

## COMPANY INFORMATION

### **BOARD OF DIRECTORS:**

Mr. Noor Muhammad Hashim	Chairman / Chief Executive
Mr. Tayyab Noor Muhammad	Director
Mr. Muhammad Younus Hashim	Director
Mr. Imran M. Younus	Director
Miss. Ambrin	Director
Miss. Fiza Chaudhri	Director
Mr. Muhammad Idris Khokhar	Director

### **AUDIT COMMITTEE:**

Mr. Tayyab Noor Muhammad	Chairman
Mr. Muhammad Younus Hashim	Member
Mr. Imran M. Younus	Secretary

### **CHIEF FINANCIAL OFFICER/ COMPANY SECRETARY**

Mr. Atif Khalil

### **BANKERS:**

Bank Al-Habib Limited  
Habib Metropolitan Bank Limited  
Habib Bank Limited  
Citibank, N.A  
MCB Bank Limited

### **AUDITORS:**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

### **LEGAL ADVISOR:**

M. Hassan Akbar

### **REGISTERED OFFICE:**

24, 2<sup>nd</sup> Floor, Ali Bhai Centre,  
233-A, P.E.C.H.S, Block-2, Karachi.  
PABX : 0092-21-4538655-4538788-4529325  
Fax : 0092-21-4538799  
Website : www.qualitytextile.com  
E-mail : qualitytextilemills@yahoo.com  
E-mail : yarn@qualitytextile.com

### **BUSINESS OFFICE**

15, 1<sup>st</sup> Floor, Ali Bhai Centre,  
233-A, P.E.C.H.S, Block-2, Karachi.

### **MILLS:**

26KM, Sheikhpura Faisalabad Road,  
Ferozwattowan  
Distt. Sheikhpura.  
Tel : 0563-731751 & 0563-731341  
Fax : 0563-731307  
E-mail : qualitytextilemillskp@yahoo.com

## Chairman's Review December 31, 2007

The directors of your company present the unaudited financial statement for the Half Year ended on December 31, 2007, along with the review report of the external auditors.

During Six months under review total production converted into 20/1 were **4,558,5597 Kg** and gross sales amounted to **Rs. 530,481,168/-** including export sales of **Rs. 163,477,987/-**. The company earned after tax profit of **Rs. 2,742,662** during the period under review.

The six months period ended on December 31, 2007 were very difficult as during the current cotton season the raw cotton prices reaches up to Rs. 3,400/- per mound and remained stable on the higher side due to virus infestation of cotton crop which ultimately affect the quality and also reduce the crop size approximately by 20 percent.

The yarn prices remained sable but not correspond with the price hike of raw cotton and high direct & indirect costs leaving nominal margin to the Company. During the current quarter from October to December 2007, the Company has incurred after tax loss of Rs. 8,996,276/- and this loss may increase in future periods if the input cost remains high due to high raw material, energy and labor costs. The whole textile industry is suffering the same crisis. The future profitability of your Company will also affect by huge increase in the markup rate by the banks and uncertainty in the power and gas supply. However, if the yarn market further improves or any relief granted by the Government then it is hoped that the financial results of the Company will improve in the remaining period of this year.

By the grace of God your mills operated smoothly throughout the half year and management have faith in their struggle and believe in God that your company will do well in the remaining period of the year.

I would like to place on record the sincere efforts and hard work done by workers, staff and officers of the Company. I also wish to place on record our deep gratitude to our Bankers Bank Al-Habib Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, Citibank, N.A and MCB Bank Limited for their active support and guidance.

