

QUETTA TEXTILE MILLS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Khalid Iqbal (Chief Executive) Mr. Tariq Iqbal Mr. Tauqir Tariq Mr. Asim Khalid Mr. Omer Khalid Mrs. Saima Asim Mrs. Tabbasum Tariq
AUDIT COMMITTEE	Mr. Asim Khalid (Chairman) Mrs. Saima Asim (Member) Mrs. Tabbasum Tariq (Member)
CHIEF FINANCIAL OFFICER	Mr. Omer Khalid
COMPANY SECRETARY	Mr. Muhammed Sohrab Ghani
AUDITORS	Mushtaq and Company Chartered Accountants 407 / 4 th Floor, Commerce Centre Hasrat Mohani Road, Karachi
BANKERS	Allied Bank Limited AlBaraka Bank (Pakistan) Limited Askari Bank Limited Bank Alfalah Limited Dawood Islamic 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 EXECUTIVES REVIEW

Dear Shareholders

It is a pleasure to present the half yearly results of your company as on 31st December 2010.

Your company earned profit before tax of Rs. 455 million as compared to the corresponding last year's half yearly profit of Rs 73 million. Turnover for the half year was Rs 6.63 billion as compared to the corresponding last year's half yearly turnover of Rs 4.25 billion, showing an increase of 55.8%. The gross profit margins registered an increase from 12.9% to 16.6% mainly due to rising yarn and fabric prices, supported by strong demand for textiles worldwide. The bottom line profit after tax has increased from Rs 24.8 million to Rs 361 million.

During the period under discussion, cotton prices rose from Rs 6,200 to Rs 11,000 per maund, causing acute liquidity problems for all textile mills, as well as the downstream value added industry. Cotton continuously remained very tight in supply while demand continued to increase as the world economy was in a recovery mode. It must be mentioned here that during the financial year ending June 2010 cotton prices averaged between Rs 3,900 and Rs 4,000 per maund. Despite this exorbitant increase in raw material costs, banks have not increased your company's working capital requirements.

On 26th July 2010 export duty of 15% on cotton yarn was allowed to lapse and the spinners were finally given a level playing field, instead of unfairly subsidizing the local yarn consumers. I sincerely hope this policy of free trade is continued by the government without any disruption. The duty only targeted one sector of the textile value chain - yarn, and thus caused huge distortions in the entire supply line. Spinners imported less cotton than they normally did at this time of the year, hence when international cotton price began to rise, spinners had no buffer inventory to circumvent abrupt high raw material prices, thus resulting in rapid increases in local cotton and yarn price. The export restriction policy of the government completely backfired.

Electricity and gas shortages have aggravated causing production shut downs and hence increased production costs drastically. Inflation, rising interest costs and lack of security are adding to the problems of the industry. Despite these drawbacks your company gives a high priority to continuous and relentless modernization in its spinning and weaving operations. We have imported latest winding machines and have added 18 Air jet looms as part of our BMR policy. The outlook for the next 3 to 4 years looks positive for the textile industry but to help meet rising challenges banks must support the textile industry with enhanced working capital requirements and finance to modernize the production process.

In the end I would like to thank all financial institutions for their continued supports and confidence in the company. I would also like to extend my gratitude to the workers, staff and officers for their honesty and dedication to the company.

Karachi: 26th February 2011

KHALID IQBAL
Chief Executive

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

Branch Office: 20-B, Block-G, Gulberg-III, Lahore. Tel: 35884926 – Fax: 35843360

Email Address: mushtaq_vohra@hotmail.com

Member of



Illinois, USA

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

Introduction

We have reviewed the accompanying condensed interim Statement of Financial Position of **Quetta Textile Mills Limited** as at December 31, 2010, and the related condensed interim Income Statement and condensed interim statement of comprehensive income, condensed interim Statement of Cash Flow 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 condensed interim financial information based on our review. The figures for the quarter ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

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, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

