

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 previous 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

