

# QUETTA TEXTILE MILLS LIMITED

## CHIEF EXECUTIVE'S REVIEW

Dear Shareholders:

It is a pleasure to present the results of the company for the half year ended December 31, 2012.

Your company earned a profit before tax of Rs.99.13 (M) as compared to the corresponding last year's half yearly profit of Rs.87.78 (M). Turnover for the half year ended was Rs.6.06 (B), as compared to corresponding last year's half yearly sales of Rs.5.21 (B), showing an increase of 16.4% which is mainly due to increase in production efficiency and more coarse counts produced. Sales of fabric have picked up in Europe, as in the Far East. Yarn sales to China have been particularly strong which helped the company fetch premium prices.

Despite very little gas availability in the past six months, and severe LESCO power shortages, your company managed to improve working efficiency and profitability. Textile markets have remained strong both for yarn and fabric and this will likely reflect in improved profitability of the sector for the next two to three quarters also. Nevertheless, escalating lawlessness and a deteriorating power and gas shortage remain a threat to industry in general.

The company has re-paid the following long-term debts during the periods mentioned below:

	<u>July 2009 to June 2010</u>	<u>July 2010 to June 2011</u>	<u>July 2011 to June 2012</u>	<u>July 2012 to Dec 2012</u>	<u>Total</u>
Amount-re-paid	Rs.380 (M)	Rs.475 (M)	Rs.358 (M)	Rs.182 (M)	Rs.1,395 (M)

I would like to thank all the staff and workers of the company and the supporting financial institutions for their confidence and efforts.

**TARIQ IQBAL**

Chief Executive

Karachi: February 28, 2013

# MUSHTAQ & CO.

## CHARTERED ACCOUNTANTS

407, Commerce Centre, Hasrat Mohani Road, Karachi. Tel: 32638521-4 Fax: 32639843

Branch Office: 501-B, City Towers, Gulberg-II, Lahore. Tel: 35788637 Fax: 35788626

Email Address: mushtaq\_vohra@hotmail.com



Illinois, USA

### Auditor's Report to the Members on Review of Condensed Interim Financial Information

#### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Quetta Textile Mills Limited** as at December 31, 2012, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

#### Scope of Review

We conducted our review in accordance with international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi.

Dated: \_\_\_\_\_

**MUSHTAQ & COMPANY**

Chartered Accountants

**Engagement Partner:**

Mushtaq Ahmed Vohra

FCA

# QUETTA TEXTILE MILLS LIMITED

## Condensed Interim Balance Sheet (Un-audited)

As at December 31, 2012

	Note	(Un-audited)	(Audited)
		31-Dec-12 Rupees	30-Jun-12 Rupees
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	5,090,849,597	5,081,501,470
Long term deposits		45,413,553	45,408,552
		<b>5,136,263,150</b>	<b>5,126,910,022</b>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	6	456,348,701	469,317,021
Stock in trade		3,626,300,194	3,254,744,406
Trade debts		352,563,742	335,898,019
Loans and advances		106,922,947	154,740,781
Trade deposits and short term prepayments		14,664,635	7,290,735
Other financial assets		3,528,008	7,121,668
Sales tax refundable		171,010,171	143,945,472
Income tax refundable		58,334,510	45,319,920
Cash and bank balances		38,611,819	8,408,728
		<b>4,828,284,727</b>	<b>4,426,786,750</b>
<b>TOTAL ASSETS</b>		<b>9,964,547,877</b>	<b>9,553,696,772</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
20,000,000 (June 30, 2012: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
15,000,000 (June 30, 2012: 15,000,000) preference shares of Rs. 10 each		150,000,000	150,000,000
		<b>350,000,000</b>	<b>350,000,000</b>
Issued, subscribed and paid up capital			
13,000,000 (June 30, 2012: 13,000,000) ordinary shares of Rs. 10 each		130,000,000	130,000,000
Reserves		2,165,184,899	2,108,689,931
		<b>2,295,184,899</b>	<b>2,238,689,931</b>
Surplus on revaluation of property, plant & equipment		715,120,488	723,968,701
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Loans from directors and associates - subordinated		71,671,000	52,900,000
Long term financing from banking companies - secured		171,073,796	206,510,861
Redeemable capital - secured		738,666,666	923,333,333
Finance lease - secured		62,379,425	88,567,741
Deferred liabilities		503,248,702	464,483,065
		<b>1,547,039,589</b>	<b>1,735,795,000</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		735,502,061	692,331,979
Accrued mark up and interest		175,854,434	173,070,772
Short term borrowings - secured		3,877,349,954	3,487,123,043
<b>Current portion of</b>			
Long term financing from banking companies - secured		173,367,213	145,585,732
Redeemable capital - secured		369,333,334	253,916,667
Finance lease - secured		75,795,905	103,214,947
		<b>5,407,202,901</b>	<b>4,855,243,140</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,964,547,877</b>	<b>9,553,696,772</b>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

