

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/ COMPANY SECRETARY

Mr. Atif Khalil

BANKERS:

Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited

AUDITORS:

M. Yousuf Adil Saleem & Co.
Chartered Accountants

LEGAL ADVISOR:

M. Hassan Akbar

REGISTERED OFFICE:

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

BUSINESS OFFICE

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

MILLS:

26KM, Sheikhpura Faisalabad Road,
Ferozwattowan
Distt. Sheikhpura.
Tel : 0563-731-751 & 0563-731-341
Fax : 0563-731-307
E-mail : qualitytextilemillskp@yahoo.com

Chairman's Review December 31, 2006

The directors of your company present the unaudited financial statement for the Half Year ended on December 31, 2006, along with the review report of the external auditors.

During Six months under review total production converted into 20/1 were **4,152,857 Kg** and gross sales amounted to **Rs. 447,891,158/-** including export sales of **Rs. 89,554,065/-**. The company earned after tax profit of **Rs. 8,474,964** during the period under review.

The six months period ended on December 31, 2006 were difficult as during the current cotton season the cotton prices reaches up to Rs. 2,650/- per pound due to high demand and low supply of cotton in our country. The estimated consumption of cotton is approximately 150 millions bales while the production is approximately 125 millions bales which cause a gap in demand and supply of cotton in the country. 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. During current quarter from October to December 2006, the Company has incurred after tax loss of **Rs. 8,098,719/-** and this loss may increase in future periods if the input cost remains high due to high raw material costs, high labor cost and frequent increase in power and fuel prices. The whole textile industry is suffering the same crisis and waiting for Government to take necessary steps to get the industry out of the crisis. 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 and Government takes measures then it is hoped that the financial results of the Company will improve in the remaining period of this year.

Due to low profitability, no interim dividend has been declared during the period under review.

By the grace of God your mills operated smoothly throughout the half year 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 Bankers Bank Al-Habib Limited, Habib Bank Limited, Habib 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 :
February 15, 2007

5. COST OF GOODS SOLD

	-----Six Months-----		-----Three Months-----	
	December 31, 2006 Rupees (July-December)	December 31, 2005 Rupees (October-December)	December 31, 2006 Rupees (October-December)	December 31, 2005 Rupees (October-December)
Opening stock - finished goods	27,284,966	11,276,621	16,639,763	12,500,000
Cost of goods manufactured (5.1)	412,755,324	390,475,398	218,904,139	208,459,229
Closing stock- finished goods	(42,106,294)	(14,350,342)	(42,106,294)	(14,350,342)
	<u>397,933,996</u>	<u>387,401,677</u>	<u>193,437,608</u>	<u>206,608,887</u>

5.1 Cost of goods manufactured

Raw material consumed	314,800,252	294,262,706	168,994,130	160,690,668
Packing material consumed	5,864,621	5,935,854	3,252,231	3,310,172
Stores and spares consumed	6,298,292	9,206,315	3,306,215	4,007,286
Salaries, wages and benefits	25,132,907	21,788,954	14,644,060	10,954,059
Power and fuel	33,935,047	39,026,576	17,541,190	19,179,569
Insurance	2,200,000	2,400,000	1,050,000	1,200,000
Repairs and maintenance	1,069,976	270,077	444,435	119,652
Other manufacturing overheads	508,270	356,182	156,590	149,537
Depreciation	21,863,161	18,141,824	11,718,958	9,973,356
	<u>411,672,526</u>	<u>391,388,488</u>	<u>221,107,809</u>	<u>209,584,299</u>
Work-in-process				
Opening stock	8,834,640	7,374,995	5,548,172	7,163,015
Closing stock	(7,751,842)	(8,288,085)	(7,751,842)	(8,288,085)
	<u>1,082,798</u>	<u>(913,090)</u>	<u>(2,203,670)</u>	<u>(1,125,070)</u>
	<u>412,755,324</u>	<u>390,475,398</u>	<u>218,904,139</u>	<u>208,459,229</u>

6. RELATED PARTY TRANSACTIONS

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

	December 31, 2006 Rupees	December 31, 2005 Rupees
Remuneration to:		
Chief Executive	240,000	240,000
Directors	210,000	210,000
Other key management personnel	405,600	1,030,200

7. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorised for issue on _____ by the Board of Directors of the company.

