

D.M. Textile Mills Limited

Westridge, Rawalpindi - Pakistan.

E-mail: dmtm@apollo.net.pk, website: dmtextile.com.pk

To all Members of the Company

Dear Shareholder,

ADDENDUM to the Directors' Report to the Shareholders of the Company.

Information U/S 236 and 218 of Companies Ordinance 284 relating to audited accounts for the year ended June 30,2005.

- 1- We bring to your kind notice that following points were omitted unintentionally in Directors' report to the shareholders in the Audited Accounts for the Period Ended June 30, 2005.
 - A- We append below the qualification in Auditors' Report to the Members for the year ended June 30, 2005.

"As explained in Note 11 to the financial statements, the company has not made provision for workers profit participation fund to the extent of Rupees 2.248 Million against the waiver of a portion of long term finance and its relevant markup amounting to Rupees 44.952 million. Had the aforesaid provision been made in the financial statements, the profit for the period ended 30 June 2005 and shareholders equity as of that date would have been lower by Rupees 2.248 Million."
 - B- **Earning Per share (EPS)**

Earning per share was Rs 20.96 for the period ended 30 June 2005 as compared to Rs 3 per share for the year Ended 30 September 2004. This information was given in Profit and Loss account of the company and detail was provided in note No 35 on page 33 of the printed accounts.
 - C- **Default in payment of Debts.**

Rs 136,769 were reported overdue in the accounts of 30 June 2005 due to finance lease as per note No 14 "current portion of non current liabilities". The amount was paid with a delay of Two days vide Cheque No 1194039-dated 02-07-2005 to First Fidelity Leasing Modaraba Islamabad.

The Directors report was published on 26 September 2005 and by that time there was no overdue so we mentioned in Directors' report in Debt Servicing " The Company paid installments of loan regularly to the financial institutions"





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2- Statement U/S 160(1)(b) of the Companies Ordinance 1984 regarding Chief Executive's Remuneration

The Board of Directors increased remunerations of the Chief Executive in their Board meeting held on December 21, 2004 from Rs 660,000 to Rs 1,200,000 with bifurcation as under:

Basic Salary	Rs 800,000
House Rent Allowance	Rs 320,000
Utility Allowance	Rs 80,000

In addition to that the chief Executive will continue to enjoy telephone facilities at office and residence, transport facilities, travel facilities at home and abroad and entertainment expenses etc.

The increase in remuneration was reported in Note No 27 under the head "Remuneration of Chief Executive, Directors and Executive". The accounts were approved in the Annual General Meeting by the shareholders of the company. However information U/S 218 of the Companies 1984 was omitted to be circulated to the members and also omitted from the Directors' report.

Kindly excuse omission and condone the delay in transmission of requisite information.

Thanking You,

For and on Behalf of the Board of Directors:

CHIEF EXECUTIVE



DIRECTOR

Rawalpindi Dated 22 March 2006

- Cc: The Secretary Karachi Stock Exchange Ltd Stock Exchange Building, Stock Exchange Road Karachi.
- Cc: The Secretary Islamabad Stock Exchange Ltd, ISE Building 101-E Fazal Haq Road Blue Area Islamabad.
- Cc: The Director Enforcement Securities and Exchange Commission of Pakistan NIC Building Jinnah Avenue Islamabad with reference to their letter EMD/233/111/2002-9270 dated 21-03-2006.

Note: Placed on Companies Website: www.dmttextile.com.pk

D.M. TEXTILE MILLS LIMITED

BALANCE SHEET AS AT 30 JUNE 2005

EQUITY AND LIABILITIES			ASSETS			
NOTE	2005 Rupees	2004 Rupees	NOTE	2005 Rupees	2004 Rupees	
SHARE CAPITAL AND RESERVES			NON-CURRENT ASSETS			
Authorized Share Capital						
	50,000,000	50,000,000.00				
			Property, plant and equipment	16	532,163,207	502,165,450
Issued, subscribed and paid up share capital	5	30,524,290	Long term investment	17	376,000	278,000
Accumulated losses		(16,002,837)	Long term deposits	18	7,061,660	4,568,349
Shareholders' equity		14,521,453			539,600,867	507,011,799
Surplus on revaluation of fixed assets	6	235,649,065				
NON - CURRENT LIABILITIES			CURRENT ASSETS			
Long term finances	7	76,543,331	Stores, spares and loose tools	19	3,947,430	2,793,458
Liabilities against assets subject to finance lease	8	30,607,820	Stock-in-trade	20	61,561,898	94,104,112
Subordinated loans	9	-	Trade debts- unsecured but considered good	21	3,902,216	2,070,894
Gratuity to employees		10,399,417	Advances	21	24,052,229	8,420,307
Deferred taxation		127,010,248	Deposits and short term prepayments	22	2,000,000	3,544,890
Deferred mark-up	10	12,455,000	Other receivables- considered good	23	16,822,173	28,486,940
		257,015,816	Accrued interest	24	222,380	155,450
		254,310,434	Cash and bank balances		18,611,995	27,828,897
CURRENT LIABILITIES					131,120,321	167,404,948
Trade and other payables	11	64,189,363				
Accrued mark-up	12	3,148,377				
Short term borrowings-Secured	13	55,269,413				
Current portion of non-current liabilities	14	29,036,693				
Taxation		11,891,008				
		163,534,854				
CONTINGENCIES AND COMMITMENTS						
	15	-				
		670,721,188			670,721,188	674,416,747