KARACHI:
Date: February 26, 2011

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

QUETTA TEXTILE MILLS LTD

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT DECEMBER 31, 2010

NOTE	31 DECEMBER 2010 RUPEES (UN-AUDITED)	30 JUNE 2010 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	84,450,042	48,687,626
Share premium reserve	651,750,000	651,750,000
Unappropriated profit	1,057,494,019	706,287,162
Shareholders equity	1,923,694,061	1,536,724,788
Surplus on revaluation of property , plant and equipment	753,026,679	763,564,281
<u>NON-CURRENT LIABILITIES</u>		
Loans from directors and associates-subordinated	23,900,000	23,900,000
Loans from financial institutions	306,958,524	253,916,615
Redeemable capital	1,246,499,999	1,292,666,667
Finance lease	213,663,465	196,772,226
Deferred liabilities	400,126,080	371,526,145
<u>CURRENT LIABILITIES</u>		
Short term borrowings	4,264,097,076	3,193,828,559
Current maturity of long term liabilities	430,416,739	501,126,676
Trade and other payables	512,683,775	256,851,871
Accrued mark-up on loans	108,095,072	117,223,936
	5,315,292,662	4,069,031,042
Contingencies and commitments	5	
TOTAL EQUITY AND LIABILITIES	10,183,161,470	8,508,101,764
<u>ASSETS</u>		
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	6	4,821,073,493
Capital work in progress	226,085,071	136,121,413
	5,047,158,564	4,911,251,457
Long term investments	15,501,005	26,988,433
Long term deposits	23,506,152	17,503,512
<u>CURRENT ASSETS</u>		
Stores, spares, and loose tools	425,038,420	436,830,375
Stock in trade	3,746,564,754	2,269,203,857
Trade debts	511,828,886	524,062,248
Other financial assets	12,562,319	11,449,354
Loans and advances	239,230,857	184,707,178
Short term prepayments	12,001,038	-
Other receivables	142,303,934	122,886,770
Cash and bank balances	7,465,541	3,218,580
	5,096,995,749	3,552,358,362
TOTAL ASSETS	10,183,161,470	8,508,101,764

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

KHALID IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:
February 26, 2011

QUETTA TEXTILE MILLS LTD
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2010

	QUARTER ENDED		HALF YEAR ENDED	
	DECEMBER 31, 2010	DECEMBER 31, 2009	DECEMBER 31, 2010	DECEMBER 31, 2009
	RUPEES	RUPEES	RUPEES	RUPEES
Turnover-net	3,612,608,109	2,248,510,921	6,629,326,434	4,254,287,188
Less: cost of goods sold	(3,099,460,764)	(1,973,567,453)	(5,527,494,150)	(3,703,216,313)
Gross profit	513,147,345	274,943,468	1,101,832,284	551,070,875
Operating expenses				
Distribution cost	(86,242,371)	(85,237,393)	(154,368,223)	(145,401,894)
Administrative expenses	(5,957,041)	(4,875,452)	(15,838,824)	(14,525,369)
Other operating expenses	(52,399,997)	(11,625,762)	(80,836,120)	(19,736,683)
Other operating income	3,785,570	43,835,781	4,897,695	90,605,147
	(140,813,839)	(57,902,826)	(246,145,472)	(89,058,799)
Operating profit	372,333,506	217,040,642	855,686,812	462,012,076
Finance cost - net	(164,360,143)	(184,355,894)	(400,914,202)	(388,908,640)
Net profit before taxation	207,973,363	32,684,748	454,772,610	73,103,436
Taxation				
Current year	(36,215,610)	(13,465,992)	(66,459,005)	(26,613,227)
Deferred	(11,000,000)	(7,999,890)	(27,318,445)	(21,620,019)
	(47,215,610)	(21,465,882)	(93,777,450)	(48,233,246)
Net profit after taxation	160,757,753	11,218,866	360,995,160	24,870,190
Earnings per share - basic and diluted	12.37	2.00	27.77	4.15

KHALID IQBAL
Chief Executive

OMER KHALID
Director

Karachi:
February 26, 2011

QUETTA TEXTILE MILLS LTD

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2010

Note	Quarter Ended		Half Year Ended	
	31-Dec-10 Rupees	31-Dec-09 Rupees	31-Dec-10 Rupees	31-Dec-09 Rupees
Profit for the period after taxation	200,237,407	11,218,866	360,995,160	24,870,190
Other comprehensive income:				
Unrealized gain / (loss) on remeasurement of available for sales investments	31,555,181	(10,408,241)	35,762,416	2,623,394
Transfer from surplus on revaluation of property, plant & equipment - incremental depreciation	7,606,232	9,382,805	16,211,696	17,210,927
Other comprehensive income for the period	39,161,413	(1,025,436)	51,974,112	19,834,321
Total comprehensive income for the period	239,398,820	10,193,430	412,969,272	44,704,511

