

# C O N T E N T S



## QUALITY TEXTILE MILLS LIMITED 25<sup>TH</sup> ANNUAL REPORT 2013

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Quality Textile  
Mills Limited

## Company Information

Board Of Directors:	Mr. Noor Muhammad Hashim Mr. Tayyab Noor Muhammad Mr. Muhammad Younus Hashim Mr. Imran M. Younus Miss. Ambrin Noor Mohammad Mr. Kamran M. Younus Mr. Nadia Tayyab	Chairman / Chief Executive Director Director Director Director Director
Audit Committee:	Mr. Tayyab Noor Muhammad Mr. Muhammad Younus Hashim Mr. Imran M. Younus	Chairman Member Secretary
Human Resource & Remuneration Committee:	Mr. Kamran M Younus Mr. Imran M Younus Miss Ambreen Noor Mohammad	Chairman Member Member
Chief Financial Officer / Company Secretary:	Mr. Ali Asghar	
Bankers:	Bank Al-Habib Limited Habib Metropolitan Bank Limited	
Auditors:	M. Yousuf Adil Saleem & Co. Chartered Accountants	
Legal Advisor:	K. A. Wahab Advocate	
Share Registrar:	F. D. Registrar Services (SMC-Pvt) Ltd. 1705, 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi. Tel # 021-35478192-3, Fax # 021-32271905	
Registered Office:	107, Main Korangi Road, Defense Phase I, Karachi. Tel: 0092-21-35802316-35802317 Fax: 0092-21-35890603 Website: <a href="http://www.qualitytextile.com">www.qualitytextile.com</a> Email : <a href="mailto:qualitytextilemills@yahoo.com">qualitytextilemills@yahoo.com</a>	
Business Office	107, Main Korangi Road, Defense Phase I, Karachi. Website: <a href="http://www.qualitytextile.com">www.qualitytextile.com</a> Email : <a href="mailto:qualitytextilemills@yahoo.com">qualitytextilemills@yahoo.com</a> .	
Mills:	26KM, Sheikhpura Faisalabad Road, Ferozwattowan. Distt. Sheikhpura. Fax: 0563-731307 Tel: 0563-731751 & 0563-731341 Email: <a href="mailto:qualitytextilemillskp@yahoo.com">qualitytextilemillskp@yahoo.com</a>	

## Notice of Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting of the shareholders of Quality Textile Mills Limited will be held on Monday October 28, 2013 at 08:30 A.M. at its Registered Office 107, Main Korangi Road, Defense Phase I, Karachi to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on November 28, 2012.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Auditors and Directors reports thereon, for the year ended June 30, 2013.
3. To approve the appointment of auditors and to fix their remuneration for the next year 2013-2014.
4. To approve 20% final cash dividend as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chairman.

By the order of the board  
ALI ASGHAR



Company Secretary

Karachi:

Date: 07-10-2013

### NOTES:

1. The Share Transfer Books of the Company will remain closed from October 22 to October 28, 2013 (both days inclusive), to determine the names of members entitled to attend the meeting. Transfer received in order, at the Share Registrar of the Company at the close of business on October 21, 2013 will be treated in time.
2. The member entitled to attend and vote at the above meeting may appoint a member as proxy to attend and vote in place of the member at the meeting. Proxies in order to be effective must be received at the Share Registrar of the company not later 48 hours before the time of the meeting.
3. Members are requested to notify the Company of any change in their addresses.
4. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC), are requested to bring their original Computerized National Identity Card (CNIC) along with participant's ID number and their account/subaccount numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participation's ID numbers must be deposited along with the Form of Proxy with Share Registrar of the Company. In case of Proxy for corporate members, the Board of Directors' Resolution /Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).



Quality Textile  
Mills Limited

## Directors Report For the Period Ended on June 30, 2013

*Dear Members - Assalam-o-Alekum*

On behalf of my colleagues on the Board, I welcome you to the 25th General Meeting of the Company and present before you the annual report, along with the audited financial statements of the Company, for the year ended June 30, 2013.

### **OPERATING RESULTS**

By the grace of Almighty Allah, financial Year 2012-13 has proved to be satisfactory for the Company despite severe energy and law and order crises. The overall sales of the Company increased by 23.21% from Rs. 2,557 billion from Rs. 2,075 billion during the operations of the year ended June 30, 2013. Gross profit margin of the Company was 12.21% (2012: 10.23%). By the grace of God, your Company has earned pre-tax profit of Rs. 196,226,298/- (2012: Rs. 86,192,773/-) after providing depreciation of Rs. 66,774,627/- and financial charges of Rs. 54,825,544/-.

The financial results for the year shows post tax profit of Rs. 165,974,317/- (2012: Rs. 66,403,328/-). Despite the unfavorable business environment relating to energy and governance in Pakistan the Company has witnessed encouraging results.

### **FUTURE CHALLENGES**

Pakistan's textile industry is facing tough competition from the regional competitors. The cost of doing business in Pakistan is high as compared to other regional competitors. On account of these reasons, the Pakistan textile industry is going through crucial phase. The problems with energy sector are particularly significant and are taking a toll on textile sector productivity. Furthermore, constrained energy sector also increases cost of production of textile commodities as well as results in depressed demand. But there is no denial of the fact that there exists immense potential for growth and development of textile industry. Following are the challenges faced by textile sector in the forthcoming fiscal year:

- Increase in rate of electricity tariff by more than 50% resulting in increase in cost of production.
- The government has announced that no gas will be supplied to industries during the 03 month of current winter season and expected load shedding by WAPDA will force us to close the operation of mill which will affect our production and sales target.
- The government has lower the target of cotton production during the current season to 11.95 million bales from 13.22 million bales due to which upward movement of cotton prices is expected during the year.
- Prevailing adverse law and order situation of the country hampering smooth supply of raw material to factory and finished good to the customers.

### **MODERNIZATION**

During the year the company has imported 08 new set of Toyota RX-30E Ring Frame (long) to replace our existing 16 set of Chinese ring frame as per our programme to modernize the factory with latest ring frame technology. The approximate cost of machinery is around Rs. 160 million which was fully financed from company own resources. As of June 30, 2013, 05 set were under process of installation while 03 sets were under shipment.

### **AUDITORS**

The retiring Auditor M/s. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible has offered themselves for re-appointment for the ensuing year 2013-2014. The audit committee in its meeting held on September 20, 2013 has recommended re-appointment of the retiring auditors.

# Directors Report

## DIVIDEND

The directors are pleased to recommend a final dividend of Rs. 2/- per share i.e. 20%. This will be paid to shareholders on company register of members at the close of business on October 21, 2013.

## PATTERN OF SHARE HOLDING

The pattern of share holding of the company as at June 30, 2013 is annexed.

## Statement On Corporate And Financial Reporting Framework

- a) The financial statements, prepared by the management of the Company, present fairly its state affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last six years have been summarized on page No.06
- i) There are no overdue taxes and levies as on June 30, 2013.
- j) During the year four meetings of the Board of Director were held and attendance by each director is given on page No. 07.
- k) During the year under review, the trading in shares of the Company by the Director is as follows:

	Opening Balance As on 01-07-2012	Purchases	Sales	Closing Balance As on 30-06-2013
Mrs. Nadia Tayyab	51	41,000	-	41,051

## **ACKNOWLEDGEMENT**

The board is pleased to record its appreciation to its bankers for their continued support and also expresses appreciation for the sincerity and hard work of the staff and workers at Mill and Head office and also extends thanks to valued share-holders for their confidence and moral support to the Company.