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

D.M. TEXTILE MILLS LIMITED
CASH FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 JUNE 2005

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	68,100,163	(25,630,664)
Financial charges paid		(15,751,479)	(7,236,144)
Taxes paid		(1,247,517)	(2,155,006)
Gratuity paid		(925,700)	(1,792,056)
Workers' profit participation fund paid		(516,000)	(512,639)
Net cash from/(used in) operating activities		<u>49,659,467</u>	<u>(37,326,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(40,988,127)	(24,512,341)
Fixed assets acquired under finance leases		(31,202,800)	(11,844,500)
Long term investment		(98,000)	-
Long term deposits		(2,493,311)	(4,165,796)
Proceeds from sale of property, plant and equipment		31,271,800	11,844,500
Net cash used in investing activities		<u>(43,510,438)</u>	<u>(28,678,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long term finances		85,000,000	-
Finance leases		33,136,427	11,844,504
Short term borrowings		290,035,008	287,001,160
Subordinated loan		-	20,700,000
Repayment of:			
Long term finances		(82,703,435)	(3,293,653)
Finance leases		(9,699,087)	(1,948,607)
Subordinated loan		(20,700,000)	-
Short term borrowings		(309,147,186)	(226,072,069)
Dividend paid		(1,287,658)	-
Net cash from/(used in) financing activities		<u>(15,365,931)</u>	<u>88,231,335</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(9,216,902)</u>	<u>22,226,689</u>
Cash and cash equivalents at the beginning of the period/year		<u>27,828,897</u>	<u>5,602,208</u>
Cash and cash equivalents at the end of the period/year		<u><u>18,611,995</u></u>	<u><u>27,828,897</u></u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

COMPANY'S INFORMATION

BOARD OF DIRECTORS

CHAIRMAN:

&

CHIEF EXECUTIVE:

Mr Habib Ullah

DIRECTORS:

Mian Muhammad Saleem Omer
Mian Naeem Omer
Mr.Hussain Ahmed Qureshi
Mr.Irshad Hussain Shah
Rao Khalid Pervaiz
Mr.Shahid Anwar (Nominee of NIT)

AUDIT COMMITTEE:

CHAIRMAN:

Mian Muhammad Saleem Omer

MEMBERS:

Mian Naeem Omer
Mr.Hussain Ahmed Qureshi

**COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER**

Mr.M.F.Zaman Qureshi F.C.A.

BANKERS:

PICIC Commercial Bank Limited
Prime Commercial Bank Limited
Saudi Pak Commercial Bank Limited

AUDITORS:

M/S Riaz Ahmed & Company
Chartered Accountants
2-A, ATS Centre, 30-West,
Fazal ul haq Road, Blue Area Islamabad

LEGAL ADVISER:

M/S Hassan & Hassan Advocates PAAF
Building, 7-D, Kashmir Egerton Road,
Lahore.

**REGISTERED
OFFICE
& MILLS AT:**

Westridge, Rawalpindi
Telephone:051-5480139-5480156
Fax: 051-5472755
E-Mail: dmtm@apollo.net.pk
Website: www.dmtextile.com.pk

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors welcome you to the 48th Annual General Meeting of D.M. Textile Mills Ltd. and present audited accounts and annual report of the company for the period ended June 30, 2005.

Financial Results.

The company has earned after tax profit Rs.63.980 Million in the current period compared to Rs.9.153 million in the previous year. The increase in profitability is mainly due to extra ordinary items of Rs. 44.952 Million relief granted by IDBP as per directive of State Bank of Pakistan.

1. SALE

- Average sale rate increased by 5.26% and quantity of yarn sold increased by 18.86% as compared to previous corresponding period.
- Other income in the current year Rs.579,631 as compared to Rs.491,541 mainly due to gain on sales and lease back.

2. Raw Material

- Average cotton purchase rate in current year decreased by 34.16% as compared to the previous year.
- Average polyester purchase rate in the current year increased by 22.85% as compared to previous year.
- To reap the benefit of reduced rate of cotton we increased the mix ratio of cotton to 42% in current year as compared to 26% in previous year.

3- Financial Cost

It reduced comparatively because mark up on IDBP liability was not charged from 01-10-2004 to 26-04-2005 being transitory period of swap of IDBP liability by PICIC Commercial Bank Limited.

4. Production Results

Period Ended		<u>2005</u>	<u>2004</u>
➤ Actual production yarn	Million Kgs	3.652	4.084
➤ Converted production yarn	Million Kgs	9.124	10.237
➤ Average count spun	No.	36.770	36.780
➤ Yield	%age	90.920	94.400

5. Debt Servicing

The company paid installments of loan regularly to the financial institutions.

