

QUETTA TEXTILE MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tariq Iqbal (Chief Executive)
Mr. Mr. Tauqir Tariq
Mr. Asim Khalid
Mr. Omer Khalid
Mrs. Saima Asim
Mrs. Tabbasum Tariq
Mrs. Sadaf Khalid

AUDIT COMMITTEE

Mr. Asim Khalid (Chairman)
Mrs. Sadaf Khalid (Member)
Mrs. Tabbasum Tariq (Member)

CHIEF FINANCIAL OFFICER

Mr. Omer Khalid

COMPANY SECRETARY

Mr. Muhammed Sohrab Ghani

AUDITORS

Mushtaq and Company
Chartered Accountants
407 / 4th Floor, Commerce Centre
Hasrat Mohani Road, Karachi

BANKERS

Allied Bank Limited
Al-Baraka Bank (Pakistan) Limited
Bank Alfalah Limited
Burj Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Silk Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

REGISTERED OFFICE

Nadir House (Ground Floor)
I. I. Chundrigar Road, Karachi

MILLS

P/3 & B/4, S.I.T.E., Kotri
49 K.M. Lahore Multan Road, Bhai Pheru

QUETTA TEXTILE MILLS LIMITED

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders:

It is a pleasure to present the results of your company as on December 31, 2011.

Your company earned a profit before tax of Rs.87.778 (M) as compared to the corresponding last year's half yearly profit of Rs.454.772 (M). Turnover for this quarter was Rs.5.210 (B), as compared to corresponding last year's quarter amounting to Rs.6.629 (B), showing a decrease of 21.4%. This is due to decrease in cotton, yarn and fabric prices.

Profitability has been adversely affected due to gas load-shedding in Sindh and no gas availability in Punjab. The company is paying an extra Rs.1.4 (M) per day to generate electricity through HFO to keep the mills running and in production in absence of gas. This translates to an extra Rs.42 (M) per month as extra cost to the company when there is no gas available. This has adversely affected productions, and has increased production costs tremendously.

Another reason for subdued profitability is due to the reason that the company's fabric export sales have been heavily dependent on Europe. Major sales of fabrics have been high value articles for Europe. However, due to financial crises in Europe the company has had to develop the Chinese market for fabrics. Chinese market demands high volume and very short lead times. The company will be able to develop the Chinese market for fabrics in about 5-6 months, and will be able to sell a good quantity within 3-4 months.

I am pleased to inform you that 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 December 2011</u>	<u>Total</u>
Amount re-paid	Rs.380 (M)	Rs.475 (M)	Rs.180 (M)	Rs.1,035 (M)

In the end I would like to thank all the financial institutions for their continued support and confidence they have shown towards the company. To the workers, staff and officers, I extend my gratitude for their dedication and honesty.

TARIQ IQBAL

Chief Executive

Karachi: February 29, 2012

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 Textiles Limited** as at December 31, 2011, 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, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi: February 29, 2012

MUSHTAQ & CO;
Chartered Accountants
Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A

QUETTA TEXTILE MILLS LTD
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2011

NOTE	31 DECEMBER 2011 RUPEES (UN-AUDITED)	30 JUNE 2011 RUPEES (AUDITED)
<u>EQUITY AND LIABILITIES</u>		
SHARE CAPITAL AND RESERVES		
Authorised Capital		
20,000,000 Ordinary shares of Rs.10/= each	200,000,000	200,000,000
15,000,000 Preference shares of Rs.10/= each	150,000,000	150,000,000
	350,000,000	350,000,000
Issued, subscribed and paid up capital	130,000,000	130,000,000
Reserves	116,019,707	114,674,209
Share premium reserve	651,750,000	651,750,000
Unappropriated profit	1,296,899,457	1,295,695,419
Shareholders equity	2,194,669,164	2,192,119,628
Surplus on revaluation of property , plant and equipment	733,492,328	743,015,956
<u>NON-CURRENT LIABILITIES</u>		
Loans from directors and associates-subordinated	34,224,000	78,776,000
Loans from financial institutions	201,868,567	255,208,177
Redeemable capital	1,108,000,000	1,177,250,000
Finance lease	139,798,077	187,010,286
Deferred liabilities	473,306,129	461,976,060
<u>CURRENT LIABILITIES</u>		
Short term borrowings	4,212,246,017	3,652,262,111
Current maturity of long term liabilities	363,799,745	369,835,442
Trade and other payables	695,481,593	360,935,227
Accrued mark-up on loans	149,177,118	168,349,923
	5,420,704,473	4,551,382,703
Contingencies and commitments	5	
TOTAL EQUITY AND LIABILITIES	10,306,062,738	9,646,738,810
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	5,046,352,222	5,090,266,750
Capital work in progress	44,613,167	43,041,260
	5,090,965,389	5,133,308,010
Long term investments	2,312,776	2,786,576
Long term deposits	30,595,653	26,742,702
<u>CURRENT ASSETS</u>		
Stores, spares, and loose tools	432,400,152	449,805,371
Stock in trade	4,048,919,132	2,947,780,363
Trade debts	420,616,836	658,397,688
Other financial assets	8,580,431	15,898,000
Loans and advances	68,657,185	192,394,294
Short term prepayments	14,224,810	6,450,130
Income tax and Sales tax	173,778,861	188,514,029
Cash and bank balances	15,011,513	24,661,647
	5,182,188,920	4,483,901,522
TOTAL ASSETS	10,306,062,738	9,646,738,810

The annexed notes form an integral part of these financial statements.