On Behalf of Board of Directors

**NOOR MUHAMMAD HASHIM**

Chairman / Chief Executive

Karachi

Dated: September 26, 2013



## Financial Highlights

Quality Textile Mills Limited	2008 Rupees	2009 Rupees	2010 Rupees	2011 Rupees	2012 Rupees	2013 Rupees
<b>A Profit &amp; Loss</b>						
Net Sales	1,026,154,394	1,220,867,283	1,584,087,812	2,531,350,888	2,075,429,391	2,557,194,407
Gross Profit	94,994,145	114,489,931	248,570,976	387,285,446	212,237,340	312,214,277
Profit Before Tax	21,544,699	10,877,372	116,712,100	243,654,404	86,192,773	196,226,298
Profit / (Loss) After Tax	(2,317,282)	(2,007,599)	94,998,213	201,186,133	66,403,328	165,974,317
<b>B Cash Out Flows</b>						
Taxes paid	3,053,371	8,949,275	23,550,798	45,381,097	25,107,572	40,715,765
Financial charges paid	50,963,892	69,438,520	70,505,183	95,785,402	67,117,858	67,909,518
Fixed capital expenditure	6,038,850	25,860,840	20,086,635	141,024,932	109,382,033	136,936,602
<b>C Balance Sheet</b>						
Current Assets	388,301,226	388,267,295	378,775,340	566,952,905	807,551,989	604,377,781
Current Liabilities	394,029,475	385,648,450	359,381,801	449,032,205	737,682,884	437,076,382
Operating fixed assets	507,939,807	553,492,895	598,227,606	689,202,487	791,268,396	856,819,552
Total assets	898,406,134	945,080,223	979,168,047	1,258,320,493	1,600,985,486	1,463,362,434
Long term loans	59,000,000	35,400,000	11,800,000	-	-	-
Shareholders' Equity	240,499,559	242,362,818	324,884,702	527,017,910	529,631,707	693,927,871
<b>D Ratio</b>						
Current ratio (As per SBP regulations)	1:1.01	1: 0.99	1 : 0.95	1 : 0.79	1 : 0.91	1 : 0.72
Gross Profit %	9.26	9.38	15.69	15.30	10.23	12.21
Net profit % (before tax)	2.10	0.89	7.37	9.63	4.15	7.67
Earning / (Loss) per share	(0.15)	(0.13)	5.95	12.59	4.16	10.39
Dividend %	0%	0%	15%	35%	15%	20%
<b>E Production Data</b>						
1 No. of Spindles Worked	24,240	24,240	24,240	24,240	24,720	24,720
2 Installed capacity after conversion into 20/s count-Kgs.	7,087,253	7,087,253	7,087,253	7,227,595	7,227,595	7,227,595
3 Actual Production of Yarn after conversion into 20/s count-Kgs.	8,993,721	7,987,172	8,344,247	8,064,290	6,985,911	6,647,606

## Attendance of Board Meeting

**DURING THE YEAR 2012-2013  
(July 2012 to June 2013)**

Name of Directors	Total No. of Board Meeting	No. of Meeting Attended
1 Mr. Noor Muhammad Hashim	4	4
2 Mr. Tayyab Noor Muhammad	4	4
3 Mr. Muhammad Younus Hashim	4	4
4 Miss Ambrin Noor Mohammad	4	4
5 Mr. Imran M. Younus	4	4
6 Mr. Kamran M. Younus	4	4
7 Mrs. Nadia Tayyab Gandhi	4	4



Quality Textile  
Mills Limited

## Detail of Pattern of Share Holding

AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

	SHARES HELD	TOTAL SHARES
<b>NIT and ICP</b>		
Investment Corporation of Paksitan	500	500
<b>Associated Company</b>		
Noor Automobiles (Pvt.) Limited	500,000	500,000
<b>Directors, CEO and their Spouses and Minor Childern</b>		
Noor Muhammad Hashim	7,301,412	
Tayyab Noor Muhammad	5,540,000	
Ambrin Noor Muhammad	1,774,000	
Muhammad Younus Hashim	26,762	
Imran M. Younus	603,487	
Kamran Younus	5,000	
Nadia Tayyab	41,051	15,291,712
<b>Total</b>		
<b>Joint Stock Companies</b>		701
<b>Individual (Gernal Public)</b>		184,895
<b>TOTAL SHARE CAPITAL</b>		<b>15,977,808</b>

### SUMMARY OF SHARE CAPITAL

	No. of Shares Holders	Shares Held
Associated Companies	1	500,000
Director, CEO and their spouse and Minor Children's	7	15,291,712
Banks, DFIs, NBFIs, Insurance Companies, Modaraba and Mutual Fund	1	500
Joint Stock Companies	3	701
Individual	504	184,895
<b>TOTAL SHARE CAPITAL</b>		<b>15,977,808</b>

### Shareholders Holding 5% or More

	Shares Held	% AGE
Noor Muhammad Hashim	7,301,412	45.70
Tayyab Noor Muhammad	5,540,000	34.67
Ambrin Noor Mohammad	1,774,000	11.10



## Pattern of Share Holding

**AS ON JUNE 30, 2013**

Number of Share Holders	From	Share Holding	To	Total Shares Held
164	1	-	100	6,349
177	101	-	500	26,438
156	501	-	1000	99,696
10	1001	-	5000	20,416
2	5001	-	10000	12,556
1	20001	-	25000	20,692
1	40001	-	45000	41,000
1	495001	-	500000	500,000
1	635001	-	640000	635,249
1	1770001	-	1775000	1,774,000
1	5535001	-	5540000	5,540,000
1	7300001	-	7305000	7,301,412
<b>516</b>				<b>15,977,808</b>

S.No.	Categories of Share Holders	Number of Share Holders	Shares Held	Percentage
1	INDIVIDUALS	511	15,476,607	96.86
2	JOINT STOCK COMPANIES	4	500,701	3.13
3	INVESTMENT COMPNIES	1	500	0.00
		<b>516</b>	<b>15,977,808</b>	<b>100.00</b>



# Statement Of Compliance With Best Practices Of The Code Of Corporate Governance

**For the year ended June 30, 2013**

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in listing regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Executive Directors	Mr. Noor Muhammad Hashim Mr. Tayyab Noor Muhammad Ms. Ambrin Noor Muhammad
Non-Executive Directors	Mr. Muhammad Younus Hashim Mr. Imran M. Younus Mr. Kamran Younus Ms. Nadia Tayyab Gandhi

The condition of clause 1(b) of the Code in relation to independent director will be applicable after election of next meeting Board of Directors of the Company in October 2014.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy in the Board occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures. However, the same has not been placed on the Company's website.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members are aware of their responsibilities, rules and regulations on laws affecting the Company as they are on the Board since many years. They have been kept aware of the changes in the corporate laws particularly in the Code of Corporate Governance. Further, two executive directors namely Mr. Tayyab Noor Muhammad and Ms. Ambrin Noor Muhammad attended the Directors' Training Program conducted by The Institute of Chartered Accountants of Pakistan duly approved by Securities and Exchange Commission of Pakistan.

## Statement of Compliance with the Code of Corporate Governance

10. The existing Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit were appointed in the previous years with the approval of board of directors and there is no change to date.
11. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of threemembers of whom two are non-executive directors. Chairman of the audit committee is executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been determined and approved by the Board of Directors and advised to the committee for compliance.
17. The Board has formed anHR and Remuneration Committee. It comprisesof threemembers, of whom two members including Chairman of the committee are non-executive directors.
18. The Board has set up an effective internal audit function. The headof Internal Audit functionis an experienced person for the purpose and is conversant with the policies and procedures of the Company. The management is in process of strengthening the function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with except that the Chairman of the Board of Directors is also the Chief Executive Officer of the Company. However, the reelection of the Chairman of the Board of Directors will be applicable after election of next meeting of Board of Directors of the Company in October 2014.

For and on behalf of the Board of Directors



**NOOR MUHAMMAD HASHIM**  
Chief Executive Officer

Karachi  
September 26, 2013



## Review Report To The Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance (the statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of QUALITY TEXTILE MILLS LIMITED ("the Company") to comply with the Listing Regulations of the Karachi where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi Stock Exchange where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

We draw attention to the paragraph 18 of the statement of compliance regarding internal audit function established by the Company which needs to be strengthened by the Board.

Karachi  
September 26, 2013

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Engagement Partner:  
**Mushtaq Ali Hirani**

## Auditors' Report To The Members

We have audited the annexed balance sheet of QUALITY TEXTILE MILLS LIMITED (the Company) as at June 30, 2013 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the central Zakat Fund established under section 7 of that Ordinance.