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

Karachi:
February 26, 2011

KHALID IQBAL
Chief Executive

OMER KHALID
Director

QUETTA TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT CASH FLOW (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	Ended Dec - 31, 2010 RUPEES	Ended Dec - 31, 2009 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	454,772,610	73,103,436
Adjustments for non cash charges and other items:		
Depreciation	116,301,911	115,902,868
Finance cost - net	400,914,202	388,908,640
Dividend income	309,169	(1,705,808)
Provision for gratuity	15,195,991	5,927,462
Provision for diminution in the value of investment	(2,862,789)	(1,635,768)
Provision for workers profit participation fund	24,442,407	3,848,099
	<u>554,300,891</u>	<u>511,245,493</u>
Profit before working capital changes	1,009,073,501	584,348,929
Effects on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stocks, stores and spares	(1,465,568,942)	(1,217,647,515)
Trade debts	12,233,362	363,594,142
Loans, advances, short term prepayments and other receivables	(94,480,722)	5,221,947
	<u>(1,547,816,302)</u>	<u>(848,831,426)</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	250,674,957	120,450,685
Cash generated from operations	<u>(288,067,844)</u>	<u>(144,031,812)</u>
Payment for:		
Taxes	(57,906,213)	(35,982,196)
Gratuity	(8,240,408)	(10,419,595)
Workers profit participation fund	(20,099,460)	(5,284,844)
Long term deposit	(6,002,640)	-
Finance cost - net	(410,043,066)	(374,887,295)
	<u>(502,291,787)</u>	<u>(426,573,930)</u>
Net Cash Outflow From Operating Activities	(790,359,631)	(570,605,742)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Dividend received	(309,169)	1,705,808
Fixed capital expenditure	(252,209,007)	(64,601,542)
Long term investment	47,199,844	8,174,532
Short term investments	1,749,824	75,951,496
Net Cash Outflow From Investing Activities	(203,568,508)	21,230,294
CASH FLOWS FROM FINANCING ACTIVITIES :		
Long term loans - net	(44,410,819)	(55,881,427)
Short term loan- net	1,070,268,517	641,481,392
Redeemable capital	(23,083,334)	-
Finance lease	21,400,736	(31,094,923)
Right share issued during the period	-	98,750,000
share premium reserve	-	651,750,000
Long term loans from directors and associates	-	(749,261,746)
Dividend paid	(26,000,000)	-
Net Cash Inflow From Financing Activities	998,175,100	555,743,296
Net (decrease) / increase in cash and cash equivalents	4,246,961	6,367,848
Cash and cash equivalents at beginning of the period	3,218,580	3,113,086
Cash and bank balances at the end of the period	7,465,541	9,480,934

KHALID IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:
February 26, 2011

QUETTA TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

	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, 2009	31,250,000	-	1,200	(72,889,588)	115,000,000	42,111,612	416,831,269	490,192,882
Total comprehensive income for the half year ended December 31, 2009	-	-	-	2,623,394	-	2,623,394	42,081,117	44,704,511
Right shares issued during the year	98,750,000	-	-	-	-	-	-	98,750,000
Share Premium Reserve	-	651,750,000	-	-	-	-	-	651,750,000
Balance as at December 31, 2009	130,000,000	651,750,000	1,200	(70,266,194)	115,000,000	44,735,006	458,912,386	1,285,397,393
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	-	35,762,416	377,206,856	412,969,272
Dividend @ 20% for the year June 30, 2010	-	-	-	-	-	-	(26,000,000)	(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

KHALID IQBAL
Chief Executive

OMER KHALID
Director

KARACHI:
February 26, 2011

QUETTA TEXTILE MILLS LIMITED

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

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, 2010.

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 statement of financial position, condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2010 which have been subjected to a review but not audited. These condensed interim financial statements also include the condensed interim income statement for the quarter ended December 31, 2010.

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, 2010 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, 2010.

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 2010.

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, 2010.

	31-Dec 2010	31-Dec 2009
Commitments		
Capital commitments		
Civil works	90,000,000	167,454,933
Plant and Machinery under Letter of Credit	<u>27,524,346</u>	<u>71,451,961</u>
Other commitments	<u>117,524,346</u>	<u>238,906,894</u>
Stores, spares and packing material under letter of credit	<u>107,911,943</u>	<u>20,521,144</u>
	<u><u>225,436,289</u></u>	<u><u>259,428,038</u></u>

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

	DECEMBER 31, 2010		DECEMBER 31, 2009	
	ADDITIONS	DISPOSALS	ADDITIONS	DISPOSALS
	RUPEES		RUPEES	
<u>OWN:</u>				
Building - freehold	-	-	67,133,564	-
Lease hold building	5,000,346	-	-	-
Plant and machinery	153,649,394	-	24,429,532	-
Electrical fitting	423,000	-	2,305,867	-
Factory equipment	153,570	-	1,317,084	-
Office equipment	1,402,349	-	-	-
Furniture and fixture	232,700	-	15300	-
Vehicles	1,384,000	-	-	-
	<u>162,245,359</u>	<u>-</u>	<u>95,201,347</u>	<u>-</u>

7. STOCK IN TRADE

The carrying value of pledge stock amounts to Rs. 1,821,238,604.

8. CYCLICALITY OF OPERATIONS

The textile business is an all year business, however, major raw material purchases i.e. cotton, takes place during the 1 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 26, 2011 by Board of Directors of the Company.

10. GENERAL

Figures have been rounded off to the nearest rupee.

KHALID IQBAL
Chief Executive

KARACHI:

February 26, 2011

OMER KHALID
Director