KARACHI:
February 29, 2012

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LTD
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2011

	QUARTER ENDED		HALF YEAR ENDED	
	DECEMBER 31, 2011	DECEMBER 31, 2010	DECEMBER 31, 211	DECEMBER 31, 2010
	RUPEES	RUPEES	RUPEES	RUPEES
Turnover-net	2,751,602,943	3,612,608,109	5,210,568,515	6,629,326,434
Less: cost of goods sold	(2,425,362,443)	(3,099,460,764)	(4,508,708,373)	(5,527,494,150)
Gross profit	326,240,500	513,147,345	701,860,142	1,101,832,284
Operating expenses				
Distribution cost	(98,507,424)	(86,242,371)	(181,228,257)	(154,368,223)
Administrative expenses	(10,477,372)	(5,957,041)	(17,855,303)	(15,838,824)
Other operating expenses	(5,921,789)	(52,399,997)	(9,338,220)	(80,836,120)
Other operating income	1,453,308	3,785,570	2,031,252	4,897,695
	(113,453,277)	(140,813,839)	(206,390,528)	(246,145,472)
Operating profit	212,787,223	372,333,506	495,469,614	855,686,812
Finance cost - net	(175,044,689)	(164,360,143)	(407,690,891)	(400,914,202)
Net profit before taxation	37,742,534	207,973,363	87,778,723	454,772,610
Taxation-net	(32,295,107)	(47,215,610)	(81,726,420)	(93,777,450)
Net profit after taxation	5,447,427	160,757,753	6,052,303	360,995,160
Earnings per share - basic and diluted	0.42	12.37	0.47	27.77

Karachi:
February 29,2012

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2011

		Quarter Ended		Half Year Ended	
		31-Dec-11 Rupees	31-Dec-10 Rupees	31-Dec-11 Rupees	31-Dec-10 Rupees
Profit for the period after taxation		604,876	200,237,407	6,052,303	360,995,160
Other comprehensive income:					
Unrealized gain / (loss) on remeasurement of available for sales investments		1,359,298	31,555,181	1,345,498	35,762,416
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation		7,322,834	7,606,232	14,651,735	16,211,696
Other comprehensive income for the period		8,682,132	39,161,413	15,997,233	51,974,112
Total comprehensive income for the period		9,287,008	239,398,820	22,049,536	412,969,272

The annexed notes form an integral part of these financial statements.

Karachi:
February 29, 2012

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT CASH FLOW (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

	Ended Dec - 31, 2011 RUPEES	Ended Dec - 31, 2010 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	87,778,723	454,772,610
Adjustments for non cash charges and other items:		
Depreciation	119,997,346	116,301,911
Finance cost - net	407,960,891	400,914,202
Gain on sale of property, plant & equipment	(22,242)	-
Dividend income	(684,750)	309,169
Provision for gratuity	3,841,924	15,195,991
Provision for diminution in the value of investment	2,046,223	(2,862,789)
Provision for workers profit participation fund	4,619,933	24,442,407
	<u>537,759,325</u>	<u>554,300,891</u>
Profit before working capital changes	625,538,048	1,009,073,501
Effects on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stocks, stores and spares	(1,083,733,550)	(1,465,568,942)
Trade debts	237,780,852	12,233,362
Loans, advances, short term prepayments and other receivables	132,756,753	(94,480,722)
	<u>(713,195,945)</u>	<u>(1,547,816,302)</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	370,539,410	250,674,957
Cash generated from operations	<u>282,881,513</u>	<u>(288,067,844)</u>
Payment for:		
Taxes	(57,869,655)	(57,906,213)
Gratuity	(15,216,611)	(8,240,408)
Workers profit participation fund	(42,109,849)	(20,099,460)
Long term deposit	(3,852,951)	(6,002,640)
Finance cost - net	(426,863,696)	(410,043,066)
	<u>(545,912,762)</u>	<u>(502,291,787)</u>
Net Cash Outflow From Operating Activities	(263,031,249)	(790,359,631)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividend received	684,750	(309,169)
Fixed capital expenditure	(75,014,169)	(252,209,007)
Long term investment	1,819,300	47,199,844
Proceeds against sale of property, plant & equipment	525,500	-
Short term investments	5,271,344	1,749,824
Net Cash Outflow From Investing Activities	(66,713,275)	(203,568,508)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Long term loans - net	(91,541,234)	(44,410,819)
Short term loan- net	559,983,906	1,070,268,517
Redeemable capital	(46,166,667)	(23,083,334)
Long term loans from directors and associated	(44,552,000)	-
Finance lease	(38,129,615)	21,400,736
Dividend paid	(19,500,000)	(26,000,000)
Net Cash Inflow From Financing Activities	320,094,390	998,175,100
Net (decrease) / increase in cash and cash equivalents	(9,650,134)	4,246,961
Cash and cash equivalents at beginning of the period	<u>24,661,647</u>	<u>3,218,580</u>
Cash and bank balances at the end of the period	15,011,513	7,465,541