Karachi  
September 26, 2013

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Engagement Partner:  
**Mushtaq Ali Hirani**



# Balance Sheet

As At June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	856,819,552	791,268,396
Long term deposits		2,165,101	2,165,101
		858,984,653	793,433,497
<b>CURRENT ASSETS</b>			
Stores and spares	6	21,438,039	8,223,372
Stock-in-trade	7	312,041,497	442,069,309
Trade debts	8	196,129,054	308,501,570
Loans and advances	9	4,051,640	3,093,712
Deposits and short-term prepayments	10	1,429,316	788,405
Advance income tax		50,076,243	30,313,957
Sales tax refundable	11	15,272,513	13,049,079
Cash and bank balances	12	3,939,479	1,512,585
		604,377,781	807,551,989
<b>TOTAL ASSETS</b>		<u>1,463,362,434</u>	<u>1,600,985,486</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued, subscribed and paid up capital	13	159,778,080	159,778,080
General reserve		300,000,000	-
Unappropriated profit		234,149,791	369,853,627
		693,927,871	529,631,707
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	14	221,842,305	228,153,057
<b>NON CURRENT LIABILITIES</b>			
Deferred liabilities	15	110,515,876	105,517,839
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	132,117,893	101,255,409
Accrued interest		3,041,996	16,125,970
Short term borrowings	17	273,239,899	599,946,780
Provision for taxation		28,676,594	20,354,724
		437,076,382	737,682,883
<b>CONTINGENCIES AND COMMITMENTS</b>	18		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,463,362,434</u>	<u>1,600,985,486</u>

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim  
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad  
DIRECTOR



	Note	2013 Rupees	2012 Rupees
Sales - net	19	2,557,194,407	2,075,429,391
Cost of goods sold	20	(2,244,980,130)	(1,863,192,051)
Gross profit		312,214,277	212,237,340
Distribution cost	21	(29,589,546)	(30,714,266)
Administrative expenses	22	(17,411,687)	(14,257,045)
Other operating expenses	23	(17,793,374)	(11,682,623)
Operating results		(64,794,607)	(56,653,934)
Finance cost	24	247,419,670	155,583,406
Other income	25	(54,825,544)	(74,127,118)
Profit before taxation		192,594,126	81,456,288
Taxation	26	3,632,172	4,736,485
Profit after taxation		196,226,298	86,192,773
<b>Other comprehensive income</b>		-	-
Total comprehensive income the year		165,974,317	66,403,328
Earnings per share - Basic & diluted	27	10.39	4.16

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim  
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad  
DIRECTOR



## Profit And Loss Account

### For The Year Ended June 30, 2013

#### A. CASH FLOWS FROM OPERATING ACTIVITIES

	2013 Rupees	2012 Rupees
Profit before taxation	196,226,298	86,192,773
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	66,774,627	65,756,898
Gain on disposal of property, plant and equipment	(2,489,181)	(1,756,952)
Provision for staff retirement benefit	7,460,549	7,103,686
Provision for doubtful sales tax refundable	2,520,870	-
Finance cost	54,825,544	74,127,118
Operating cash flows before movements in working capital	<u>325,318,707</u>	<u>231,423,523</u>

#### Changes in working capital

##### Decrease / (increase) in current assets

Stores and spares	(13,214,667)	876,776
Stock-in-trade	130,027,812	(184,184,165)
Trade debts	112,372,516	(59,709,619)
Loans and advances	(957,928)	(2,139,926)
Deposits and short term prepayments	(640,911)	(563,405)
Sales tax refundable	(4,744,304)	(6,488,612)
	<u>222,842,518</u>	<u>(252,208,951)</u>

##### Increase in current liabilities

Trade and other payables	<u>30,862,484</u>	<u>36,868,895</u>
<b>Cash generated from operations</b>	<u>579,023,709</u>	<u>16,083,467</u>

Finance cost paid	(67,909,518)	(67,117,858)
Income tax paid	(40,715,765)	(25,107,572)
Staff retirement benefit paid	(3,439,145)	(3,473,283)
	<u>(112,064,428)</u>	<u>(95,698,713)</u>

#### Net cash generated from / (used in) operating activities

	<u>466,959,281</u>	<u>(79,615,246)</u>
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#### B. CASH FLOWS FROM INVESTING ACTIVITIES

Additions in property, plant and equipment	(124,771,587)	(120,688,153)
(Addition in) / transfer from capital work in progress	(12,165,015)	11,306,120
Proceed from disposal of property, plant and equipment	7,100,000	4,410,538

#### Net cash used in investing activities

	<u>(129,836,602)</u>	<u>(104,971,495)</u>
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#### C. CASH FLOWS FROM FINANCING ACTIVITIES

Export refinance (repaid) / received	(100,422,479)	101,153,899
Long term financing repaid	-	(11,800,000)
Liabilities against import of machinery repaid	-	(72,403,020)
Morabaha finance received	24,000,000	-
Dividend paid	(7,988,904)	(71,900,136)

#### Net cash paid to financing activities

	<u>(84,411,383)</u>	<u>(54,949,257)</u>
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Net increase / (decrease) in cash and cash equivalents (A+B+C)

	252,711,296	(239,535,998)
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Cash and cash equivalents at beginning of the year

	<u>(360,682,772)</u>	<u>(121,146,774)</u>
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Cash and cash equivalents at end of the year

	<u>(107,971,476)</u>	<u>(360,682,772)</u>
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#### Cash and cash equivalents

Cash and bank balances	3,939,479	1,512,585
Running finances	<u>(111,910,955)</u>	<u>(362,195,357)</u>
	<u>(107,971,476)</u>	<u>(360,682,772)</u>

The annexed notes form an integral part of these financial statements

Noor Muhammad Hashim  
CHIEF EXECUTIVE OFFICER

Tayyab Noor Muhammad  
DIRECTOR



## Cash Flow Statement

### For The Year Ended June 30, 2013

	Share capital	General reserve	Unappropriated profit	Total
	.....Rupees.....			
<b>Balance at July 01, 2011</b>	159,778,080	-	367,239,830	527,017,910
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net off deferred tax	-	-	8,110,605	8,110,605
<b>Comprehensive Income</b>				
Profit for the year ended June 30, 2012	-	-	66,403,328	66,403,328
Other comprehensive income - net of tax	-	-	-	-
Comprehensive income for the year	-	-	66,403,328	66,403,328
<b>Transactions with owners</b>				
Final cash dividend for the year ended June 30, 2011 @ Rs. 3.5 per share	-	-	(55,922,328)	(55,922,328)
Interim dividend for the period ended 31 December 2011 @ Re. 1 per share	-	-	(15,977,808)	(15,977,808)
			(71,900,136)	(71,900,136)
<b>Balance at June 30, 2012</b>	159,778,080	-	369,853,627	529,631,707
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net off deferred tax	-	-	6,310,751	6,310,751
<b>Comprehensive Income</b>				
Profit for the year ended June 30, 2013	-	-	165,974,317	165,974,317
Other comprehensive income - net of tax	-	-	-	-
Comprehensive income for the year	-	-	165,974,317	165,974,317
<b>Transactions with owners</b>				
Final cash dividend for the year ended June 30, 2012 @ Re. 0.5 per share	-	-	(7,988,904)	(7,988,904)
Transferred from unappropriated profit to general reserve	-	300,000,000	(300,000,000)	-
<b>Balance at June 30, 2013</b>	159,778,080	300,000,000	234,149,791	693,927,871

The annexed notes form an integral part of these financial statements



Noor Muhammad Hashim  
CHIEF EXECUTIVE OFFICER



Tayyab Noor Muhammad  
DIRECTOR



# Statement Of Changes In Equity

## For The Year Ended June 30, 2013

### 1. STATUS AND ACTIVITIES

- 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 Company is currently listed on Karachi Stock Exchange. The registered office of the Company is situated at 107, Main Korangi road, Defence Phase I, Karachi in the province of Sindh. The Company's manufacturing facility is located at Ferozwattowan in the province of Punjab. The principal activity of the Company is to manufacture and sale of yarn.
- 1.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

- 2.2 Adoption of New Standards, and Amendments and Interpretations to the published approved accounting standards:

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	Effective for periods beginning on or after
IAS 1 - Presentation of Financial Statements (Amendment)	January 01, 2012

- 2.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective:

The following Standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation	Effective for periods beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information (Amendment)	January 01, 2013
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment Recovery of Underlying Assets (Amendment)	January 01, 2013
IAS 19 - Employee Benefits (Amendment)	January 01, 2013

The amendments eliminate the corridor approach and therefore require an entity to recognize in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. However, management has not performed detailed analysis of the impact of the amendments and hence not yet quantified the extent of the impact.