6. Modernization

Rs. 34.084 million were spent in the current year for procurement of machinery under BMR program as compared to Rs. 22.019 million in the pervious year.

In addition to that we have established letter of credits for import of following machinery.

- One set multi drum dust and waste remover system for carding received on 17-09-2005
- Two (2) sets Murata Mach Coner 21-C Shipment 30-09-2005.

7. Taxation

Company's income tax assessment completed up to Tax year 2003.

Commissioner of income Tax Appeals Decided in our favor in respect of Assessment years 1998-99 and 2002-03 but the Tax Department filed Appeals in both the cases before income Tax Appellate Tribunal Islamabad. In Assessment year 2002-03 assessing officer raised Tax demand of Rs. 774,582/- out of which 15% Rs.116,188 was deposited and no provision was made for remaining demand till decision of the Income Tax Appellate Tribunal.

8. Dividend

Directors have recommended cash dividend of Rs 3,052,429 @ 10 % (Rs 1 per share).

9. Statement on Corporate and Financial Reporting Frame Work

- a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
- b) Company has maintained proper books of accounts.

- c) In preparation of financial statements appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments.
- d) International Accounting standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weakness in control will be removed.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key Operating and Financial Data for the last six years in summarized form is annexed.
- i) There are no overdue taxes and levies as on 30th June 2005.
- j) Pattern of Shareholding and Additional information is annexed.
- k) During the year under review Directors, Chief Executive, Chief Financial Officer/ Company Secretary, their spouses and minor children were not involved in the trading of the shares of the Company.

During the year Three meetings of the Board of Directors were held. Attendance by each director is as follows:

Name of Directors	No. Of Meetings attended
Mr Habib Ullah	3
Mr. Hussain Ahmed Qureshi	3
Syed Irshad Hussain Shah	3
Mr. Shahid Anwar (Nominee of NIT)	3
Rao Khalid Pervaiz	1
Mian Mohammad Saleem Omer	0
Mian Naeem Omer	0
Sh. Aftab Ahmad (Nominee of IDBP)	0

Directors who could not attend Board Meetings due to illness or some other engagements were granted leave of absence in accordance with the law.

Rao Khalid Pervaiz appointed on 27.4.2005 in place of Sh.Aftab Ahmed who resigned on the same date.

10. Future Prospects and Plans

The capacity of the company has increased to 34188 spindles with Allied Back process Machinery. Old building has been renovated for installation of additional machinery. We are constructing 3-story colony building for accommodation of workers. We are negotiating for import of 3 gas engines for captive power and arranging funds through financial institutions. Cost of power from Gas generation is lesser as compared to WAPDA .Sui Northern Gas Pipelines Ltd, Islamabad has granted approval for supply of gas for captive power.

The price of polyester has increased from Rs 83 to Rs 85 Per kg w.e.f 5-9-2005. The cotton crop is reported to be good and the prices are Rs 2,200 per mound presently. The management is trying its level best to control Men, Material and Machinery with maximum efficiency and optimum production.

11. Sales Tax

The Government of Pakistan has declared Textile industry for levy of sales tax @ Zero rated w.e.f. 06-06-2005 in Budget 2005-06. Notification was issued under SRO 933(1) 2005-dated 10-09-2005 in which our company has been notified Zero rated sales tax on power bills. The implementation might be on power bills from the month of September. The company has lodged refund claim of input sales tax amounting to Rs 2.433 Million upto 31 August 2005. We are pursuing CBR to expedite refund claim.

12- Placement of Quarterly Accounts on Website

The Securities and Exchange Commission of Pakistan vide circular 19 of 2004 has allowed the listed companies to Place the Quarterly Accounts on their Website in place of sending the same by post. The company is maintaining its website www.dmtextile.com.pk. The prior permission of the SECP would be sought for transferring the quarterly account through companies website after the approval of the shareholders. The company will however supply the copies of account to the shareholders on their demand at their registered address free of cost.

13- Auditors

Securities and Exchange commission of Pakistan granted approval for rotation of Audit partners and M/S Riaz Ahmed & Company Chartered Accountants were appointed as auditors for the year ended June 30, 2005. (Nine months). The

retiring Auditors M/S Riaz Ahmed & Company Chartered Accountants being eligible offer themselves for re-appointment.

14-Acknowledgement

The directors wish to place on record their acknowledgement for the cooperation extended by financial institutions. Appreciation is also due to the employees of the company for their hard work and devoted efforts for the betterment of the company.