Karachi:
February 29, 2012

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

	RESERVES					Sub Total	Un-appropriated Profit	Total
	Paid-up Capital	Share Premium Reserve.	Capital Reserves	Unrealised gain / (loss) in value of securities available for sale	General reserves			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2010	130,000,000	651,750,000	1,200	(66,313,574)	115,000,000	48,687,626	706,287,163	1,536,724,789
Total comprehensive income for the half year ended December 31, 2010				35,762,416		-	377,206,856	412,969,272
Right shares issued during the year						-	-	-
Dividend paid @ 20% for the year June 30, 2010							(26,000,000.0)	(26,000,000)
Balance as at December 31, 2010	130,000,000	651,750,000	1,200	(30,551,158)	115,000,000	84,450,042	1,057,494,019	1,923,694,061
Balance as at June 30, 2011	130,000,000	651,750,000	1,200	(326,991)	115,000,000	114,674,209	1,295,695,419	2,192,119,628
Total comprehensive income for the half year ended December 31, 2011	-	-	-	1,345,498	-	-	20,704,038	22,049,536
Dividend @ 15% for the year June 30, 2011							(19,500,000)	(19,500,000)
Balance as at December 31, 2011	130,000,000	651,750,000	1,200	1,018,507	115,000,000	116,019,707	1,296,899,457	2,194,669,164

Karachi:
February 29, 2012

TARIQ IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2011

1. THE COMPANY AND ITS OPERATIONS

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

2.1 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, 2011.

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 and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2011 which have been subjected to a review but not audited. These condensed Balance sheet also include the condensed interim profit and loss account for the quarter ended December 31, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 30 June, 2011 except amendments in International Accounting Standard 1 (Revised) 'Presentation of Financial Statements' which became applicable from the financial periods beginning on or after 1 January 2010. The application of this standard has resulted in certain increased disclosures including the statement of other comprehensive income which has been reflected in the Company's condensed interim financial information.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements 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.

Judgements and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June, 2011.

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 30 June 2011.

5. CONTINGENCIES AND COMMITMENTS

Contingencies

There has been no significant changes in contingencies as disclosed in the audited financial statement for the year ended June 30, 2011.

	31-Dec 2011	31-Dec 2010
Commitments		
Capital commitments		
Civil works	40,000,000	90,000,000
Plant and Machinery under Letter of Credit	<u>105,976,000</u>	<u>27,524,346</u>
Other commitments	<u>145,976,000</u>	<u>117,524,346</u>
Stores, spares and packing material under letter of credit	<u>22,913,000</u>	<u>107,911,943</u>
	<u>168,889,000</u>	<u>225,436,289</u>

6. ACQUISITION AND DISPOSAL OF FIXED ASSETS - (AT COST)

	DECEMBER 31, 2011		DECEMBER 31, 2010	
	ADDITIONS	DISPOSALS	ADDITIONS	DISPOSALS
	RUPEES		RUPEES	
OWN:				
Land				
Leasehold	-	-	-	-
Freehold	-	-	-	-
Building				
Leasehold	-	-	-	-
Building - freehold	5,688,214	-	-	-
Labour Colony				
Leasehold	-	-	-	-
Lease hold building	-	-	5,000,346	-
Plant and machinery	56,927,736	-	153,649,394	-
Electrical fitting	10,237,561	-	423,000	-
Factory equipment	-	-	153,570	-
Office premises (H/O)	-	-	-	-
Office equipment	843,944	-	1,402,349	-
Furniture and fixture	7,780	-	232,700	-
Vehicles	2,880,840	(1,847,500)	1,384,000	-
	<u>76,586,075</u>	<u>(1,847,500)</u>	<u>162,245,359</u>	<u>-</u>

7. STOCK IN TRADE

The carrying value of pledge stock amounts to Rs. 1,732,000,000

8. CYCLICALITY OF OPERATIONS

The textile business is an all year business, however, major raw material purchases i.e. cotton, takes place during the first October to January. This leads to higher figures in respect of stocks and bank borrowings.

9. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on February 29, 2012 by Board of Directors of the Company.

10. GENERAL

Figures have been rounded off to the nearest rupee.

KARACHI
February 29, 2012

TARIQ IQBAL
Chief Executive

OMER KHALID
Director