# Notes To The Financial Statements

For The Year Ended June 30, 2013

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction of a Surface Mine (Amendment)	January 01, 2014
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities of a Surface Mine (Amendment)	January 01, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities of a Surface Mine (Amendment)	January 01, 2013
Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities of a Surface Mine (Amendment)	January 01, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine of a Surface Mine (Amendment)	January 01, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards

IFRS 9 – Financial Instruments

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 27 - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11 (Revised)

IAS 28 - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11 (Revised)

### 3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention modified by:

- revaluation of certain property, plant and equipment
- recognition of certain staff retirement benefits at present value
- financial instruments at fair value

### 3.2 Key accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain key accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:



# Notes To The Financial Statements

For The Year Ended June 30, 2013

- i. Assumptions used for valuation of staff retirement gratuity (note 15.2.3)
- ii. Useful life of property, plant and equipment (note 5.1)
- iii. Impairment in property, plant and equipment (note 4.1)
- iv. Provision for taxation and deferred tax (note 4.10)
- v. Provision for slow moving stores and spares (note 4.2)
- vi. Assumptions used in writing down stock-in-trade to net realizable value (note 4.3)
- vi. Assumptions and estimates used in disclosure for contingencies.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Property, plant and equipment

Property, plant and equipment except land and buildings are stated at cost less accumulated depreciation and impairment in value, if any. Land and buildings are stated at revalued amount and, in case of buildings, these are stated at revalued amount less accumulated depreciation and impairment losses (if any).

Depreciation is charged to income by applying the reducing balance method at the rates specified in note 5.1 to the financial statements.

In respect of additions and disposals during the year, depreciation is charged from the month when the asset is available for use and up to the month preceding the classification as held for sale or derecognition, whichever is earlier, respectively.

Assets residual value, if significant and their useful life are reviewed and adjusted, if appropriate, at each balance sheet date.

Repairs and maintenance costs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Assets are derecognized when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of land and building to the extent of incremental depreciation charged on related assets is transferred by the company to its unappropriated profit net of deferred tax.

### Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

### 4.2 Stores, spares and loose tools

These are valued at the cost. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon upto balance sheet date.

# Notes To The Financial Statements

## For The Year Ended June 30, 2013

### 4.3 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined on the following basis:

#### Raw material:

- in hand                      At Weighted average cost
- in transit                    Invoice value and other charges incurred thereon upto the balance sheet date

**Work in process**            Average manufacturing cost

#### Finished goods

Yarn                              Average manufacturing cost  
Waste                            Net realizable value

Finished goods and work-in-process consist of cost of direct materials, labour and a proportion of manufacturing overheads based on normal capacity. Cost is determined on average manufacturing cost.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to finished condition and for the estimated cost necessary to make the sale.

Where NRV charge subsequently reverses, the carrying value of the inventory is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognized. A reversal of NRV is recognized in the profit and loss account. Goods in transit are valued at cost accumulated to the balance sheet date.

### 4.4 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

### 4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks and short-term running finance.

### 4.6 Employees Benefits Cost

#### Staff retirement gratuity

"The Company operates unfunded gratuity scheme for non-management employees who have completed the minimum qualifying period of service as defined under the respective scheme. Contributions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income. The Company carried out actuarial valuation as at June 30, 2013 using the 'projected unit credit method'."

Actuarial gains and losses are recognized immediately in accordance with IAS-19. Detail of the scheme is given in note 15.2 to financial statements.  
Compensated absences

The Company provides for compensated absences of all eligible employees in the period in which these are earned in accordance with the rules of the Company.

### 4.7 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.



# Notes To The Financial Statements

For The Year Ended June 30, 2013

## **4.8 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to settle the Company's liabilities.

## **4.9 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Sale of goods are recognized on dispatch of goods to customers and title has passed.

Interest income

Profit on bank deposits is recognized on a time proportion basis taking into account, the principal outstanding and rates of profits applicable thereon.

## **4.10 Taxation Current**

The charge for current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### **Deferred**

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

## **4.11 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

## **4.12 Foreign Currencies**

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year.

# Notes To The Financial Statements

For The Year Ended June 30, 2013

## 4.13 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account directly.

## 4.14 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 4.15 Impairment

### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

### Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Reversal of impairment loss is recognized as income.

	Note	2013 Rupees	2012 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	5.1	844,654,537	791,268,396
Capital work in progress			
- Building		7,347,322	-
- Plant and machinery		4,817,693	-
		<u>856,819,552</u>	<u>791,268,396</u>



# Notes To The Financial Statements

For The Year Ended June 30, 2013

## 5.1 Operating assets

Particulars	Cost / revaluation at July 01, 2012	Additions/ (disposals)	Cost / revaluation at June 30, 2013	Accumulated depreciation at July 01, 2012	Depreciation (adjustments) for the year	Accumulated depreciation June 30, 2013	Carrying value at June 30, 2013	Rate of depreciation %
Free-hold land	114,000,000	-	114,000,000	-	-	-	114,000,000	-
Buildings on free hold land								
- Mills	213,995,515	-	213,995,515	68,236,505	14,575,901	82,812,406	131,183,109	10
- Other	66,521,505	11,841,785	78,363,290	12,688,241	2,839,685	15,527,926	62,835,364	5
Office premises	5,692,500	(3,492,500)	2,200,000	1,864,979	179,820 (846,074)	1,198,725	1,001,275	5
Leasehold improvements*	-	5,642,544	5,642,544	-	94,042	94,042	5,548,502	10
Plant and machinery	790,967,544	107,085,558 (15,360,831)	882,692,271	376,722,298	42,661,844 (13,734,534)	405,649,608	477,042,663	10
Generator	80,610,082	-	80,610,082	33,806,361	4,680,372	38,486,733	42,123,349	10
Electric installations	24,872,333	-	24,872,333	21,342,032	353,030	21,695,062	3,177,271	10
Mills equipment	10,916,996	-	10,916,996	9,220,022	169,697	9,389,719	1,527,277	10
Office equipment	2,983,476	201,700	3,185,176	1,654,631	137,334	1,791,965	1,393,211	10
Furniture and fixtures	2,146,600	-	2,146,600	1,118,949	102,765	1,221,714	924,886	10
Vehicles	10,658,330	(1,144,663)	9,513,667	5,442,467	980,137 (806,567)	5,616,037	3,897,630	20
	<b>1,323,364,881</b>	<b>124,771,587</b>	<b>1,428,138,474</b>	<b>532,096,485</b>	<b>66,774,627</b>	<b>583,483,937</b>	<b>844,654,537</b>	
		<b>(19,997,994)</b>			<b>(15,387,175)</b>			

\* This represents cost incurred on office premises owned by an associated undertaking.



## Notes To The Financial Statements

### For The Year Ended June 30, 2013

5.1.2 Had there been no revaluation, the related figures of land and buildings as at June 30, 2013 would have been as follows: -

	<..... 2013 .....>			<..... 2012 .....>		
	Cost	Accumulated Depreciation	Carrying value	Cost	Accumulated Depreciation	Carrying value
----- Rupees -----						
Free-hold land	7,992,616	-	7,992,616	7,992,616	-	7,992,616
Buildings on free-hold land						
- Mills	89,455,359	(64,883,843)	24,571,516	89,455,359	(62,153,675)	27,301,684
- Other	45,634,659	(20,476,342)	25,158,317	33,792,874	(19,619,659)	14,173,215
	<u>143,082,634</u>	<u>(85,360,185)</u>	<u>57,722,449</u>	<u>131,240,849</u>	<u>(81,773,334)</u>	<u>49,467,515</u>

5.1.3 The following assets were disposed off during the year: -

Mode of disposal - by negotiation

Description	Cost	Accumulated depreciation	Carrying value	Sale proceed	Particulars of buyer
----- Rupees -----					
Office premises	3,492,500	846,074	2,646,426	3,500,000	Mrs. Nabeela Begum House No. -D, Block 2, near society office, P.E.C.H.S Karachi.
Plant and machinery	5,760,311	5,150,450	609,861	1,200,000	North Star Textile Mills Limited SB-12, Block 13-B, University road, Karachi.
Plant and machinery	9,600,520	8,584,084	1,016,436	2,000,000	Allah Wasaya Textile Mills Limited 37-A, Tipu Sultan road, Multan.
Vehicles	1,144,663	806,567	338,096	400,000	Imran Khan Street no.7, near Abu Bakar masjid, Ittehad colony, Peshawar.
	<u>19,997,994</u>	<u>15,387,175</u>	<u>4,610,819</u>	<u>7,100,000</u>	
<b>2012</b>	<u>13,762,202</u>	<u>11,108,617</u>	<u>2,653,585</u>	<u>4,410,538</u>	

Quality Textile  
Mills Limited

## Notes To The Financial Statements

For The Year Ended June 30, 2011

Particulars	Cost /		Revaluation for the year	Additions/ (disposals) at July 01, 2011	Revaluation for the year	Cost /		Accumulated depreciation at July 01, 2011	Depreciation (adjustments) for the year	Accumulated depreciation June 30, 2012	Carrying value at June 30, 2012	Rate of depreciation %
	revaluation at July 01, 2011	revaluation at June 30, 2012				revaluation at June 30, 2012	depreciation at July 01, 2011					
Free-hold land	99,750,000	114,000,000	14,250,000	-	-	-	-	-	-	-	114,000,000	-
Buildings on free hold land												
- Mills	174,928,212	213,995,515	39,067,303	-	56,381,871	11,854,634	56,381,871	11,854,634	68,236,505	145,759,010	10	
- Other	58,744,448	66,521,505	7,777,057	-	10,264,230	2,424,011	10,264,230	2,424,011	12,688,241	53,833,264	5	
Office premises	5,692,500	5,692,500	-	-	1,663,530	201,449	1,663,530	201,449	1,864,979	3,827,521	5	
Plant and machinery	684,236,143	790,967,544	-	120,493,603	343,890,759	43,940,156	343,890,759	43,940,156	376,722,298	414,245,246	10	
				(13,762,202)		(11,108,617)		(11,108,617)				
Generator	80,610,082	80,610,082	-	-	28,605,948	5,200,413	28,605,948	5,200,413	33,806,361	46,803,721	10	
Electric installations	24,872,333	24,872,333	-	-	20,949,776	392,256	20,949,776	392,256	21,342,032	3,530,301	10	
Mills equipment	10,916,996	10,916,996	-	-	9,029,405	190,617	9,029,405	190,617	9,220,022	1,696,974	10	
Office equipment	2,831,426	2,983,476	-	152,050	1,516,762	137,869	1,516,762	137,869	1,654,631	1,328,845	10	
Furniture and fixtures	2,146,600	2,146,600	-	-	1,004,765	114,184	1,004,765	114,184	1,118,949	1,027,651	10	
Vehicles	10,615,830	10,658,330	-	42,500	4,141,158	1,301,309	4,141,158	1,301,309	5,442,467	5,215,863	20	
	1,155,344,570	1,323,364,881	61,094,360	120,688,153	477,448,204	65,756,898	477,448,204	65,756,898	532,096,485	791,268,396		
				(13,762,202)		(11,108,617)		(11,108,617)				

Rupees

# Notes To The Financial Statements

For The Year Ended June 30, 2013

			2013 Rupees	2012 Rupees
<b>6.</b>	<b>STORES AND SPARES</b>	<b>Note</b>		
	Stores		12,588,430	8,314,162
	Spares		12,227,877	3,287,478
	Loose tools		11,773	11,773
			24,828,080	11,613,413
	Less: Provision against slow moving and obsolete stores and spares		(3,390,041)	(3,390,041)
			21,438,039	8,223,372
<b>7.</b>	<b>STOCK-IN-TRADE</b>			
	Raw materials		225,905,207	375,365,600
	Work-in-process		16,052,053	17,670,192
	Finished goods		67,960,052	46,032,728
	Waste		2,124,185	3,000,789
			312,041,497	442,069,309
<b>8.</b>	<b>TRADE DEBTS</b>			
	<b>Considered good</b>			
	<b>- Secured</b>			
	- Local	8.1	3,589,373	-
	- Foreign	8.2	138,849,456	192,935,352
			142,438,829	192,935,352
	<b>- Unsecured</b>			
	- Local		53,690,225	115,566,218
			196,129,054	308,501,570
8.1	These are secured against inland letters of credit.			
8.2	These are secured against export letters of credit.			
8.3	Trade receivables are non-interest bearing and are generally for 30 - 120 days terms.			
8.4	<b>Ageing of past due but not impaired</b>			
	As at June 30, 2013, trade debts of Rs. 13.46 million (2012: Rs. 4.69 million) were past due but not impaired. These relate to a number of independent customers for whom there is a no recent history of default. The ageing analysis of of these trade debts is as follows:			
	121 - 365 days		10,376,425	2,120,791
	Above 365 days		3,084,125	2,576,779
			13,460,550	4,697,570
<b>9.</b>	<b>LOANS AND ADVANCES</b>			
	<b>- Considered good</b>			
	Loan to employees - interest free		439,796	261,483
	<b>Advances</b>			
	- to suppliers		3,237,589	2,816,285
	- for letters of credit, margin and expenses		374,255	15,944
			3,611,844	2,832,229
			4,051,640	3,093,712
<b>10.</b>	<b>DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
	Godown deposit		225,000	225,000
	Short term prepayments		1,204,316	563,405
			1,429,316	788,405
<b>11.</b>	<b>SALES TAX REFUNDABLE</b>			
	Sales tax refundable		17,793,383	13,049,079
	Less: provision against doubtful refundable		(2,520,870)	-
			15,272,513	13,049,079





Quality Textile  
Mills Limited

# Notes To The Financial Statements

For The Year Ended June 30, 2013

Recent Revaluation of free-hold land and buildings (mills and other) was carried out on June 30, 2012 by independent valuers M/s. Iqbal A. Nanjee & Company Surveyors and Valuation Consultants (Private) Limited on the basis of depreciated replacement values except for land which is valued at current market rates in surrounding area. Revaluation surplus has been credited to surplus on revaluation of property, plant and equipment account after netting off incremental depreciation and related deferred tax liability.