For and behalf of the Board of Directors

Habib Ullah
Chief Executive

Hussain Ahmad Qureshi
Director

Rawalpindi: Dated: 26 September 2005

D.M. TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED 30 JUNE 2005

	Share capital	Accumulated losses	Shareholders' equity
	Rupees	Rupees	Rupees
Balance as at 30 September 2003	30,524,290	(93,484,379)	(62,960,089)
Net profit for the year	-	9,152,516	9,152,516
Transferred from revaluation surplus	-	3,269,332	3,269,332
Balance as at 30 September 2004	<u>30,524,290</u>	<u>(81,062,531)</u>	<u>(50,538,241)</u>
Net profit for the period	-	63,980,441	63,980,441
Final cash dividend for the year ended 30 September 2004 @ Rupee 1 per share (2003:Rupee Nil)	-	(1,287,114)	(1,287,114)
Transferred from revaluation surplus	-	2,366,367	2,366,367
Balance as at 30 June 2005	<u><u>30,524,290</u></u>	<u><u>(16,002,837)</u></u>	<u><u>14,521,453</u></u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
2,952,429 ordinary shares of Rupees 10 each, issued for cash		29,524,290	29,524,290
100,000 ordinary shares of Rupees 10 each, issued as bonus shares		1,000,000	1,000,000
		<u>30,524,290</u>	<u>30,524,290</u>
6. SURPLUS ON REVALUATION OF FIXED ASSETS			
Opening Balance		238,242,541	134,226,092
Addition due to revaluation of fixed assets during the period/year		-	165,055,047
Un-depreciated portion of surplus on revaluation of fixed assets		238,242,541	299,281,139
Deferred tax liability recognized on revaluation		-	(57,769,266)
Surplus on revaluation - net of deferred tax		238,242,541	241,511,873
Surplus realized on disposal of revalued fixed assets during the period/year		(227,109)	-
Incremental depreciation on revalued assets relating to current period/year transferred to accumulated losses		(2,366,367)	(3,269,332)
		<u>235,649,065</u>	<u>238,242,541</u>
7. LONG TERM FINANCES			
Long term finances from banking companies (secured) utilized under mark-up arrangements are as under :			
Industrial Development Bank of Pakistan (IDBP)	7.1		
Long term loan		-	88,801,517
Deferred mark-up		-	19,192,689
		-	107,994,206
PICIC Commercial Bank Limited (PCBL)	7.2	85,000,000	-
MCB Bank Limited -formerly Muslim Commercial Bank Limited (MCB)	7.3	7,616,000	8,569,000
Habib Bank Limited (HBL)	7.4	3,004,813	7,790,274
		95,620,813	124,353,480
Less: Current portion	14	19,077,482	51,364,243
		<u>76,543,331</u>	<u>72,989,237</u>

7.1 Industrial Development Bank of Pakistan (IDBP)

The State Bank of Pakistan Committee for resolution of cases formed under BPD circular No 29 dated October 15, 2002 vide its letter No MR-6295 dated July 12, 2004 waived off 25% of the Company's outstanding liability amounting to Rupees 30.984 million. The residual amount was finally swapped with PICIC Commercial Bank Limited (PCBL) under a settlement agreement on April 26, 2005 along with the relevant mark-up.

7.2 PICIC Commercial Bank Limited (PCBL)

This represents term finance facility of Rupees 85 million under a swap agreement executed between PICIC Commercial Bank Limited, IDBP and the company. It is repayable in 24 equal quarterly installments, commencing from July 26, 2005. This is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of sponsor directors. It carries mark-up at the rate of six months KIBOR plus 4.5% per annum with a floor of 8% and no caps to be reviewed at the beginning of each calendar quarter.

7.3 MCB Bank Limited -formerly Muslim Commercial Bank Limited (MCB)

This is secured against second charge on all fixed assets and guarantees of sponsor directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 20 equal half yearly installments commenced from September 01, 1999. The bank has deferred payment of mark up capitalised.

7.4 Habib Bank Limited (HBL)

This is secured against third charge on fixed assets and personal guarantees of all directors. It carries mark-up at the rate of 10% per annum. The finance is repayable in 12 half yearly installments commenced from September 01, 2000.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
Minimum lease payments		46,547,115	16,667,057
Less: Unamortized finance charges		5,980,084	2,180,069
Present value of minimum lease payments		40,567,031	14,486,988
Less: Current portion	14	9,959,211	3,830,492
		<u>30,607,820</u>	<u>10,656,496</u>

8.1 The present value of minimum lease payments have been discounted at an implicit interest rate ranging from 8% to 15% (2004:10% to 14%) per annum to arrive at their present value.

Lease rentals are payable in monthly installments. In case of default an additional charge of Rupee 1 and 83 paise per thousand per day shall be payable. Taxes, repairs and insurance cost are to be borne by the Company. The Company shall have no right to terminate the lease agreement and if the lease agreement is terminated, the Company shall pay the entire amount for an expired period of lease agreement. Lease agreements are renewable at the option of lessor on such terms as may be agreed upon. Liabilities are secured against charge on the leased assets, personal guarantees of sponsor directors and security deposits of Rupees 6,166,390 (2004: Rupees 3,687,779) as provided in Note 18.

