

# D.M Textile Mills Ltd

## DIRECTORS' REPORT

Dear Shareholders,

The Directors welcome you to the 50<sup>th</sup> 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, 2007 along with Auditors' Report thereon.

### 1. Net Loss

The company suffered a net (loss) during the year Rs.(40.799) Million as compared to previous year profit of Rs. 30.653 Million. The loss during the current year included provision of deferred tax of Rs 12.863 Million in addition to current tax provision of Rs 4.543 Million. Loss during the year before taxation is Rs (23.393) Million as compared to profit before taxation Rs 33.893 Million

Textile industries are heading toward closure day by day due to high prices of raw material locally and internationally. Electricity and Gas have increased by 10 % and by 38 % to Rs 238 per MMBTU and similarly markup has increased 5 % to 14 %

### 2- Comparative financial results are given below;

	Rupees in Thousand		
Year Ended on	30-06-2007	30-06-2006	Variance %
Gross Sales	869,393	768,053	13.19
Cost of Sales	795,502	675,943	17.69
Gross Profit	73,892	92,110	(19.78)
Gross Profit Rate (%)	8.50 %	11.99 %	(3.49)
Depreciation	22,231	16,965	
Selling, Admin & Other operating Expenses	42,982	20,728	
Other Operating Income	3052	2,343	
Financial and Other Charges	57,355	40,832	
Provision for Taxation	(17,406)	2,239	
Profit / (Loss) after taxation	(40,799)	30,653	
Basic Earning per share in Rs	(13.37)	10.04	
Breakup Value per share in Rs	190.82	92.98	

3- Cost of sales increased by 17.69 % as compared to increase in sales revenue by 13.19 % resulting decrease in gross profit by (3.49) %.

4- Average yarn sale rate per kg increased by 0.66 % where as raw material consumed rates per kg increased by 5.77 % as compared to previous period reducing profitability.

5- Financial cost increased due to linkage of markup with KIBOR which increase on Quarterly basis as well as utilization of Additional finances

### 6- Production Results

Year Ended		30-06-2007	30-06-2006
Actual production yarn	Million Kgs	6.098	5.819
Converted production yarn 20's	Million Kgs	15.950	15.757
Average count spun	No.	34.850	38.720
Yield	%age	93.910	94.370

## **7- Debt Servicing**

The company paid installments of loan regularly to the financial institutions except Rs.17.943 Million shown overdue in note 13 of current portion of non currents liabilities and have applied for rescheduling due to Textile crises.

## **8- Modernization**

Rs 39.225 Million were spent in the current year for procurement of machinery under BMR program as compared to Rs. 62.175 Million in the pervious period. We established letter of credits for import textile machinery and spare parts.

## **9- Dividend**

The Directors have not recommended any dividend due to losses.

## **10- Revaluation of Fixed Assets**

In order to reflect the fair value of assets, revaluation was carried on June 30, 2007. State Bank of Pakistan approved valuer exercised revaluation. Proper disclosure, as required has been made in note No. 5 of the Annexed Audited Accounts.

## **11-Directors granted approval of following transactions in Audited Accounts of the Company.**

- A- Sales of Fixed Assets through negotiation/Sale and Lease back as per note No 15.5.
- B- Loans taken by the company and mark up paid there on.
- C- Advances given in Note No 20 of the annexed audited accounts.
- D- Directors ratified the board resolution date 25-08-2007 passed by circulation under article 67 of articles of associations of the company regarding advance for purchase of property.

## **12-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 from is annexed.
- i) There are no overdue taxes and levies as on June 30, 2007 except reported in note no 14 under contingencies and commitments in balance sheet.
- 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.

- 1) During the year four meetings of the Board of Directors were held. Attendance by each director is as follows:

<b>Name of Directors</b>	<b>No. of Meetings attended</b>
Mr. Habib Ullah	4
Mr. Hussain Ahmed Qureshi	4
Syed Irshad Hussain Shah	4
Mr. Shahid Anwar (Nominee of NIT)	3
Rao Khalid Pervaiz	4
Mian Mohammad Saleem Omer	1
Mian Naeem Omer	1

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

### **13- Future Prospects and Plans**

The price of raw material has increased tremendously without corresponding increase in sale prices and may affect profitability of the company. The management is trying its level best to control Men, Material and Machinery with maximum efficiency and optimum production.

### **14- Auditors**

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

### **15- Qualification by Auditors of Audited Accounts of the company year ended 30-06- 2006**

The deferred markup Rs. 12.455 Million payable in 20 half yearly installments w.e.f 01-09-2009 to year 01-03-2019 has been shown at present value Rs.10.131M in Note No. 9 in the audited accounts as per requirement of IAS 39.

### **16- 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: October 04, 2007