

D.M. TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2006
(UN-AUDITED)

1. THE COMPANY AND ITS ACTIVITIES

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

2. BASIS OF PREPRATION OF FINANCIAL STATEMENTS

These financial statements are unaudited and are being submitted to shareholders as required u/s 245 of the companies Ordinance, 1984 and have been prepared in accordance with the International Accounting Standards -34: "Interim Financial Reporting" as applicable in Pakistan as notified by Securities and Exchange Commission of Pakistan (SECP) .

3. ACCOUNTING POLICIES AND COMPUTATION METHODS

3.1 The accounting policies and methods of computation followed in the preparation of these interim financial statements are the same as applied in the preparation of annual published financial statements of the company for the period ended 30 June 2005 except for the change as stated in note 3.2& 3.3.

3.2 Operating fixed assets and depreciation

In the previous years/periods, no depreciation was charged on assets deleted during the year while full year's depreciation was charged on additions. However, as required by IAS-16 " Property, Plant and Equipment" the company has revised its accounting estimate and now depreciation on additions is charged from the month in which the asset is available for use and on deletions up to the month in which the asset is deleted. Had there been no change in this estimate, the depreciation charged for the period and value of property, plant and equipment would have been lower and higher by Rs 0.972 Million respectively.

3.3 Assets subject to finance lease

In accordance with the revision in accounting estimate disclosed in Note 3.2, the company has also revised its accounting estimate in respect of charging of depreciation on assets subject to finance lease. Accordingly, depreciation on additions to assets subject to finance lease is aslo charged from the month in which the asset is available for use and on deletions upto the month in which the asset subject to finance lease is deleted. Had there been no change in this estimate, the depreciation charged for the period and value of property, plant and equipment would have been lower and higher by Rupees 0.933 Million respectively.

3.4 Related parties

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

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	31 March 2006 Rupees	30-Jun 2005 Rupees
4. SURPLUS ON REVALUATION OF FIXED ASSETS		
Opening Balance	235,649,065	238,242,541
Surplus realized on disposal of revalued fixed assets during the period / year	-	(227,109)
Incremental depreciation on revalued assets relating to current period / year transfer to accumulated profit / (losses)	<u>(2,248,598)</u>	<u>(2,366,367)</u>
	<u>233,400,467</u>	<u>235,649,065</u>
5. LONG TERM FINANCES		
Long term finances from banking companies (secured) utilized under mark up arrangements are as under :		
PICIC Commercial Bank Limited	77,916,666	85,000,000
MCB Bank Limited	5,710,000	7,616,000
Habib Bank Limited	<u>1,080,550</u>	<u>3,004,813</u>
	84,707,216	95,620,813
Less: current portion	(16,072,668)	(19,077,482)
Less: overdues	<u>(4,622,217)</u>	<u>-</u>
	<u>64,012,331</u>	<u>76,543,331</u>
6. CONTINGENCIES AND COMMITMENTS		
Contingencies		
6.1 There were no significant changes in the contingencies since the last audited financial statements except liability of Rs 3.5 Million on decision to be made by CBR against our Application to pay custom duty @ 5% under SRO 594 (1) / 98 dated June 12 ,1998 as amended by SRO 452 (1) / 2004 date June 12 , 2004 on imported machinery released against bonded licence to avail exit scheme.		
Commitments		
6.2 Letters of credit for import of plant and machinery amounting to Rs 78.382 million (June 2005:Rs 61.746 million) has been established.		

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	Notes	31 March 2006 Rupees	30 June 2005 Rupees
7. PROPERTY, PLANT AND EQUIPMENT			
Operating:			
Owned			
Opening book value		478,584,865	481,618,882
Addition during the period / year		70,337,315	36,987,123
		<u>548,922,180</u>	<u>518,606,005</u>
Book value of the property, plant and equipment disposed off during the period/year		(41,894,874)	(31,165,945)
Accumulated depreciation of property, plant and equipment disposed of during the period/year		411,345	-
		(41,483,529)	(31,165,945)
Depreciation charged during the period/Year		(9,369,738)	(8,855,195)
Closing book value		<u>498,068,913</u>	<u>478,584,865</u>
		-	
Leased			
Opening book value		48,230,770	19,200,000
Addition during the period / year		43,776,900	31,202,800
		<u>92,007,670</u>	<u>50,402,800</u>
Depreciation charged during the period/Year		(2,757,243)	(2,172,030)
Closing book value		<u>89,250,427</u>	<u>48,230,770</u>
		587,319,340	526,815,635
Capital work in progress		4,834,475	5,347,572
		<u>592,153,815</u>	<u>532,163,207</u>
		-	