Noor Muhammad Hashim
Chief Executive Officer

Ahmed Mussa
Director

QUALITY TEXTILE MILLS LIMITED
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	-----Six months-----		-----Three months-----	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
	Rupees	Rupees	Rupees	Rupees
Note	(July-December)		(October-December)	
Sales	443,476,930	446,563,481	206,089,725	227,930,057
Cost of goods sold	5 (397,933,996)	(387,401,677)	(193,437,608)	(206,608,887)
Gross Profit	<u>45,542,934</u>	<u>59,161,804</u>	<u>12,652,117</u>	<u>21,321,170</u>
Other operating income	<u>482,128</u>	<u>484,632</u>	<u>328,573</u>	<u>484,632</u>
	<u>46,025,062</u>	<u>59,646,436</u>	<u>12,980,690</u>	<u>21,805,802</u>
Distribution expenses	(4,932,219)	(4,458,680)	(2,247,561)	(2,571,331)
Administration expenses	(3,912,937)	(3,945,183)	(2,043,658)	(2,443,137)
Other operating expenses	(936,896)	(1,581,867)	-	(407,974)
Finance cost	(22,049,707)	(19,781,380)	(11,705,502)	(11,745,273)
Profit/(loss) before taxation	<u>14,193,303</u>	<u>29,879,326</u>	<u>(3,016,031)</u>	<u>4,638,087</u>
Provision for taxation	(5,718,339)	(7,109,518)	(5,082,688)	(6,014,219)
Profit/(loss) after taxation	<u>8,474,964</u>	<u>22,769,808</u>	<u>(8,098,719)</u>	<u>(1,376,132)</u>
Earnings per share - Basic and diluted	0.53	1.43	(0.51)	(0.09)

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

Noor Muhammad Hashim
Chief Executive Officer

Karachi:

Ahmed Mussa
Director

QUALITY TEXTILE MILLS LIMITED
CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	Six months (July-December)	
	December 31, 2006	December 31, 2005
	Rupees	Rupees
A. Cash Flows From Operating Activities		
Profit before taxation	14,193,303	29,879,326
Adjustment for:		
Depreciation	22,114,643	18,413,362
Provision for gratuity	1,200,000	1,200,000
Financial cost	22,049,707	19,781,380
Gain on sale of property, plant and equipment	-	(66,280)
Operating cash flows before working capital changes	<u>59,557,653</u>	<u>69,207,788</u>
Changes in working capital		
(Increase)/decrease in current assets		
Stores, spares and loose tools	476,202	(1,975,662)
Stock in trade	(139,368,917)	(175,489,763)
Trade debts	19,133,589	(27,431,673)
Loans and advances	(4,803,001)	(12,113,858)
Trade deposits and short term prepayments	(4,208,300)	(69,350)
Other receivables	2,790,120	(1,442,322)
Increase/(Decrease) in current liabilities		
Trade and other payables	<u>3,638,278</u>	<u>30,503,917</u>
	<u>(122,342,029)</u>	<u>(188,018,711)</u>
Cash generated from operations	(62,784,376)	(118,810,923)
Financial charges paid	(21,566,558)	(18,085,854)
Gratuity paid	-	(878,950)
Tax paid	<u>(2,403,752)</u>	<u>(919,156)</u>
Net cash used in operating activities	<u>(86,754,686)</u>	<u>(138,694,883)</u>
B. Cash Flows From Investing Activities		
Fixed capital expenditure	(95,000)	(68,429,596)
Proceeds from disposal of property, plant and equipment	-	125,000
Long-term deposits	<u>2,000,000</u>	<u>(5,000,000)</u>
Net cash from/(used in) investing activities	<u>1,905,000</u>	<u>(73,304,596)</u>
C. Cash Flows From Financial Activities		
Long term loan acquired	103,000,000	-
Lease finance obtained	-	50,000,000
Repayment of long-term loans	(63,648,778)	(18,500,000)
Repayment of finance lease	(13,265,108)	(4,857,122)
Short term finance obtained	74,852,114	213,945,504
Dividend paid	(15,875,317)	(23,840,598)
Net cash from financing activities	<u>85,062,911</u>	<u>216,747,784</u>
Net increase in cash and cash equivalents (A+B+C)	213,225	4,748,305
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>1,858,432</u>	<u>6,546,266</u>