8.2 Minimum lease payments and present value of minimum lease payments are regrouped as under :

	30 June 2005		30 September 2004	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due not later than one year	16,011,952	9,959,211	4,930,657	3,830,492
Due later than one year but not later than five years	30,535,163	30,607,820	11,736,400	10,656,496
	<u>46,547,115</u>	<u>40,567,031</u>	<u>16,667,057</u>	<u>14,486,988</u>

9. SUBORDINATED LOANS

Unsecured, interest free and were provided by the sponsor directors.

10 DEFERRED MARK UP

MCB Bank Limited - formerly Muslim Commercial Bank Limited (MCB) has deferred payment of mark-up capitalized of Rupees 12.455 million (2004: 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.

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
11. TRADE AND OTHER PAYABLES			
Secured creditors:			
Against letters of credit		19,374,589	-
Un-secured creditors:			
For goods		22,100,234	47,826,811
For services		1,347,699	1,434,378
		23,447,933	49,261,189
Advances from customers		4,599,772	7,458,404
Sales Tax payable		6,369,985	-
Short term employees benefits		274,159	188,082
Withholding tax payable		64,849	387,305
Unclaimed dividend		15,574	16,118
Workers' profit participation fund	11.1	1,054,387	534,989
Others		8,988,115	12,223,112
		<u>64,189,363</u>	<u>70,069,199</u>

11.1 Workers' profit participation fund

Balance at the beginning of the period/year		534,989	512,639
Allocation for the period/year	30	1,054,387	516,000
Interest on funds utilized in the Company's business	31	15,683	18,989
		<u>1,070,070</u>	<u>534,989</u>
		1,605,059	1,047,628
Less: Payments to the fund		<u>550,672</u>	<u>512,639</u>
		<u>1,054,387</u>	<u>534,989</u>

11.2 No provision for workers profit participation fund has been made against the waiver of a portion of long term finance and it's relevant mark up amounting to Rupees 44.952 million in the light of an opinion given by a legal advisor.

11.3 The Company retains workers' profit participation fund for its business operations till the date of its allocation to workers. Mark-up is paid at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968 on the funds utilized by the Company till the date of its allocation to workers.

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
12. ACCRUED MARK-UP			
Long term finances		2,062,471	19,027,694
Liabilities against assets subject to finance lease		16,820	639,745
Short term borrowings		1,069,086	702,727
		<u>3,148,377</u>	<u>20,370,166</u>
13. SHORT TERM BORROWINGS - Secured			
From banking companies:			
Cash finances	13.1	45,095,878	74,381,591
Running finance	13.2	9,998,547	-
Others		174,988	-
		<u>55,269,413</u>	<u>74,381,591</u>
13.1	These are secured against the pledge of stock of raw material, finished goods and personal guarantees of sponsor directors. Rate of mark-up on these finances ranges from 16 paisa to 31 paisa (2004: from 16 paisa to 18 paisa) per thousand per day. The total sanctioned limits of these facilities obtained from three (2004: three) financial institutions is Rupees 135 million (2004: Rupees 130 million).		
13.2	This represents running finance facility of Rupees 10 million (2004 : Rupees Nil) obtained from PICIC Commercial Bank Limited .It is secured against first equitable charge on land, building and machinery, hypothecation of current assets and personal guarantees of three sponsor directors. Rate of mark-up on this finance is 34 paisa per thousand per day.		
14. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term Loans:	7		
Current		19,077,482	19,701,069
Over Due		-	31,663,174
		19,077,482	51,364,243
Finance lease:	8		
Current		9,822,442	3,707,281
Over Due		136,769	2,897,719
		9,959,211	6,605,000
		<u>29,036,693</u>	<u>57,969,243</u>

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

Taxation

- 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, who decided the case in favour of the Company on April 11, 2005. Later Income Tax department filed an appeal with the Income Tax Appellate Tribunal on August 04, 2005 against the said decision. No provision for this demand has been made in the financial statements, as the Company is confident of outcome of the appeal in its favour
- 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). However the Company is confident of favourable outcome of the case

15.2 Commitments

- a) Letters of credit for import of plant and machinery amounting to Rupees 61.746 million (2004: Rupees 36.089 million).

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
16. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	526,815,635	500,818,882
Capital work in progress - Building		5,347,572	1,346,568
		<u>532,163,207</u>	<u>502,165,450</u>

17. LONG TERM INVESTMENT

Held To Maturity:

It represents investment in Defence Saving Certificates. Return on this investment will be paid on maturity at the rates ranging from 16% to 20% per annum for a period of 10 years. The certificates of this investment are deposited with the banks as securities against guarantees given on behalf of the Company.