For and on behalf of the Board

**NOOR MUHAMMAD HASHIM**  
Chairman/Chief Executive

Karachi :  
February 11, 2008

## 6. COST OF GOODS SOLD

	-----Six Months-----		-----Three Months-----	
	December 31, 2007 Rupees (July-December)	December 31, 2006 Rupees (October-December)	December 31, 2007 Rupees (October-December)	December 31, 2006 Rupees (October-December)
Opening stock - finished goods	20,822,401	27,284,966	55,829,712	16,639,763
Cost of goods manufactured (6.1)	511,353,451	412,755,324	273,446,249	218,904,139
Closing stock- finished goods	(48,037,710)	(42,106,294)	(48,037,710)	(42,106,294)
	<u>484,138,142</u>	<u>397,933,996</u>	<u>281,238,251</u>	<u>193,437,608</u>

### 6.1 Cost of goods manufactured

Raw material consumed	414,689,876	314,800,252	222,760,533	168,994,130
Packing material consumed	8,510,073	5,864,621	4,150,543	3,252,231
Stores and spares consumed	7,860,797	6,298,292	3,470,786	3,306,215
Salaries, wages and benefits	28,954,145	25,132,907	16,391,316	14,644,060
Power and fuel	30,211,707	33,935,047	15,748,359	17,541,190
Insurance	2,100,000	2,200,000	1,050,000	1,050,000
Repairs and maintenance	1,578,189	1,069,976	1,032,338	444,435
Other manufacturing overheads	481,172	508,270	193,316	156,590
Depreciation	20,868,978	21,863,161	10,467,188	11,718,958
	<u>515,254,937</u>	<u>411,672,526</u>	<u>275,264,379</u>	<u>221,107,809</u>
Work-in-process				
Opening stock	6,886,108	8,834,640	8,969,464	5,548,172
Closing stock	(10,787,594)	(7,751,842)	(10,787,594)	(7,751,842)
	<u>(3,901,486)</u>	<u>1,082,798</u>	<u>(1,818,130)</u>	<u>(2,203,670)</u>
	<u>511,353,451</u>	<u>412,755,324</u>	<u>273,446,249</u>	<u>218,904,139</u>

## 7. RELATED PARTY TRANSACTIONS

The associated undertakings and related parties comprise directors and key management personnel. There are no transactions with related parties, other than remuneration and benefits to directors and key management personnel under the term of their employment as disclosed in below:

	December 31, 2007 Rupees	December 31, 2006 Rupees
Remuneration to:		
Chief Executive	240,000	240,000
Directors	70,000	210,000
Other key management personnel	477,900	405,600

## 7. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on February 11, 2008 by the Board of Directors of the company.

Noor Muhammad Hashim  
Chief Executive Officer

Muhammad Younus Hashim  
Director

**QUALITY TEXTILE MILLS LIMITED**  
**CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Note	-----Six months-----		-----Three months-----	
		Dec. 31, 2007 Rupees (July-December)	Dec. 31, 2006 Rupees	Dec. 31, 2007 Rupees (October-December)	Dec. 31, 2006 Rupees
Sales		526,288,324	443,476,930	291,317,855	206,089,725
Cost of goods sold	6	(484,138,142)	(397,933,996)	(281,238,251)	(193,437,608)
Gross Profit		<u>42,150,182</u>	<u>45,542,934</u>	<u>10,079,604</u>	<u>12,652,117</u>
Other operating income		<u>480,097</u>	<u>482,128</u>	<u>339,825</u>	<u>328,573</u>
		<u>42,630,279</u>	<u>46,025,062</u>	<u>10,419,429</u>	<u>12,980,690</u>
Distribution expenses		(7,833,431)	(4,932,219)	(4,006,451)	(2,247,561)
Administration expenses		(3,347,822)	(3,912,937)	(1,689,176)	(2,043,658)
Other operating expenses		(668,496)	(936,896)	112,887	-
Finance cost		(23,587,974)	(22,049,707)	(12,464,225)	(11,705,502)
Profit/(loss) before taxation		<u>7,192,556</u>	<u>14,193,303</u>	<u>(7,627,536)</u>	<u>(3,016,031)</u>
Provision for taxation		(4,449,894)	(5,718,339)	(1,368,740)	(5,082,688)
Profit/(loss) after taxation		<u>2,742,662</u>	<u>8,474,964</u>	<u>(8,996,276)</u>	<u>(8,098,719)</u>
Earnings per share - Basic and diluted		0.17	0.53	(0.56)	(0.51)

The annexed notes form an integral part of these interim financial information.

Noor Muhammad Hashim  
Chief Executive Officer

Karachi:  
February 11, 2008

Muhammad Younus Hashim  
Director

**QUALITY TEXTILE MILLS LIMITED**  
**CONDENSED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Six months (July-December)	
	December 31, 2007 Rupees	December 31, 2006 Rupees
<b>A. Cash Flows From Operating Activities</b>		
Profit before taxation	7,192,556	14,193,303
Adjustment for:		
Depreciation	21,065,051	22,114,643
Provision for gratuity	1,200,000	1,200,000
Financial cost	23,587,974	22,049,707
Loss on sale of property, plant and equipment	586	-
Operating cash flows before working capital changes	<u>53,046,167</u>	<u>59,557,653</u>
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	2,196,021	476,202
Stock in trade	(199,089,710)	(139,368,917)
Trade debtors	(15,835,069)	19,133,589
Loans and advances	(13,686,623)	(4,803,001)
Trade deposits and short term prepayments	(4,116,000)	(4,208,300)
Other receivables	(154,036)	2,790,120
Increase/(Decrease) in current liabilities		
Trade and other payables	<u>15,135,738</u>	<u>3,638,278</u>
	<u>(215,549,679)</u>	<u>(122,342,029)</u>
Cash used in operations	(162,503,512)	(62,784,376)
Financial charges paid	(22,230,950)	(21,566,558)
Gratuity paid	(504,030)	-
Tax paid	<u>(2,571,906)</u>	<u>(2,403,752)</u>
Net cash used in operating activities	<u>(187,810,398)</u>	<u>(86,754,686)</u>
<b>B. Cash Flows From Investing Activities</b>		
Fixed capital expenditure	(1,179,000)	(95,000)
Proceeds from disposal of property, plant and equipment	375,000	-
Long-term deposits	<u>5,000,000</u>	<u>2,000,000</u>
Net cash from investing activities	<u>4,196,000</u>	<u>1,905,000</u>
<b>C. Cash Flows From Financial Activities</b>		
Long term financing acquired	-	103,000,000
Repayment of long-term loans	(4,150,000)	(63,648,778)
Repayment of finance lease	(12,579,599)	(13,265,108)
Short term financing obtained	201,128,650	74,852,114
Dividend paid	<u>(5,615)</u>	<u>(15,875,317)</u>
Net cash from financing activities	<u>184,393,436</u>	<u>85,062,911</u>
Net increase in cash and cash equivalents (A+B+C)	779,038	213,225
Cash and cash equivalents at the beginning of the period	617,049	1,645,207
Cash and cash equivalents at the end of the period	<u>1,396,087</u>	<u>1,858,432</u>

The annexed notes form an integral part of these interim financial information.

