

D.M. TEXTILE MILLS LTD DIRECTORS' REPORT

Dear Shareholders,

The Directors are pleased to present before you the financial statements for the Three Quarters Ended March 31st 2006 and append below the financial results.

1. Sales increased by 32% over the previous corresponding period. Gross profit increased by 64.10 %. Operating profit increased by 72.62 %. Profit before taxation increased by 61.27 %. Net Profit during the period Rs 32.066 Million as compared to previous period Rs 60.630 Million which included Rs 40.587 Million on account of relief granted by IDBP as per directive of State Bank of Pakistan. Rs 2.249 Million has been transferred during the period from surplus on revaluation of fixed assets to unappropriated profit and loss account.
2. The Financial results are summarized as under

| Three Quarters Ended on March 31st | Rupees In Million | | |
|------------------------------------|-------------------|-------------|-----------------|
| | 2006 | 2005 | Increase |
| Sales | 555.762 | 421.013 | 134.749 |
| Gross Profit | 68.367 | 41.662 | 26.705 |
| Depreciation | 12.127 | 10.276 | 1.851 |
| Operating Profit | 56.186 | 32.549 | 23.637 |
| Financial Cost | 22.521 | 11.692 | 10.829 |
| Profit before taxation | 33.634 | 20.856 | 12.778 |
| Net Profit | 33.066 | 60.630 | |
| Basic earnings per share (Rs) | 10.52 | 19.86 | |

3. Operating Performance:

| | | | |
|--------------------------|-------------|--------|-------|
| Installed Spindles | No | 34188 | 28272 |
| Actual Production Yarn | Million Kgs | 4.265 | 3.407 |
| Converted into 20s Count | | 11.736 | 8.601 |
| Average Count | No | 39.20 | 37.03 |
| Yield | Percentage | 94.38 | 93.85 |

4. Dividend:

In view of funds invested in expansion/ modernization Directors have not recommended any interim dividend.

5. Debt Servicing:

The company made payments to the lenders on due dates except partially paid up to the date of this report out of over dues shown in Note No 5 to financial statement on account of extraordinary delay in Sales Tax refund and finances from banks/ leasing companies for capital investment.

6- Modernization:

We are following BMR program to update our machinery to achieve quality production efficiently. Three Gas Generators for Captive Power imported reached mills premises and are in the process of installation. There will be saving in power bill when the Gas engines come into operation. In addition to that colony building is under construction to accommodate additional labor employed.

7- Prospects and Plans:

We hope for the good in future in spite of increase in polyester prices and diminishing trend in yarn market.

For and on behalf of the Board of Directors

Habib Ullah
Chief Executive

Hussain Ahmad Qureshi
Director

Rawalpindi dated: 25th April 2006.