

## COMPANY INFORMATION

### **BOARD OF DIRECTORS:**

Mr. Noor Muhammad Hashim	Chairman / Chief Executive
Mr. Ahmed Mussa	Executive Director
Mr. Tayyab Noor Muhammad	Director
Mr. Muhammad Younus Hashim	Director
Mr. Imran M. Younus	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 (CFO)**

Mr. Atif Khalil

### **COMPANY SECRETARY**

### **BANKERS:**

Bank-Al-Habib Limited  
Habib Bank Limited  
Habib Bank AG Zurich  
Metropolitan Bank Limited  
MCB Bank Limited

### **AUDITORS:**

M. Yousuf Adil Saleem & Co.  
Chartered Accountants

### **REGISTERED OFFICE:**

24, 2<sup>nd</sup> Floor, Ali Bhai Centre,  
233-A, P.E.C.H.S, Block-2, Karachi.  
RABX : 0092-21-4538655-4538788-4529325  
Fax : 0092-21-4538799  
E-mail : qualitytextilemills@yahoo.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 : 0496-731-751 & 0496-731-341  
Fax : 0496-731-307  
E-mail : qualitytextilemillsskp@yahoo.com

## Chairman's Review September 30, 2006

### 3. ACQUISITION AND DISPOSAL OF FIXED ASSETS

During the period following additions and deletions were made:

	Quarter ended September 30, 2006		Quarter ended September 30, 2005	
	Additions	Deletions	Additions	Deletions
	-----Rupees-----			
Office Equipments	95,000	-	614,670	-
Plant and Machinery	-	-	435,298	-
			Quarter ended September 30, 2006	Quarter ended September 30, 2005
			Rupees	Rupees

### 4. COST OF GOODS SOLD

Raw material consumed	145,806,122	133,572,038
Packing material consumed	2,612,390	2,625,682
Stores and spares consumed	2,992,077	5,199,029
Salaries, wages and benefits	10,488,847	10,834,895
Power and fuel	16,393,857	19,847,007
Insurance	1,150,000	1,200,000
Repairs and maintenance	625,541	150,425
Other manufacturing overheads	351,680	206,645
Depreciation	10,144,203	8,168,468
	190,564,717	181,804,189
Work in process		
Opening stock	8,834,640	7,374,934
Closing stock	(5,548,172)	(7,163,015)
Cost of goods manufactured	193,851,185	182,016,108
Finished goods		
Opening stock	27,284,966	11,276,621
Closing stock	(16,639,763)	(12,500,000)
	204,496,388	180,792,729

### 5. RELATED PARTY TRANSACTIONS

Remuneration to:		
Chief Executive	120,000	120,000
Director	105,000	105,000

These transactions are under the terms of employment.

### 6. APPROVAL OF FINANCIAL STATEMENT

These financial statements were authorized for issue on October 19, 2006 by the Board of Directors of the Company.

Noor Muhammad Hashim  
Chairman/Chief Executive

Ahmed Mussa  
Executive Director

The Directors of your Company present Unaudited Financial Statement for the Quarter ended on September 30, 2006.

During three months under review total production in all counts were 1,821,010 Kgs and sales amounted to Rs. 237,387,205/- including export sales of Rs. 62,011,686/-. The company have earned before tax profit of Rs. 17,242,780/- during the period under review. This profit is mainly because of opening stock of previous year cotton, which was purchased at price lower than this year. During the current cotton season the prices of cotton started on a little low note but with the pace of time the prices increased in the cotton market due to high demand by the spinners and heavy rains in cotton growing area of our Country which caused some serious damages to the cotton crop in Sindh as well as in Punjab. The yarn prices remained stable but not corresponding with price hike of raw cotton and to high direct & indirect costs leaving nominal margin to the Company. The future profitability of your Company will also affect by huge increase in the markup rate by the banks. However if the yarn market further improves then it is hoped that the financial results of the Company will improve in the remaining period of this year.

After balance sheet date we have reschedule our long term loan of Habib Bank Limited by Swapping with the Bank Al-Habib Limited and a fresh term loan of Rs. 50 millions has also been sanctioned by the Bank Al-Habib Limited. This arrangement will improve our liquidity position and strengthen our current ratio.

By the grace of God your mills operated smoothly throughout the Quarter and management is convinced that with the blessing of God 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 banks Bank Al-Habib Limited, Habib Bank Limited, Habib Bank AG Zurich, Metropolitan Bank Limited and MCB Bank Limited for their active support and guidance.

For and on behalf of the Board

**NOOR MUHAMMAD HASHIM**  
Chairman/Chief Executive

Karachi :  
October 19, 2006

**QUALITY TEXTILE MILLS LIMITED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2006**

	Note	Quarter ended Sept. 30, 2006 Rupees	Quarter ended Sept. 30, 2005 Rupees
Sales		237,387,205	218,633,424
Cost of goods sold	4	<u>(204,496,388)</u>	<u>(180,792,729)</u>
Gross Profit		32,890,817	37,840,695
Other operating income		<u>153,555</u>	<u>—</u>
		<u>33,044,372</u>	<u>37,840,695</u>
Distribution cost		(2,684,658)	(1,887,349)
Administrative expenses		(1,869,279)	(1,502,046)
Other operating expenses		(903,450)	(1,173,893)
Finance cost		<u>(10,344,205)</u>	<u>(8,036,107)</u>
Profit before taxation		17,242,780	25,241,300
Provision for taxation		<u>(1,641,900)</u>	<u>(1,095,299)</u>
Profit for the period		<u>15,600,880</u>	<u>24,146,001</u>
Earning Per Share (Basic & diluted)		<u>0.98</u>	<u>1.51</u>

Noor Muhammad Hashim  
Chairman/Chief Executive

Karachi:  
October 19, 2006

Ahmed Mussa  
Executive Director

**QUALITY TEXTILE MILLS LIMITED**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2006**

	September 30, 2006 Rupees	September 30, 2005 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,242,780	24,146,001
Adjustment for:		
Depreciation	10,269,934	8,168,468
Provision for gratuity	600,000	600,000
Finance cost	10,344,205	9,210,000
Operating cash flows before movement in working capital	<u>38,456,919</u>	<u>42,124,469</u>
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	(356,389)	4,360,627
Stock in trade	155,777,677	83,243,908
Trade debts	48,844,128	(7,753,430)
Loans & advances	(2,151,071)	(15,442,840)
Trade deposits and prepayments	(544,950)	(1,038,466)
Other receivables	(784,398)	5,390,565
Increase/(Decrease) in current liabilities		
Trade and other payables	<u>(17,615,696)</u>	<u>(33,458,162)</u>
	<u>183,169,301</u>	<u>35,302,202</u>
Cash generated from operations	221,626,220	77,426,671
Finance cost paid	(11,250,973)	(4,781,728)
Taxes paid	(1,025,653)	—
Gratuity paid	—	(241,600)
Net cash from operating activities	<u>209,349,594</u>	<u>72,403,343</u>
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<u>(188,965)</u>	<u>(1,049,968)</u>
Net cash used in investing activities	<u>(188,965)</u>	<u>(1,049,968)</u>
<b>C. CASH FLOWS FROM FINANCIAL ACTIVITIES</b>		
Repayment of Long Term Financing	(7,600,000)	(6,500,000)
Repayment of principal portion of finance lease	(6,513,060)	(1,704,405)
Short term financing acquired - net	<u>(194,939,996)</u>	<u>(73,258,761)</u>
Net cash from financing activities	<u>(209,053,056)</u>	<u>(81,463,166)</u>
Net Increase/(decrease) in cash and cash equivalents (A+B+C)	107,574	(10,109,791)
Cash and cash equivalents at the beginning of the period	1,645,207	1,797,961
Cash and cash equivalents at the end of the period	<u>1,752,781</u>	<u>(8,311,830)</u>

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

Noor Muhammad Hashim  
Chairman/Chief Executive

Ahmed Mussa  
Executive Director

**QUALITY TEXTILE MILLS LIMITED  
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2006**

	Share capital	Unappropriated profit Rupees	Total
Balance as at September 30, 2004	159,778,080	26,249,791	186,027,871
Transfer from surplus on revaluation of property plant and equipment on account of incremental depreciation for prior year-net off deferred tax for the year-net off deferrex tax	-	5,849,956 2,166,064	5,849,956 2,166,064
Net income recognised directly to equity	-	8,016,020	8,016,020
Profit for the nine months	-	46,534,940	46,534,940
Total recognised income and expense for nine months period	-	54,550,960	54,550,960
Balance as at June 30, 2005	159,778,080	80,800,751	240,578,831
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net off dererred tax	-	-	-
Net income recognised directly to equity	-	-	-
Profit for the Three months	-	24,146,001	24,146,001
Total recognised income and expense for three months period	-	24,146,001	24,146,001
Balance as at September 30, 2005	159,778,080	104,946,752	264,724,832
Transfer from surplus on revaluation of property, and plant and equipment on account of incremental depreciation for the year -net off deferred tax	-	4,147,177	4,147,177
Net income recognised directly to equity	-	4,147,177	4,147,177
Profit for the nine months	-	9,552,222	9,552,222
Total recognised income and expense for nine months period	-	13,699,399	13,699,399
Final cash dividend for the nine months period ended June 30, 2005 @ Rs. 1.5/- per share	-	(23,966,712)	(23,966,712)
Balance as at June 30, 2006	159,778,080	94,679,439	254,457,519
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year -net off deferred tax	-	1,025,000	1,025,000
Net income recognised directly to equity	-	1,025,000	1,025,000
Profit for the Three months	-	15,600,880	15,600,880
Total recognised income and expense for three months period	-	16,625,880	16,625,880
Balance as at September 30, 2006	159,778,080	111,305,319	271,083,399

Noor Muhammad Hashim  
Chairman/Chief Executive

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Ahmed Mussa  
Executive Director

**MILLS LIMITED  
SHEET (UNAUDITED)  
SEPTEMBER 30, 2006**

	Note	Sep 30, 2006 Rupees	June 30, 2006 Rupees
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	3	573,171,714	583,252,682
Long term deposits		9,165,101	9,165,101
		582,336,815	592,417,783
<b>CURRENT ASSETS</b>			
Stores, Spares and Loose Tools		13,192,512	12,836,123
Stock in Trade		68,922,665	224,700,342
Trade Debts		28,785,592	77,629,720
Loans & Advances		6,044,568	3,893,497
Trade deposits and prepayments		1,582,263	1,037,313
Advance income tax		13,196,941	12,171,289
Other Receivables		10,705,110	9,920,712
Cash & Bank Balances		1,752,781	1,645,207
		<b>144,182,432</b>	<b>343,834,203</b>
		<b>726,519,247</b>	<b>936,251,986</b>

Ahmed Mussa  
Executive Director

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**QUALITY TEXTILE  
BALANCE  
AS AT**

**QUALITY TEXTILE MILLS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2006**

**1. GENERAL INFORMATION**

- 1.1 Quality Textile Mills Limited (the company) was incorporated in Pakistan on May 03, 1988 as a public limited company under the Companies Ordinance, 1984. The registered office of the company is situated at 24, 2nd Floor, Alibhai Centre, P.E.C.H.S., Block-2, Karachi. The company is currently listed on Karachi Stock Exchange. The principal activity of the company is manufacturing and sale of yarn. The company manufacturing facilities are located at Ferozwattowan in the province of Punjab.
- 1.2 These financial statements are prepared in accordance with the requirements of the International Accounting Standards - 34 'Interim Financial Reporting'.
- 1.3 All accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Company.

	September 30, 2006 Rupees	June 30, 2006 Rupees
<b>2. CONTINGENCY AND COMMITMENT</b>		
<b>Contingency</b>		
Bank guarantee issued to Collector of customs against import license fee on machinery	2,160,000	2,160,000
Bank guarantee in favour of Sui Nothern gas Company Limited	11,011,000	11,011,000
Export bills discounted	7,202,374	7,220,251
Local bills discounted	8,167,080	59,005,000

**Commitments**

Outstanding letters of credit for import of stores items	1,756,750	2,131,200
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	Sep 30, 2006 Rupees	June 30, 2006 Rupees
<b>SHARE CAPITAL AND RESERVES</b>		
<b>Authorized</b>		
26,000,000 Ordinary shares of Rs. 10/- each	260,000,000	260,000,000
Issued, subscribed & Paid Up	159,778,080	159,778,080
Unappropriated Profit	111,305,319	94,679,439
	271,083,399	254,457,519
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
	144,380,828	145,405,828
<b>NON CURRENT LIABILITIES</b>		
Long term financing	29,548,778	38,048,778
Liabilities against assets subject to finance lease	15,024,375	21,744,164
Deferred liabilities	36,095,464	34,745,464
<b>CURRENT LIABILITIES</b>		
Trade and other payables	28,838,875	46,454,571
Interest / mark-up accrued on loans	4,526,842	5,433,610
Short-term financing	106,570,690	301,510,686
Current portion of long term financing	43,500,000	42,600,000
liabilities against assets subject to finance lease	27,612,407	27,405,676
Provision for taxation	19,337,589	18,445,690
	230,386,403	441,850,232
<b>CONTINGENCIES AND COMMITMENTS</b> 2	-	-
	<b>726,519,247</b>	<b>936,251,986</b>

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

Noor Muhammad Hashim  
Chairman/Chief Executive

Karachi:  
October 19, 2006