TARIQ IQBAL  
Chief Executive

OMER KHALID  
Director

Karachi:

Dated : February 28, 2013

# QUETTA TEXTILE MILLS LIMITED

## Condensed Interim Profit and Loss Account (Un-audited) For the half year ended December 31, 2012

	Half Year Ended		Quarter Ended	
	31-Dec-12 Rupees	31-Dec-11 Rupees	31-Dec-12 Rupees	31-Dec-11 Rupees
Sales	6,062,747,369	5,210,568,515	3,164,357,825	2,751,602,943
Cost of sales	(5,369,498,943)	(4,508,708,373)	(2,790,356,773)	(2,425,362,443)
<b>Gross profit</b>	<b>693,248,426</b>	<b>701,860,142</b>	<b>374,001,052</b>	<b>326,240,500</b>
Other operating income	3,643,358	2,031,252	968,054	1,453,308
Distribution cost	(170,661,067)	(181,228,257)	(79,638,300)	(98,507,424)
Administrative expenses	(19,645,615)	(17,855,303)	(9,734,539)	(10,477,372)
Other operating expenses	(7,074,404)	(9,338,220)	(4,109,428)	(5,921,789)
Finance cost	(400,384,321)	(407,690,891)	(208,866,096)	(175,044,689)
	(594,122,049)	(614,081,419)	(301,380,309)	(288,497,966)
<b>Profit before taxation</b>	<b>99,126,377</b>	<b>87,778,723</b>	<b>72,620,743</b>	<b>37,742,534</b>
Provision for taxation	(56,244,027)	(81,726,420)	(33,535,680)	(32,295,107)
<b>Profit for the period</b>	<b>42,882,350</b>	<b>6,052,303</b>	<b>39,085,063</b>	<b>5,447,427</b>
<b>Profit per share - basic and diluted</b>	<b>3.30</b>	<b>0.47</b>	<b>3.01</b>	<b>0.42</b>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

TARIQ IQBAL  
Chief Executive

OMER KHALID  
Director

Karachi:

Date: February 28, 2013

# QUETTA TEXTILE MILLS LIMITED

Condensed Interim Statement of Comprehensive Income (Un-audited)  
For the half year ended December 31, 2012

	Half Year Ended		Quarter Ended	
	31-Dec-12 Rupees	31-Dec-11 Rupees	31-Dec-12 Rupees	31-Dec-11 Rupees
Profit for the period	42,882,350	6,052,303	39,085,063	5,447,427
Other comprehensive income for the period:				
Unrealized gain on measurement of available for sale investments	-	1,345,498	-	1,359,298
<b>Total comprehensive income for the period</b>	<b>42,882,350</b>	<b>7,397,801</b>	<b>39,085,063</b>	<b>6,806,725</b>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

TARIQ IQBAL  
Chief Executive

OMER KHALID  
Director

Karachi:

Date: **February 28, 2013**

# QUETTA TEXTILE MILLS LIMITED

## Condensed Interim Cash Flow Statement (Un-audited) For the half year ended December 31, 2012

	31-Dec-12 Rupees	31-Dec-11 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	99,126,377	87,778,723
<b>Adjustments for:</b>		
Depreciation	121,134,955	119,997,346
Finance cost	400,384,321	407,960,891
Dividend income	(228,000)	(684,750)
Provision for gratuity	26,772,332	3,841,924
Provision for appreciation/diminution in the value of investment	(2,060,248)	2,046,223
Provision for workers profit participation fund	5,217,178	4,619,933
(Gain) on disposal of property, plant and equipment	(30,850)	(22,242)
	<u>551,189,688</u>	<u>537,759,325</u>
Profit before working capital changes	650,316,065	625,538,048
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	12,968,320	17,405,219
Stock in trade	(371,555,788)	(1,101,138,769)
Trade debts	(16,665,723)	237,780,852
Loans and advances	47,817,834	123,737,109
Trade deposits and short term prepayments	(7,373,900)	(7,774,680)
Sales tax	(27,655,661)	16,794,324
	<u>(362,464,918)</u>	<u>(713,195,945)</u>
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	46,386,251	370,539,410
Cash generated from operations	<u>334,237,398</u>	<u>282,881,513</u>
Finance cost paid	(397,600,659)	(426,863,696)
Workers Profit Participation Fund Paid	(8,712,400)	(42,109,849)
Taxes paid	(43,425,753)	(57,869,655)
Long term deposits	(5,001)	(3,852,951)
Staff retirement benefits - gratuity net	(9,075,136)	(15,216,611)
	<u>(458,818,949)</u>	<u>(545,912,762)</u>
<b>Net cash (used)/ generated from operating activities</b>	<u>(124,581,551)</u>	<u>(263,031,249)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	890,000	525,500
Dividend received	228,000	684,750
Fixed capital expenditure	(130,472,234)	(75,014,169)
Long term investment	-	1,819,300
Short Term Investment	5,653,907	5,271,344
<b>Net cash used in investing activities</b>	<u>(123,700,327)</u>	<u>(66,713,275)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing	(7,655,584)	(91,541,234)
Loan from Sponsors	18,771,000	(44,552,000)
Liabilities against assets subject to finance lease	(53,607,358)	(38,129,615)
Redeemable Capital	(69,250,000)	(46,166,667)
Short term borrowings - net	390,226,911	559,983,906
Dividend paid	-	(19,500,000)
<b>Net cash used in financing activities</b>	<u>278,484,969</u>	<u>320,094,390</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>30,203,091</u>	<u>(9,650,134)</u>
Cash and cash equivalents at the beginning of the year	8,408,728	24,661,647
<b>Cash and cash equivalents at the end of the period</b>	<u><b>38,611,819</b></u>	<u><b>15,011,513</b></u>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

TARIQ IQBAL  
Chief Executive

OMER KHALID  
Director

Karachi:

Date: February 28, 2013

# QUETTA TEXTILE MILLS LIMITED

## Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended December 31, 2012

Particulars	Share capital	Reserves					Sub total	Total
		Share premium	Capital reserves	General reserves	Gain/(loss) on available for sale investments	Unappropriated profit		
Rupees								
<b>Balance as at July 01, 2011</b>	130,000,000	651,750,000	1,200	115,000,000	(326,991)	1,295,695,419	2,062,119,628	2,192,119,628
Final dividend for the year June 30, 2011 @ Rs. 1.5 per share	-	-	-	-	-	(19,500,000)	(19,500,000)	(19,500,000)
Total comprehensive income for the half year ended December 31, 2011	-	-	-	-	1,345,498	6,052,303	7,397,801	7,397,801
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	-	-	14,651,735	14,651,735	14,651,735
<b>Balance as at December 31, 2011</b>	<b>130,000,000</b>	<b>651,750,000</b>	<b>1,200</b>	<b>115,000,000</b>	<b>1,018,507</b>	<b>1,296,899,457</b>	<b>2,064,669,164</b>	<b>2,194,669,164</b>
<b>Balance as at July 01, 2012</b>	130,000,000	651,750,000	1,200	115,000,000	-	1,341,938,731	2,108,689,931	2,238,689,931
Total comprehensive income for the half year ended December 31, 2012	-	-	-	-	-	42,882,350	42,882,350	42,882,350
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation	-	-	-	-	-	13,612,618	13,612,618	13,612,618
<b>Balance as at December 31, 2012</b>	<b>130,000,000</b>	<b>651,750,000</b>	<b>1,200</b>	<b>115,000,000</b>	<b>-</b>	<b>1,398,433,699</b>	<b>2,165,184,899</b>	<b>2,295,184,899</b>

The annexed notes 1 to 11 form an integral part of these condensed interim financial statements.