18. LONG TERM DEPOSITS

Deposits against lease finance:

Asian Leasing	-	652,069
Saudi Pak Leasing	4,553,990	2,132,010
Bank Al falah	288,700	288,700
First Fidelity Leasing Modaraba	615,000	615,000
B.R.R International Modaraba	708,700	-
	<u>6,166,390</u>	<u>3,687,779</u>
Security deposits	895,270	880,570
	<u>7,061,660</u>	<u>4,568,349</u>

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
19. STORES, SPARES AND LOOSE TOOLS			
Stores		2,289,743	1,338,789
Spares		1,652,137	1,445,928
Loose tools		5,550	8,741
		<u>3,947,430</u>	<u>2,793,458</u>
20. STOCK-IN-TRADE			
Raw materials		46,500,188	81,747,789
Work-in-process		8,209,301	8,611,648
Finished goods		6,729,701	3,656,128
Waste		122,708	88,547
		<u>61,561,898</u>	<u>94,104,112</u>
20.1	The carrying value of stock in trade pledged as security against short term borrowings is Rupees 45.00 million (2004: Rupees 74.381 million).		
21. ADVANCES - Considered good			
Advances to:			
- Employees		463,374	471,726
- Suppliers		17,815,331	3,890,492
		<u>18,278,705</u>	<u>4,362,218</u>
Letters of credit		5,773,524	4,058,089
		<u>24,052,229</u>	<u>8,420,307</u>
22. DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits:			
Deposit for acquisition of machinery	22.1	2,000,000	2,000,000
Lease deposits		-	1,276,686
		<u>2,000,000</u>	<u>3,276,686</u>
Prepayments		-	268,204
		<u>2,000,000</u>	<u>3,544,890</u>
22.1	It represents the amount recoverable from Messrs Fauji Foundation. The amount is considered good as the Court has decided the case in favour of the Company on June 10, 1999. Fauji Foundation has, however, filed appeal before Honorable Lahore High Court, Rawalpindi Bench, against the aforesaid order, but provided bank guarantees of Rupees 20 million to the Honorable Court.		

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
23. OTHER RECEIVABLES - Considered good			
Income tax		11,041,106	9,793,589
Sales tax		-	12,860,378
Export rebate		-	115,657
Excise duty receivable	23.1	5,679,617	5,679,617
Others		101,450	37,699
		<u>16,822,173</u>	<u>28,486,940</u>

23.1 The Company has filed writ petition in the Honorable Supreme Court of Pakistan against the levy of central excise duty on bank finance facility. Honorable Lahore High Court has decided the appeal against the Company.

24. CASH AND BANK BALANCES

Cash in hand		76,688	280,214
Cash at bank:			
- On current accounts		2,393,936	4,570,137
- On deposit accounts		16,141,371	22,978,546
		<u>18,535,307</u>	<u>27,548,683</u>
		<u>18,611,995</u>	<u>27,828,897</u>

The balances in deposit accounts carry interest ranging from 2.5% to 3% (2004 : 2.5% to 3%) per annum.

25. SALES

Export		-	16,164,399
Local - net of sales tax	25.1	456,257,742	467,860,236
		456,257,742	484,024,635
Less: Commission to selling agents		418,964	1,647,038
		<u>455,838,778</u>	<u>482,377,597</u>

25.1 Local sales are exclusive of sales tax amounting to Rupees 62,106,164 (2004: Rupees 69,967,439).

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
26. COST OF SALES			
Raw materials consumed	26.1	309,630,371	330,979,049
Stores and spares consumed		6,867,361	7,548,203
Salaries, wages and other benefits		29,594,287	30,258,800
Fuel and power		52,505,410	56,473,266
Insurance		868,183	987,926
Packing material		6,158,168	6,319,592
Labour welfare		456,442	712,938
Other factory overheads		10,200	618,665
Depreciation	16.3	9,272,655	11,886,702
		<u>415,363,077</u>	<u>445,785,141</u>
Work-in-process			
Opening stock		8,611,648	4,704,048
Closing stock		(8,209,301)	(8,611,648)
		<u>402,347</u>	<u>(3,907,600)</u>
Cost of goods manufactured		415,765,424	441,877,541
Finished goods			
Opening stock		3,744,675	1,872,159
Closing stock		(6,852,409)	(3,744,675)
		<u>(3,107,734)</u>	<u>(1,872,516)</u>
Cost of goods sold		412,657,690	440,005,025
Cost of viscose sold		-	1,827,372
Cost of yarn sold		<u>412,657,690</u>	<u>441,832,397</u>
26.1 Raw materials consumed			
Opening stock		81,747,793	18,993,387
Add : Purchases		274,382,766	395,560,827
Cost of viscose sold		-	(1,827,372)
		<u>356,130,559</u>	<u>412,726,842</u>
Less : Closing stock		(46,500,188)	(81,747,793)
		<u>309,630,371</u>	<u>330,979,049</u>
27. OTHER OPERATING INCOME			
Income from financial assets:			
Income on bank deposits and investments		85,197	75,612
Income from non- financial assets:			
Gain on disposal of property, plant and equipment		378,057	-
Rental Income		114,771	415,935
Miscellaneous		1,606	-
		<u>494,434</u>	<u>415,935</u>
		<u>579,631</u>	<u>491,547</u>