5.	<b>DEFERRED LIABILITIES</b>	<b>Note</b>	<b>2013 Rupees</b>	<b>2012 Rupees</b>
	Deferred taxation	5.1	93,599,132	92,622,499
	Staff retirement gratuity	5.2	16,916,744	12,895,340
			<u>110,515,876</u>	<u>105,517,839</u>
<b>15.1</b>	<b>Deferred tax</b>			
	<b>Deferred tax liabilities arising on taxable temporary differences:</b>			
	Accelerated depreciation allowance on property, plant and equipment		69,647,026	71,262,068
	Surplus on revaluation of property, plant and equipment		28,453,720	35,971,703
			98,100,746	107,233,771
	<b>Deferred tax assets arising in respect of deductible temporary differences:</b>			
	Provision for staff retirement gratuity		(3,335,982)	(2,933,690)
	Provision for slow-moving and obsolete stores and spares		(668,516)	(771,234)
	Provision for doubtful refund		(497,116)	-
	Minimum tax to be absorbed		-	(10,906,348)
			<u>(4,501,614)</u>	<u>(14,611,272)</u>
	Net deferred tax liability		<u>93,599,132</u>	<u>92,622,499</u>
<b>5.2</b>	<b>Staff retirement gratuity</b>			
<b>15.2.1</b>	<b>Movement in the present value of defined benefit obligation</b>			
	Defined benefit obligation at beginning of the year		12,895,340	9,264,937
	Current service cost		5,784,155	5,213,512
	Interest cost		1,676,394	1,111,792
	Benefit paid during the year		(3,439,145)	(3,473,283)
	Actuarial loss recognised		-	778,382
	Defined benefit obligation at end of the year		<u>16,916,744</u>	<u>12,895,340</u>
<b>15.2.2</b>	<b>Charge for the year</b>			
	Current service cost		5,784,155	5,213,512
	Interest cost		1,676,394	1,111,792
	Actuarial loss recognised		-	778,382
			<u>7,460,549</u>	<u>7,103,686</u>
<b>15.2.3</b>	<b>Principal assumption used in valuation of staff retirement gratuity</b>			
	Discount rate (% per annum)		13	13
	Expected rate of increase in salaries (% per annum)		11	11
<b>15.2.4</b>	<b>Liability recognized in the balance sheet</b>			
			<b>2013 Rupees</b>	<b>2012 Rupees</b>
			<b>2011 Rupees</b>	<b>2010 Rupees</b>
			<b>2009 Rupees</b>	
	Actuarial net liability		<u>16,916,744</u>	<u>12,895,340</u>
			<u>9,264,937</u>	<u>7,401,590</u>
			<u>5,173,195</u>	



# Notes To The Financial Statements

For The Year Ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors	16.1	13,269,288	12,014,487
Accrued expenses		76,017,319	55,784,880
Advance from customers		20,335,841	24,500,650
Workers' profit participation fund	16.2	12,083,061	5,820,953
Workers' welfare fund	23.1	7,708,834	866,582
Unclaimed dividend		614,589	597,124
Withholding income tax		2,088,961	1,670,733
		<u>132,117,893</u>	<u>101,255,409</u>

**16.1** Trade payables are non-interest bearing and are normally settled between 30 - 90 days terms.

## **16.2 Workers' profit participation fund**

Balance at July 01		5,820,953	13,135,439
Interest on fund utilized in Company's business (note 24)	16.2.1	737,308	3,205,305
		<u>6,558,261</u>	<u>16,340,744</u>
Paid during the year		(5,247,412)	(15,130,586)
		<u>1,310,849</u>	<u>1,210,158</u>
Allocation for the year		10,772,212	4,610,795
Balance at June 30		<u>12,083,061</u>	<u>5,820,953</u>

**16.2.1** Interest on fund is charged @ 13.5% (2012 : 26.3%) per annum.

## **17. SHORT-TERM BORROWINGS**

### **From banking companies - secured**

Running finances	17.1	111,910,955	362,195,357
Export refinances	17.2	137,328,944	237,751,423
Morabaha finance	17.3	24,000,000	-
		<u>273,239,899</u>	<u>599,946,780</u>

**17.1** Running finances obtained from a banking company are subject to markup ranging from 10.31% to 13.23% (2012: 12.91% to 14.79%) per annum payable quarterly. These are secured by way of first pari passu hypothecation charge on movable assets, stocks and receivables of the Company and personal guarantee of all the directors. The aggregate unavailed facilities of running finance is amounted to Rs. 523.09 million (2012: Rs. 572.9 million).

**17.2** Export refinance obtained from banking companies and are subject to markup ranging from 2.8% to 4.0% (2012: 3.75% to 5.25%) per annum. These are secured against export letters of credit held under lien and personal guarantee of directors. The aggregate unavailed facilities of export refinance is amounted to Rs. 188.47 million (2012: Rs. 88.0 million).

**17.3** The Murabaha finances obtained from banking companies are subject to profit rate ranging from 9.45% to 11.0% per annum and are secured against pledge of raw cotton and personal guarantee of directors. The aggregate unavailed short-term Murabaha facilities amounted to Rs. 976 million (2012: Rs. 250 million).

# Notes To The Financial Statements

For The Year Ended June 30, 2013

		2013	2012
		Rupees	Rupees
<b>18.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	<b>18.1 Contingencies</b>		
	- Bank guarantee in favour of Sui Northern Gas Pipeline Limited	16,903,000	16,903,000
	- Post dated cheques issued to Collector of Customs as input sales tax against import of machinery	14,355,430	-
	<b>18.2 Commitments</b>		
	Outstanding letters of credit		
	- Plant and machinery	60,341,600	-
	- Stores and spares	-	2,429,100
	Local bills discounted with recourse	67,495,659	27,996,120
	Export bills discounted with recourse	182,075,995	-

Discounted local and export bills are secured by way of lien on letters of credit and bills under collection. The total unavailed facility of local and export documentary bills purchased is Rs. 160.4 million (2012: Rs. 382.01 million)

## 19. SALES - NET

Yarn			
Local	1,429,762,291	1,217,504,045	
Export	749,761,697	739,796,276	
Indirect export	379,936,119	100,525,591	
	2,559,460,107	2,057,825,912	
<b>Waste</b>	50,747,907	52,533,250	
	<u>2,610,208,014</u>	<u>2,110,359,162</u>	
<b>Less:</b>			
Sales tax @ 2% on local sales [from March 01, 2013 to June 30, 2013]	12,579,669	-	
Brokerage commission	40,433,938	34,929,771	
	<u>(53,013,607)</u>	<u>(34,929,771)</u>	
	<u>2,557,194,407</u>	<u>2,075,429,391</u>	

## 20. COST OF GOODS SOLD

Cost of goods manufactured	20.1	2,266,030,850	1,784,906,448
Finished goods		49,033,517	127,319,120
Opening stock		(70,084,237)	(49,033,517)
Closing stock		(21,050,720)	78,285,603
		<u>2,244,980,130</u>	<u>1,863,192,051</u>

# Notes To The Financial Statements

For The Year Ended June 30, 2013

20.1 COST OF GOODS MANUFACTURED	Note	2013 Rupees	2012 Rupees
Raw material consumed	20.1.1	1,611,261,232	1,344,177,659
Yarn consumed	20.1.2	236,882,378	78,775,100
Power and fuel		166,747,629	141,847,647
Salaries, wages and benefits	20.1.3	114,594,042	87,563,712
Depreciation	5.1.1	65,807,253	64,850,222
Packing material		30,126,773	27,900,515
Stores and spares		23,094,856	22,713,392
Insurance		8,711,415	7,797,134
Repairs and maintenance		5,645,004	11,114,442
Other manufacturing overheads		1,542,129	1,466,205
		<u>2,264,412,711</u>	<u>1,788,206,028</u>
Work-in-process			
Opening stock		17,670,192	14,370,612
Closing stock		(16,052,053)	(17,670,192)
		<u>1,618,139</u>	<u>(3,299,580)</u>
		<u>2,266,030,850</u>	<u>1,784,906,448</u>
<b>20.1.1 RAW MATERIAL CONSUMED</b>			
Opening stock		375,365,600	116,195,412
Purchases and purchase expenses		1,461,800,839	1,603,347,847
		<u>1,837,166,439</u>	<u>1,719,543,259</u>
Closing stock		(225,905,207)	(375,365,600)
		<u>1,611,261,232</u>	<u>1,344,177,659</u>

20.1.2 Yarn of Rs. 236.882 (June 30, 2012: Rs. 78.775) million is purchased and reprocessed in doubling unit.

20.1.3 Salaries, wages and benefits include Rs. 7,012,946 (2012 : Rs. 6,677,465/-) in respect of staff retirement gratuity.