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	Third Quarter Ended 31 March 2006 Rupees	Quarter Ended 31 March 2006 Rupees	Third Quarter Ended 31 March 2005 Rupees	Quarter Ended 31 March 2005 Rupees
8. COST OF SALES				
Raw material consumed	359,429,683	121,326,518	287,771,126	97,392,650
Stores and spares consumed	8,559,395	2,469,096	6,548,344	1,686,601
Salaries, wages and benefits	40,362,274	14,308,355	27,273,539	10,552,271
Fuel and power	62,301,827	20,597,787	48,222,946	17,034,103
Insurance	756,488	219,453	783,206	266,392
Packing material	7,652,112	2,745,228	5,319,448	1,834,340
Labour welfare	1,289,982	389,446	442,350	192,356
Other factory overheads	-	-	58,420	-
Depreciation	10,371,549	3,879,555	9,036,116	3,250,063
	<u>490,723,310</u>	<u>165,935,438</u>	<u>385,455,495</u>	<u>132,208,776</u>
Work-in-process				
Opening stock	8,209,301	9,319,051	9,259,867	10,159,192
Closing stock	(10,411,936)	(10,411,936)	(10,351,836)	(10,351,836)
	<u>(2,202,635)</u>	<u>(1,092,885)</u>	<u>(1,091,969)</u>	<u>(192,644)</u>
Cost of goods manufactured	<u>488,520,675</u>	<u>164,842,553</u>	<u>384,363,526</u>	<u>132,016,132</u>
Finished goods				
Opening stock	6,852,409	12,354,953	1,485,392	2,840,616
Closing stock	(14,898,352)	(14,898,352)	(6,227,902)	(6,227,902)
	<u>(8,045,943)</u>	<u>(2,543,399)</u>	<u>(4,742,510)</u>	<u>(3,387,286)</u>
Cost of goods sold	<u>480,474,732</u>	<u>162,299,154</u>	<u>379,621,016</u>	<u>128,628,846</u>
Cost of raw material sold	6,919,841	4,843,431	270,191	-
Cost of sales	<u>487,394,573</u>	<u>167,142,585</u>	<u>379,350,825</u>	<u>128,628,846</u>
			31 March 2006 Rupees	31 March 2005 Rupees
9. CASH GENERATED / (USED) IN OPERATIONS				
Profit before taxation			33,634,324	20,856,229
Adjustments for non cash charges and other items:				
Depreciation			12,126,981	10,276,067
Gratuity			3,752,728	3,875,307
(Gain)/Loss on sale of property, plant and equipment			(3,008,953)	(47,808)
Workers' profit participation fund			1,770,228	1,097,697
Financial charges			22,551,465	11,041,926
working capital changes	9.1		<u>(124,835,917)</u>	<u>(19,956,162)</u>
Operating profit / (loss) before working capital changes			<u>(54,009,144)</u>	<u>27,143,256</u>

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	31 March 2006 Rupees	31 March 2005 Rupees
9.1 Working capital changes		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(1,105,442)	(916,712)
Stock-in-trade	(95,710,713)	(22,868,215)
Trade debts	(2,187,053)	831,203
Advances	(85,286,612)	(14,196,955)
Deposits and short term prepayments	(1,208,399)	(590,454)
Other receivables	23,300	-
	(185,474,919)	(37,741,133)
Increase/(decrease) in current liabilities		
Trade and other payable	60,639,002	17,784,971
	(124,835,917)	(19,956,162)

10. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, other related parties and key management personnel. Detail of transaction with related parties are as follows

	31 March 2006	30 June 2005
Bilal Textiles (Private) Limited		
Purchase of goods and services	453,770	-
Sale of goods and services	9,016,860	41,139,164

11. DATE OF AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 25 April 2006 by the Board of Directors of the company.

12. GENEREL

- i) There are no other significant activities since June 30, 2005 affecting the financial statements other than those disclosed in these financial statements.
- ii) Due to revision of the Fourth Schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan, previous period 's figures have been re-arranged and reclassified wherever necessary for the purpose of comparison.
- iii) Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR