,000		2,000,000
Director -repaid		7,228,230		1,279,230
Other related parties				
Remuneration to chief executive officer and directors	2,310,660	2,473,800	770,220	832,620

13 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2011.

14 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was approved by the Board of Directors and authorized for issue on April 26, 2012.

15 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

16 GENERAL

Figures have been rounded off to the nearest Rupees unless otherwise stated.

CHIEF EXECUTIVE OFFICER

DIRECTOR