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
28. SELLING AND DISTRIBUTION EXPENSES			
Export		-	656,080
Salaries and other benefits		276,660	368,880
Freight outward and others		516,635	559,903
Postage and telephone		76,450	163,940
		<u>869,745</u>	<u>1,748,803</u>
29. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits		2,758,911	3,792,999
Rent, rates and taxes		861,078	101,194
Printing and stationery		301,573	462,209
Postage, telephone and telex		675,282	1,321,779
Traveling and conveyance		842,319	1,021,665
Vehicles' running		1,035,394	1,062,054
Entertainment		187,891	614,111
Advertisement		162,710	73,550
Legal and professional		90,857	135,459
Fees and subscriptions		347,629	243,442
Depreciation	16.3	1,799,663	1,176,044
		<u>9,063,307</u>	<u>10,004,506</u>
30. OTHER OPERATING EXPENSES			
Auditors' remuneration	30.1	212,314	171,385
Donations	30.2	225,865	183,925
Workers' profit participation fund	11.1	1,054,387	516,000
		<u>1,492,566</u>	<u>871,310</u>
30.1 Auditors' remuneration			
Audit fee		75,000	75,000
Half yearly review		35,000	35,000
Consultancy services		69,000	30,000
Out of pocket expenses		33,314	31,385
		<u>212,314</u>	<u>171,385</u>
30.2			
None of the directors or their spouses had any interest in any donee's fund.			

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
31. FINANCIAL AND OTHER CHARGES			
Mark-up/ finance charges/ interest on:			
Long term finances		2,936,925	11,665,410
Finance leases		2,629,514	611,942
Short term borrowings		5,538,486	4,682,210
Workers' profit participation fund	11.1	15,683	18,989
		<u>11,120,608</u>	<u>16,978,551</u>
Other Charges			
Bank charges and commissions		785,148	740,869
Penalty from State Bank of Pakistan		396,000	-
Loss on disposal of property, plant and equipment		-	888,713
		<u>1,181,148</u>	<u>1,629,582</u>
		<u>12,301,756</u>	<u>18,608,133</u>

32 STAFF RETIREMENT BENEFITS

The amounts recognized in financial statements are determined as follows :

Reconciliation of amount recognized in the balance sheet			
Present value of unfunded defined benefit obligation		10,172,996	9,225,255
Add: Actuarial gains charged to current profit and loss account		226,421	-
Liability in the balance sheet		<u>10,399,417</u>	<u>9,225,255</u>
Amount recognized in the profit and loss account			
Current service cost/provision for the period/year		1,433,237	1,511,869
Interest cost		666,625	-
Total included in salaries and benefits		<u>2,099,862</u>	<u>1,511,869</u>
Movement in liability recognized in the balance sheet			
At the beginning of the period/year		9,225,255	9,505,442
Amount recognized during the period/year		2,099,862	1,511,869
Benefit payments		(925,700)	(1,792,056)
At the end of the period/year		<u>10,399,417</u>	<u>9,225,255</u>
Principal actuarial assumptions used			
Discount rate		9%	10%
Expected rate of increase in salary		8%	9%
Average expected remaining working life of employees		5 years	5 years

The latest actuarial valuation was carried out for the nine months period ended 30 June 2005, using the projected unit credit method.

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
33. PROVISION FOR TAXATION			
Current period			
Current	33.1	2,279,194	2,411,888
Deferred		(1,274,198)	(1,760,409)
		<u>1,004,996</u>	<u>651,479</u>
33.1	The provision for taxation in these financial statements represents the minimum tax liability under section 113 of the Income Tax Ordinance, 2001 in view of available tax losses of Rupees 47.707 million (2004: Rupees 57.296 million). As a consequence tax expense reconciliation is not being presented.		
33.2	The Company's income tax liability has been assessed for the tax year 2003 and assessment year 2002-2003. However, the assessment for the assessment year 2003-2004 has not been finalized.		
34. EXTRA ORDINARY ITEMS			
	The amount represents the long term finance and its accrued mark-up amounting to Rupees 44.82 million which was waived off by IDBP under the directions of State Bank of Pakistan Committee formed under BPD circular No 29 dated October 15, 2002 as stated in Note 7.1.		
35. BASIC EARNINGS PER SHARE			
	There is no dilutive effect on the basic earnings per share of the Company, which is based on :		
Net profit for the period/year	Rupees	<u>63,980,441</u>	<u>9,152,516</u>
Weighted average ordinary shares in issue	Number	<u>3,052,429</u>	<u>3,052,429</u>
Basic earning per share	Rupees	<u>20.96</u>	<u>3.00</u>
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		20,033,345	9,803,995
Adjustments for non-cash charges and other items:			
Depreciation		11,072,318	13,062,746
Gratuity		2,099,862	1,511,869
(Gain)/Loss on sale of property, plant and equipment		(378,057)	888,713
Workers' profit participation fund		1,054,387	516,000
Financial charges		12,301,756	17,719,420
Working capital changes	36.1	<u>21,916,552</u>	<u>(69,133,407)</u>
		<u>68,100,163</u>	<u>(25,630,664)</u>
36.1 Working capital changes			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(1,153,972)	(481,850)
Stock-in-trade		32,542,214	(68,534,518)
Trade debts		(1,831,322)	(1,180,157)
Advances		(15,631,922)	(4,479,072)
Deposits and short term prepayments		1,544,890	319,512
Other receivables		<u>12,845,354</u>	<u>(4,432,751)</u>
		28,315,242	(78,788,836)
Increase/(decrease) in current liabilities			
Trade and other payables		<u>(6,398,690)</u>	<u>9,655,429</u>
		<u>21,916,552</u>	<u>(69,133,407)</u>