Noor Muhammad Hashim  
Chief Executive Officer

Muhammad Younus Hashim  
Director

**QUALITY TEXTILE MILLS LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Share capital	Un- appropriated profit	Total
	-----Rupees-----		
Balance as at July 1, 2006	159,778,080	94,679,439	254,457,519
Final cash dividend for the year ended June 30, 2006 @ Re. 1 per share	-	(15,977,808)	(15,977,808)
Transferred from surplus on revaluation of property plant and equipment on account of incremental depreciation for the period-net of deferred tax	-	2,442,661	2,442,661
<b>Net expense recognised directly to equity</b>	-	(13,535,147)	(13,535,147)
Profit for the period ended December 31, 2006	-	8,474,964	8,474,964
<b>Total recognised expense for the period</b>	-	(5,060,183)	(5,060,183)
Balance as at December 31, 2006	159,778,080	89,619,256	249,397,336
Transferred from surplus on revaluation of property plant and equipment on account of incremental depreciation for the period-net of deferred tax	-	2,448,312	2,448,312
<b>Net income recognised directly to equity</b>	-	2,448,312	2,448,312
Profit for the period ended June 30, 2007	-	(14,851,982)	(14,851,982)
<b>Total recognised income and expense for the period</b>	-	(12,403,670)	(12,403,670)
Balance as at June 30, 2007	159,778,080	77,215,586	236,993,666
Transferred from surplus on revaluation of fixed asset on account of incremental depreciation for the period - net of deferred tax	-	2,208,390	2,208,390
<b>Net expense recognised directly to equity</b>	-	2,208,390	2,208,390
Profit for the period ended December 31, 2007	-	2,742,662	2,742,662
<b>Total recognised income and expense for the period</b>	-	4,951,052	4,951,052
Balance as at December 31, 2007	159,778,080	82,166,638	241,944,718

The annexed notes form an integral part of these interim financial information.

Noor Muhammad Hashim  
Chief Executive Officer

Muhammad Younus Hashim  
Director

Karachi:  
February 11, 2008

**MILLS LIMITED**  
**SHEET (UNAUDITED)**  
**DECEMBER 31, 2007**

		Unaudited Dec 31, 2007 Rupees	Audited June 30, 2007 Rupees
<b>PROPERTY, PLANT AND EQUIPMENT</b>	4	522,921,732	543,183,365
<b>LONG TERM DEPOSITS</b>		2,165,101	7,165,101
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		14,201,113	16,397,134
Stock in trade	5	378,820,165	179,730,455
Trade debts		90,356,601	74,521,532
Loans & advances		14,694,064	1,007,441
Trade deposits and short term prepayments		7,274,959	3,158,959
Advance income tax		19,561,876	16,989,973
Other receivables		7,677,660	7,523,624
Cash & bank balances		1,396,087	617,049
		<b>533,982,525</b>	<b>299,946,167</b>
		<b><u>1,059,069,358</u></b>	<b><u>850,294,633</u></b>

Muhammad Younus Hashim  
Director

**QUALITY TEXTILE  
CONDENSED BALANCE  
AS AT**

**QUALITY TEXTILE MILLS LIMITED  
NOTES TO THE CONDENSED FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

Note	Unaudited Dec 31, 2007 Rupees	Audited June 30, 2007 Rupees
<b>SHARE CAPITAL AND RESERVES</b>		
<b>Authorized</b>		
26,000,000 Ordinary shares of Rs. 10/- each	<u>260,000,000</u>	<u>260,000,000</u>
Issued, subscribed & paid up	<u>159,778,080</u>	<u>159,778,080</u>
Unappropriated profit	<u>82,166,638</u>	<u>77,215,586</u>
	241,944,718	236,993,666
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
	151,872,465	154,080,855
<b>NON CURRENT LIABILITIES</b>		
Long term financing	73,800,000	84,600,000
Liabilities against assets subject to finance lease	-	6,315,139
Deferred liabilities	41,082,885	38,563,558
<b>CURRENT LIABILITIES</b>		
Trade and other payables	52,396,024	37,265,901
Interest / mark-up accrued on loans	9,740,217	8,383,191
Short-term financing	419,876,075	218,747,425
Current portion of		
Long term financing	32,750,000	26,100,000
liabilities against assets subject to finance lease	9,764,933	16,029,393
Provision for taxation	25,842,041	23,215,505
	550,369,290	329,741,415
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
	<u>1,059,069,358</u>	<u>850,294,633</u>

The annexed notes form an integral part of these interim financial information.

Noor Muhammad Hashim  
Chief Executive Officer

Karachi:  
February 11, 2008

**1. SELECTED EXPLANATORY NOTES**

- 1.1 Quality Textile Mills Limited (the Company) was incorporated in Pakistan on May 03, 1998 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Karachi in the Province of Sindh. The Company's manufacturing facilities are located at Ferozwattowan in the Province of Punjab. The Company is currently listed on Karachi Stock Exchange. The Principal activity of the Company is manufacturing and sale of cotton yarn.
- 1.2 The interim financial information are presented in Pak Rupees, which is the company's functional and presentation currency.
- 1.3 The interim financial information have been prepared under the historical cost convention modified by:-
  - revaluation of certain property, plant and equipment
  - certain financial instruments at fair value
  - recognition of certain employees retirement benefits at present value
- 1.4 These interim financial information are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 1.5 The accounting policies and methods of computation followed in the preparation of the six months interim financial information are the same as those of the published annual financial statements for the year ended June 30, 2007.

	December 31, 2007 Rupees	June 30, 2007 Rupees
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**2. SHORT TERM FINANCING**

**From banking companies-Secured**

Running finances (2.1)	405,369,516	218,747,425
Export refinance (2.2)	14,506,559	-
	<u>419,876,075</u>	<u>218,747,425</u>

- 2.1 The aggregate unavailed running finance facilities available amounted to Rs. 105 million (June 2007: Rs. 358 million). These are subject to markup ranging from 10.05% to 10.98% (June 2007: 10.01% to 11.64%) per annum payable quarterly. These are secured by way of first pari passu hypothecation charge on movable assets and receivables of the Company and personal guarantee of all the directors. The secondary collateral is charge over factory property (including land, building, plant and machinery) located at Sheikhpura by way of equitable and legal mortgage.
- 2.2 The aggregate unavailed export refinance facilities amounted to Rs. 51 million (June 2007: Rs. Nil). These are subject to markup ranging from 6.47% - 6.55% (June 2007: 6.16% to 6.55%) per annum. These are secured against export letters of credit held under lien and personal guarantee of all directors.

## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

	December 31, 2007 Rupees	June 30, 2007 Rupees
<b>3. CONTINGENCIES AND COMMITMENTS</b>		
<b>3.1 Contingencies</b>		
Bank guarantee issued to Collector of customs against import licence fee on machinery	-	2,160,000
Bank guarantee in favour of Sui Nothern Gas Company Limited	11,611,000	11,611,000
Export bills discounted	22,070,188	78,091,411
Local bills discounted	42,245,219	46,459,668
<b>3.2 Commitments</b>		
Outstanding letters of credit for import of raw material	90,238,627	-

### 4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPEMENT

During the period following addition and deletion were made:

	December 31, 2007		June 30, 2007	
	Additions	Disposal (W.D.V)	Additions	Disposal (W.D.V)
	-----Rupees-----			
<b>Operating assets</b>				
<b>Owned</b>				
Building on free hold land-Mills	-	-	148,312	-
Plant and machinery	-	-	10,641,585	-
Office premises	475,000	-	-	-
Mills equipment	-	-	74,000	-
Office equipment	-	-	185,000	43,511
Furniture and fixture	-	-	7,500	-
Vehicle	704,000	375,595	1,144,663	267,337
<b>Leased</b>				
Generator	-	-	192,064	-

### 5. STOCK-IN-TRADE

Raw material	319,994,861	152,021,946
Work in process	10,787,594	6,886,108
Finished goods (5.1)	43,492,369	18,673,156
Waste	4,545,341	2,149,245
	378,820,165	179,730,455

5.1 Finished goods consting Rs. 991,887/- (June 2007: Rs. 3,579,547/-) carried at net realisable value of Rs. 802,535/- (June 2007: 3,320,877/-).

### Introduction

We have reviewed the accompanying condensed balance sheet of **QUALITY TEXTILE MILLS LIMITED** (the Company) as at December 31, 2007, and the related condensed profit and loss account condensed cash flow statement and condensed statement of changes in equity together with the notes forming part thereof for the six months period then ended (here-in-after) referred to as the interim financial information. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended December 31, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2007 and 2006.

### 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 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 reievew, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2007 is not prepared in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants

Karachi :  
February 11, 2008