TARIQ IQBAL  
Chief Executive

OMER KHALID  
Director

Karachi:

Date: **February 28, 2013**

# QUETTA TEXTILE MILLS LIMITED

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2012

### 1 LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated as a public limited company on January 29, 1970. Its shares are quoted on the Karachi Stock Exchange. The main business of the company is manufacturing and sale of yarn and fabric. The registered address of the company is Nadir House, Ground Floor, I.I. Chundrigar Road, Karachi.

### 2 BASIS OF PREPARATION

#### Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Finance Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30th June, 2012.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2012 which have been subjected to a review but not audited. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended December 31, 2012.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of these condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2012.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

### 4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of these condensed interim financial information's are the same as those that were applied to the financial statements as at and for the year ended June 30, 2012.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2012.



## 5 PROPERTY, PLANT AND EQUIPMENT

	Note	(Un-audited)	(Audited)
		31-Dec-12	30-Jun-12
		----- Rupees -----	-----
Operating assets	5.1	5,055,150,970	5,057,443,511
Capital work in progress-at cost	5.2	35,698,627	24,057,959
		<u>5,090,849,597</u>	<u>5,081,501,470</u>

5.1 The cost of acquisition and disposal to operating assets during the half year ended December 31, 2012 were as follows:

	(Un-audited)		(Audited)	
	31-Dec-12		30-Jun-12	
	Acquisition	Disposal	Acquisition	Disposal
	Cost		Cost	
	----- Rupees -----	-----	-----	-----
<b>Owned assets</b>				
Lease hold land	1,379,742	-	-	-
Building on freehold land	-	-	8,683,559	-
Building on leasehold land	11,218,004	-	753,959	-
Plant & machinery	103,432,565	-	184,370,461	-
Electrical fittings	1,314,707	-	10,237,560	-
Factory equipment	322,640	-	-	-
Office equipment	405,000	-	923,004	-
Furniture and fixture	139,953	-	176,164	-
Vehicles	1,488,955	2,225,500	2,880,840	1,847,500
<b>Leased assets</b>				
Plant & machinery	-	-	2,862,547	-
<b>Total</b>	<u>119,701,566</u>	<u>2,225,500</u>	<u>210,888,094</u>	<u>1,847,500</u>

5.2 Capital work in progress-at cost

	(Un-audited)	(Audited)
	31-Dec-12	30-Jun-12
	----- Rupees -----	-----
Building - civil works	35,698,627	24,057,959
	<u>35,698,627</u>	<u>24,057,959</u>

## 6 STOCK IN TRADE

The carrying value of Pledged stock is Rs. 1,601,351,653 (June 30, 2012: Rs. 1,068,839,791).

## 7 CONTINGENCIES AND COMMITMENTS

There has been no significant change in the contingencies and commitments since the last audited financial statements except as disclosed in note 7.1 and 7.2 respectively.

	(Un-audited)	(Audited)
	31-Dec-12	30-Jun-12
	-----Rupees -----	

### 7.1 Contingencies

There is no material change in Contingency as disclosed in June 30, 2012 financial statements.

### 7.2 Commitments

Civil works	101,000,000	101,000,000
Confirmed letter of credit in respect of:		
Raw material	555,708,773	464,464,622
Stores and spares	35,192,809	158,725,310
	<u>590,901,582</u>	<u>623,189,932</u>

## 8 TRANSACTIONS WITH RELATED PARTIES

	(Un-audited)	(Un-audited)
	31-Dec-12	31-Dec-11
	-----Rupees -----	

Transactions with related parties	Relationship		
Loan received/(repaid) - net	Key management personnel	18,770,000	(11,200,000)
Salaries and other employees benefits	Key management personnel	1,940,117	1,920,221

## 9 COMPARATIVE FIGURES

In order to comply with the requirements of international Accounting Standards 34 "Interim Financial Reporting", Balance Sheet has been compared with the balances of annual financial statements while profit & Loss Accounts has been compared with corresponding figures of last half year and quarter.

## 10 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on **February 28, 2013** by the board of directors of the company.

## 11 GENERAL

Figures have been rounded off to the nearest rupees.

TARIQ IQBAL  
Chief Executive

OMER KHALID  
Director

Karachi:

Date: **February 28, 2013**