## 21. DISTRIBUTION COST

Staff salaries and benefits	21.1	1,203,474	810,396
Cartage and transportation		16,526,109	17,765,806
Ocean freight		6,015,117	6,944,727
Clearing and forwarding		2,884,262	2,375,399
Export development surcharge		1,595,964	1,647,518
Stamp charges		1,364,620	1,170,420
		<u>29,589,546</u>	<u>30,714,266</u>

21.1 Staff salaries and benefits include Rs. 99,474 (2012 : Rs. 94,716/-) in respect of the staff retirement benefits.





# Notes To The Financial Statements

For The Year Ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
<b>22. ADMINISTRATIVE EXPENSES</b>			
Director's remuneration		1,680,000	1,680,000
Staff salaries and benefits	22.1	5,979,144	5,554,205
Provision against doubtful refundable		2,520,870	-
Depreciation	5.1.1	967,374	906,676
Fees and subscription		890,141	599,072
Printing and stationery		880,410	931,504
Auditors' remuneration	22.2	830,000	781,000
Vehicles running		808,218	718,726
Postage and telephone		623,561	526,832
Traveling and conveyance		588,340	1,266,620
Utilities		541,208	318,480
Legal and professional		305,000	125,900
Others		797,421	848,030
		<u>17,411,687</u>	<u>14,257,045</u>

22.1 Staff salaries and benefits include Rs. 348,159 (2012 : Rs. 331,505/-) in respect of the staff retirement benefits.

<b>22.2 AUDITORS' REMUNERATION</b>			
Audit fee		600,000	600,000
Half yearly review fee		110,000	100,000
Other certifications fee		70,000	45,000
Out of pocket expenses		50,000	36,000
		<u>830,000</u>	<u>781,000</u>
<b>23. OTHER OPERATING EXPENSES</b>			
Workers' welfare fund	23.1	7,708,423	959,908
Workers' profit participation fund	16.2	10,772,212	4,610,795
Exchange (gain)/loss - net		(687,261)	6,111,920
		<u>17,793,374</u>	<u>11,682,623</u>

23.1 The amendments introduced in the Worker's Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) was challenged in the Honorable Sindh High Court (the Court) and Lahore High Court. In 2012, Lahore High Court struck down the method for calculating Worker's Welfare Fund (WWF) on accounting profit and the Company was expecting the same opinion from the Court on the same subject. Therefore, Company make provision @ 2% on taxable income for tax year 2012 and reverse the excess provisions made on the basis of accounting profit for tax year 2011. During the year, the Court has decided the said petitions and held that the amendments do not suffer from any constitutional or legal infirmity. Consequently, in current year, the Company charge an amount of Rs. 7.708 million out of which Rs. 2.752 million and Rs. 0.876 million pertain to June 30, 2011 and June 30, 2012 respectively.

<b>24. FINANCE COST</b>			
Interest on:			
Long-term financing		-	637,370
Short-term borrowings		18,417,051	58,565,179
Local and export bills discounted		8,797,473	5,078,131
Morabaha Financing		20,634,068	-
Workers' profit participation fund	16.2	737,308	3,205,305
Bank charges and commission		6,239,644	6,641,133
		<u>54,825,544</u>	<u>74,127,118</u>

# Notes To The Financial Statements

For The Year Ended June 30, 2013

25.	OTHER INCOME	Note	2013 Rupees	2012 Rupees
	<b>Income from financial assets</b>			
	Profit on bank deposits		5,271	12,056
	<b>Income from assets other than financial assets</b>			
	Gain on disposal of property, plant and equipment		2,489,181	1,756,952
	Insurance claim		901,870	-
	Scrap sales		235,850	214,600
	Reversal from workers' welfare fund		-	2,752,877
			<u>3,632,172</u>	<u>4,736,485</u>
26.	<b>TAXATION</b>			
	Current			
	for the year	26.1	28,676,594	20,354,724
	for prior years		598,750	4,648,362
	Deferred tax charge / (reversal)		976,637	(5,213,641)
			<u>30,251,981</u>	<u>19,789,445</u>
26.1	The tax liability of the Company comprises of taxable income under normal tax regime and final tax regime on exports. Normal tax is calculated on taxable income at current rate of taxation after taking into account applicable tax credits, rebates and exemption available. Tax on income covered under final tax regime is calculated at the rates 1% (2012: 1%) on export sales under section 154 of Income Tax Ordinance 2001.			
26.2	<b>Relationship between tax expense and accounting profit</b>			
	Accounting profit - before tax		196,226,298	19,789,445
	Tax @ 35%		68,679,204	6,926,306
	Effect of:			
	Expenses that are deductible in determining taxable profit		(4,888,191)	(6,926,306)
	Income subject to final tax regime / minimum tax		(26,581,404)	13,705,629
	Income chargeable to tax at reduced rates			
	- Export sales		11,296,978	6,649,095
	- Tax rebates		(10,708,556)	-
	Adjustment of income tax for prior years in respect of:			
	- Current tax		598,750	4,648,362
	- Deferred tax (June 30, 2013: include Rs. 2.95 million for tax rate adjustment)		976,637	(5,213,641)
	Minimum tax credit		(9,121,437)	-
	Tax charge for the year		<u>30,251,981</u>	<u>19,789,445</u>
27.	<b>EARNINGS PER SHARE</b>			
	<b>- Basic and diluted</b>			
	Profit after taxation		165,974,317	66,403,328
	Weighted average number of ordinary shares outstanding during the year		15,977,808	15,977,808
	Earnings per share		10.39	4.16

27.1 There is no dilutive effect on the basic earnings per share of the company.



# Notes To The Financial Statements

For The Year Ended June 30, 2013

## 28. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amount charged in the financial statements for remuneration for all benefits to the Chief Executive officer and Directors of the Company are as follows:

	<b>2013</b>		
	<b>Chief Executive officer</b>	<b>Directors</b>	<b>Executives</b>
Remuneration	480,000	640,000	1,720,000
House rent allowance	216,000	288,000	774,000
Other allowances	24,000	32,000	86,000
	<u>720,000</u>	<u>960,000</u>	<u>2,580,000</u>
Number of person(s)	1	2	2

  

	<b>2012</b>		
	<b>Chief Executive officer</b>	<b>Directors</b>	<b>Executives</b>
Remuneration	480,000	640,000	1,178,960
House rent allowance	216,000	288,000	530,532
Other allowances	24,000	32,000	58,948
	<u>720,000</u>	<u>960,000</u>	<u>1,768,440</u>
Number of person(s)	1	2	2

Chief Executive Officer and directors of the Company are entitled to use of Company vehicle whose maintenance costs are borne by them.

## 29. TRANSACTIONS WITH RELATED PARTIES

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 Note 28.

The Company utilized portion of office premises of its associated undertaking as its Head office without any charge from May 2013 to June 2013.

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

The company finance its operation through equity, borrowings and management of working capital with a view to maintaining an approximate mix between various sources of finance to minimize risk. Taken as a whole, the company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

		<b>2013</b>	<b>2012</b>
		<b>Rupees</b>	<b>Rupees</b>
Financial assets as per balance sheet measured at amortised cost			
Long-term deposits		2,165,101	2,165,101
Trade debts	8	196,129,054	308,501,570
Loans and advances	9	439,796	261,483
Trade deposits	10	225,000	225,000
Cash and bank balances	12	<u>3,939,479</u>	<u>1,512,585</u>
		<u>202,898,430</u>	<u>312,665,739</u>

# Notes To The Financial Statements

For The Year Ended June 30, 2013

	Note	2013 Rupees	2011 Rupees
Financial liabilities as per balance sheet measured at amortised cost			
Trade and other payables	16	89,901,196	68,396,491
Accrued interest		3,041,996	16,125,970
Short-term borrowings	17	273,239,899	599,946,780
		<u>366,183,091</u>	<u>684,469,241</u>

## 31. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities, comprise short term borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has trade and other receivables, loans, advances and deposits and cash (in hand and with banks) that arrive directly from its operations.