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the period/year for remuneration including certain benefits to the chief executive and directors of the Company is as follows:

	Chief Executive		Directors	
	2005	2004	2005	2004
Number of persons	1	1	3	2
(Rupees).....			
Remuneration	519,677	440,000	429,760	518,880
House rent	207,871	176,000	-	-
Cost of living allowance	-	-	4,100	4,800
Utilities	51,968	44,000	-	-
Special allowance	-	-	4,000	4,800
Bonus	-	-	43,449	42,240
	779,516	660,000	481,309	570,720

37.1 The Company also provides to chief executive and directors free use of the Company maintained cars, residence and residential telephone facility. The Company based on actuarial valuation, has also charged amounts in respect of gratuity for above mentioned directors.

37.2 The aggregate amount charged in the financial statements in respect of directors' meeting fee paid to 1 (2004: 1) director was Rupees 3,000 (2004: Rupees 3,000).

38. NUMBER OF EMPLOYEES	2005	2004
Number of employees at period/year end	<u>827</u>	<u>680</u>

39. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Bilal Textiles (Private) Limited		
Sale of goods and services	41,139,164	26,568,100

40. PLANT CAPACITY AND ACTUAL PRODUCTION

	30 June 2005	30 September 2004
	(Numbers)	
Spindles installed / worked;	28,272	22,080
	(Kilograms)	
100 % plant capacity converted into 20s count based on 3 shifts per day for 819 shifts (2004: 1,098 shifts)	6,892,550	7,216,738
Actual production of P.C yarn after conversion into 20s count based on 3 shifts per day for 819 (2004 : 1096) shifts	9,124,272	10,237,755

40.1 Conversion of actual production of cotton and blended yarn of various mix and counts into cotton yarn of 20s depicts production efficiency attained since it fluctuates with changes in count of yarn spun and blend mix in a particular production period.

41.1 Financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in foreign exchange rates, mark-up rates, market interest, credit risks associated with various financial assets and liabilities as referred in Note 41. The Company manages its exposure risk in the following manner:

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company's all borrowings and significant transactions are in Pak Rupees, hence foreign exchange rates risk are considered minimal.

b) Interest rate risk

Interest/mark-up rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term/short term Rupee based facilities at variable and fixed rates. The Company is exposed to interest/mark-up rate risk in respect of long term/short term Rupee based facilities. Out of the total risk based instruments of Rupees 276,984,793 (2004 : Rupees 340,401,064) , the instruments which are subject to interest rate risk amounted to Rupees 140,269,413(2004 : Rupees 74,381,591).

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The management of the Company believes that it does not have any significant concentration of business transacted with an individual, counterparty or group of counterparties that could, if suddenly eliminated/failed to act as contracted, severely impact its operations. The Company manages its credit risk by obtaining advances from customers against its sales and continues monitoring of credit worthiness of its customers.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

41.2 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 26 September 2005 by the Board of Directors of the Company.

43. COMPARATIVE FIGURES

Due to revision of the Fourth Schedule to Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(I)/2004 dated July 05, 2004, previous year's figures have been rearranged and/or reclassified, for the purpose of comparison. The entire reclassifications and rearrangements due to revision are impracticable to list and disclose.

CHIEF EXECUTIVE

DIRECTOR

D.M. TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED 30 JUNE 2005

	NOTE	30 June 2005 Rupees	30 September 2004 Rupees
Sales	25	455,838,778	482,377,597
Cost of sales	26	<u>412,657,690</u>	<u>441,832,397</u>
Gross profit		43,181,088	40,545,200
Other operating income	27	579,631	491,547
Selling and distribution expenses	28	869,745	1,748,803
Administrative expenses	29	9,063,307	10,004,506
Other operating expenses	30	1,492,566	871,310
		<u>11,425,618</u>	<u>12,624,619</u>
Profit from operations		32,335,101	28,412,128
Financial and other charges	31	<u>12,301,756</u>	<u>18,608,133</u>
Profit before taxation		20,033,345	9,803,995
Provision for taxation	33	<u>1,004,996</u>	<u>651,479</u>
Profit after taxation		19,028,349	9,152,516
Extra ordinary items	34	<u>44,952,092</u>	<u>-</u>
Net profit		<u><u>63,980,441</u></u>	<u><u>9,152,516</u></u>
Basic earnings per share (Rupees)	35	<u><u>20.96</u></u>	<u><u>3.00</u></u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR