

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 |
| | | 548,922,180 | 518,606,005 |
| 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 | | 498,068,913 | 478,584,865 |
| | | - | - |
| Leased | | | |
| Opening book value | | 48,230,770 | 19,200,000 |
| Addition during the period / year | | 43,776,900 | 31,202,800 |
| | | 92,007,670 | 50,402,800 |
| Depreciation charged during the period/Year | | (2,757,243) | (2,172,030) |
| Closing book value | | 89,250,427 | 48,230,770 |
| | | 587,319,340 | 526,815,635 |
| Capital work in progress | | 4,834,475 | 5,347,572 |
| | | 592,153,815 | 532,163,207 |
| | | - | - |

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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