This note presents information about the nature and extent of risk to which the Company is exposed, in particular those arising from financial instruments and the risk management framework of the Company. The principal financial risks the Company is exposed to are credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

### 31.1 Credit risk and concentration of credit risk

Credit risk represent the accounting loss that would be recognised at the reporting date if the counter party to the financial instrument fail to perform as contracted. Out of total financial assets (note 29) of Rs. 202,898,430 (2012 : Rs. 312,665,739), the financial assets which are subject to credit risk amounted to Rs. 202,777,734 (2012: Rs. 312,421,376)

The maximum exposure to credit risk as at June 30, 2013, along with comparative is tabulated below:

<b>Financial assets</b>		
Long-term deposits	2,165,101	2,165,101
Trade debts	196,129,054	308,501,570
Loans and advances	439,796	261,483
Trade deposits	225,000	225,000
Cash and bank balances	3,818,783	1,268,222
	<u>202,777,734</u>	<u>312,421,376</u>

#### 31.1.1 Credit risk related to receivables

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Company has a policy of dealing with creditworthy counter parties. Outstanding customer receivables are regularly monitored and shipments to major customers are generally covered by letters of credit or post dated cheques, which is used as a mean of mitigating the risk of financial loss from defaults.

#### Concentration of credit risk related to receivables

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Company does not have significant credit risk exposure to single counterparty or any group of counterparties having similar characteristics. Company defines counterparties as having similar characteristics if they are related entities. However, geographically, there is no concentration of credit risk .



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# Notes To The Financial Statements

For The Year Ended June 30, 2013

## 31.1.2 Credit risk related to financial instruments and cash deposits

The Company credit risk is primarily attributable to its bank balances. The credit risk on bank balances is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash at bank as per credit rating agencies are as follows:

Name of the Bank	Credit Rating	
	Short term	Long term
National Bank of Pakistan	A-1+	AAA
Habib Metropolitan Bank Limited	A 1 +	AA+
Bank Al Habib Limited	A 1 +	AA+
Askari Bank Limited	A 1 +	AA
MCB Bank Limited	A 1 +	AA+
Habib Bank Limited	A 1 +	AA+
Meezan Bank Limited	A-1+	AA

The total credit risk related to financial instrument and cash deposit which the company is exposed to amounting to Rs. 3,818,783 (2012 : 1,268,222)

## 31.2 Liquidity risk management

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity requirements. Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Unavailed facilities that the Company has at its disposal to further reduce liquidity risk are disclosed in Note 16.

### 31.2.1 Liquidity and interest risk

The table below analysis how management monitors net liquidity based on details of the remaining contractual maturities of the financial assets and financial liabilities. The amount disclosed are the contractual undiscounted cash flows.

	Interest rate	"Less than 1 month"	"1 - 3 months"	" 3 months - 1 years"	Total
< ----- Rupees ----- >					
<b>2013</b>					
Trade and other payables		-	112,325,998	19,791,895	132,117,893
Interest / mark-up accrued		3,041,996	-	-	3,041,996
Short term borrowings	2.75% to 13.23%	111,910,955	161,328,944	-	273,239,899
		<u>114,952,951</u>	<u>273,654,942</u>	<u>19,791,895</u>	<u>408,399,788</u>
<b>2012</b>					
Trade and other payables		-	94,567,874	6,687,535	101,255,409
Interest / mark-up accrued		16,125,970	-	-	16,125,970
Short term borrowings	3.75% to 14.79%	362,195,357	237,751,423	-	599,946,780
		<u>378,321,327</u>	<u>332,319,297</u>	<u>6,687,535</u>	<u>717,328,159</u>

# Notes To The Financial Statements

## For The Year Ended June 30, 2013

### 31.3 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

The company is exposed to interest rate risk and foreign exchange risk.

#### 31.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term debt obligations with floating interest rates.

##### Interest rate sensitivity

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2013 would decrease / increase by Rs. 1,676,390 (2012: Rs.1,623,452/-). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

#### 31.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

##### Foreign currency sensitivity analysis

At June 30, 2013, Company has no foreign currency risk because Company has obtained export refinance under FE 25 scheme which transfer the currency risk to the lender.

### 31.4 Determination of fair values

#### (a) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction. The carrying amount of the financial assets and liabilities reflected in the financial statements approximate their fair values.

#### (b) Fair value hierarchy

The Company has adopted the amendments to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This amendment requires fair value measurement disclosures using following three level fair value hierarchy that reflects the significance of the inputs used in measured fair value of financial instruments.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company has no items to report in this level.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any investment in any of the category.



# Notes To The Financial Statements

For The Year Ended June 30, 2013

## 32. CAPITAL DISCLOSURE

The objective of the Company when managing capital is to safeguard the company's ability to continue as going concern so that it can continue to provide returns for shareholders and benefit for other stake holders and to maintain a strong capital base to support the sustained development of its business. Company's significant objectives, policies and processes for managing capital are as follows:

- Company is not subject to any externally imposed capital requirements.
- Company sets the amount of capital in proportion to the risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.
- Consistently with others in the industry, the Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity i.e. share capital and unappropriated profits.
- The Company finances its projects through equity and borrowings with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The debt-to-adjusted capital ratio at June 30, 2013 and June 30, 2012 were as follows:

	<b>2013</b>	<b>2012</b>
	<b>Rupees</b>	<b>Rupees</b>
Total debts	273,239,899	599,946,780
Less: Cash and bank balances	<u>3,939,479</u>	<u>1,512,585</u>
Net debt	269,300,420	598,434,195
Total equity	<u>693,927,871</u>	<u>529,631,707</u>
Adjusted capital	<u>963,228,291</u>	<u>1,128,065,902</u>
Debt-to-adjusted capital ratio	0.28	0.53

The decrease in the debt-to-adjusted capital ratio during 2013 resulted primarily from reduction in the level of short term borrowings at balance sheet date.

## 33. OPERATING SEGMENTS

"Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Company has been identified as the chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments. Chief Executive Officer considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis".

## Notes To The Financial Statements

### For The Year Ended June 30, 2013

		2013		2012
<b>34. PLANT CAPACITY AND ACTUAL PRODUCTION</b>				
<b>- Spinning unit</b>				
Number of spindles installed		24,720		24,720
Average number of spindles worked		21,079		21,295
Number of shifts per day		3		3
Installed capacity after conversion into 20/s count-Kgs		7,227,595		7,227,595
Actual production of yarn after conversion into 20/s count-Kgs		6,647,606		6,985,911
<b>- Doubling unit</b>				
Number of spindles installed		960		960
Average number of spindles worked		408		145
Installed capacity for doubling yarn per day - Kgs		5,897		5,897
Installed capacity for doubling yarn per year - Kgs		2,152,318		2,152,318
Actual production of double yarn- Kgs		913,998		325,728

It is difficult to describe precisely the production capacity and compare it with actual production in the textile industry since its fluctuates widely depending upon various factors such as count of yarn spun, spindles speeds, twist per inch, raw material used, etc.

#### 35. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

Average number of employees during the year	851	862
Number of employees as at June 30	872	870

#### 36. NON-ADJUSTING EVENT

The Board of Directors in its Meeting held on September 26, 2013 proposed a final dividend of Rs.2/- (2012: Rs. 0.50) per share for the year ended June 30, 2013, amounting to Rs. 31,955,616 (2012: Rs. 7,988,904) for approval of the members at the Annual General Meeting. These financial statements do not reflect these appropriations and the proposed dividend payable.

#### 37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 26, 2013 by the Board of Directors of the Company.

#### 38. GENERAL

- Certain corresponding figures have been reclassified for the purpose of better presentation.
- Figures have been rounded off to the nearest Rupee.



Noor Muhammad Hashim  
CHIEF EXECUTIVE OFFICER



Tayyab Noor Muhammad  
DIRECTOR



PROXY FORM 

**FORM OF PROXY**  
**25th ANNUAL GENERAL MEETING**

I/We.....of..... in  
the district of .....being Members (s) of  
Quality Textile Mills Limited hereby appoint Mr. .... of

.....  
As my / our vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be  
Held on October 28, 2013 at the company's Registered Office 107, Main Korangi Road, Defense Phase I., Karachi,  
and adjournment thereof.

As witness my / our hand this.....day of

.....  
signed by the said.....

in the presence .....

Please  
Affix Rupees  
five revenue  
stamp

Please quote folio number

**Important:** This Instrument a proxy duly complete, must be received at the Share Registrar of the  
Company not later than 48 hours before the time of meeting.