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

Noor Muhammad Hashim
Chief Executive Officer

Ahmed Mussa
Director

**QUALITY TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	Share capital	Un- appropriated profit	Total
	-----Rupees-----	-----Rupees-----	-----Rupees-----
Balance as at July 1, 2005	159,778,080	80,800,751	240,578,831
Final cash dividend for nine months period ended June 30, 2005 @ Re. 1.5 per share	-	(23,966,712)	(23,966,712)
Transferred from surplus on revaluation of property plant and equipment on account of incremental depreciation for the period-net of deferred tax	-	1,916,469	1,916,469
Net expense recognised directly to equity	-	(22,050,243)	(22,050,243)
Profit for the period ended December 31, 2005	-	22,769,808	22,769,808
Total recognised income and expense for the period	-	719,565	719,565
Balance as at December 31, 2005	159,778,080	81,520,316	241,298,396
Transferred from surplus on revaluation of property plant and equipment on account of incremental depreciation for the period-net of deferred tax	-	2,230,708	2,230,708
Net income recognised directly to equity	-	2,230,708	2,230,708
Profit for the period ended June 30, 2006	-	10,928,415	10,928,415
Total recognised income and expense for the period	-	13,159,123	13,159,123
Balance as at June 30, 2006	159,778,080	94,679,439	254,457,519
Final cash dividend for nine months period ended June 30, 2006 @ Re. 1 per share	-	(15,977,808)	(15,977,808)
Transferred from surplus on revaluation of property plant and equipment on account of incremental depreciation for the period-net of deferred tax	-	2,442,661	2,442,661
Net expense recognised directly to equity	-	(13,535,147)	(13,535,147)
Profit for the period ended December 31, 2006	-	8,474,964	8,474,964
Total recognised income and expense for the period	-	(5,060,183)	(5,060,183)
Balance as at December 31, 2006	<u>159,778,080</u>	<u>89,619,256</u>	<u>249,397,336</u>

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

Noor Muhammad Hashim
Chief Executive Officer

Ahmed Mussa
Director

Karachi

**MILLS LIMITED
SHEET (UNAUDITED)
DECEMBER 31, 2006**

		Unaudited Dec 31, 2006	Audited June 30, 2006
		Rupees	Rupees
PROPERTY, PLANT AND EQUIPMENT	4	561,233,040	583,252,682
LONG TERM DEPOSITS		7,165,101	9,165,101
CURRENT ASSETS			
Stores, spares and loose tools		12,359,921	12,836,123
Stock in trade		364,069,259	224,700,342
Trade debts		58,496,131	77,629,720
Loans & advances		8,696,498	3,893,497
Trade deposits and short term prepayments		5,245,613	1,037,313
Advance income tax		14,575,041	12,171,289
Other receivables		7,130,592	9,920,712
Cash & bank balances		1,858,432	1,645,207
		472,431,487	343,834,203
		<u>1,040,829,628</u>	<u>936,251,986</u>

Ahmed Mussa
Director

**QUALITY TEXTILE
BALANCE
AS AT**

	Note	Unaudited Dec 31, 2006 Rupees	Audited June 30, 2006 Rupees
SHARE CAPITAL AND RESERVES			
Authorized			
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		89,619,256	94,679,439
		249,397,336	254,457,519
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
		142,963,167	145,405,828
NON CURRENT LIABILITIES			
Long term financing	2	101,400,000	38,048,778
Liabilities against assets subject to finance lease		7,476,177	21,744,164
Deferred liabilities		39,467,035	34,745,464
CURRENT LIABILITIES			
Trade and other payables		50,195,340	46,454,571
Interest / mark-up accrued on loans		5,916,761	5,433,610
Short-term borrowings		376,362,800	301,510,686
Current portion of			
Long term financing liabilities against assets subject to finance lease		18,600,000	42,600,000
Provision for taxation		28,408,555	27,405,676
		20,642,457	18,445,690
		500,125,913	441,850,233
CONTINGENCIES AND COMMITMENTS			
	3	-	-
		1,040,829,628	936,251,986

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

Noor Muhammad Hashim
Chief Executive Officer

Karachi:

**QUALITY TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

1. SELECTED EXPLANATORY NOTES

- 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 Karachi in the Province of Sindh. The Company is currently listed on Karachi Stock Exchange. The Company's manufacturing facilities are located at Ferozwattowan in the Province of Punjab. The principal business of the Company is manufacturing and sale of yarn.
- 1.2 The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.
- 1.3 The financial statements have been prepared under the historical cost convention modified by:-
 - revaluation of certain property, plant and equipment
 - certain financial instruments at fair value
 - recognition of certain employees retirement benefits at present value
- 1.4 These financial statements are unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 1.5 The accounting policies and methods of computation followed in the preparation of the half year financial statements are the same as those of the published annual financial statements for the year ended June 30, 2006.

2. LONG TERM FINANCING

	Long term finances	Demand Finance	Term Finance-I	Term Finance-II	December 31, 2006	June 30, 2006
	-----Rupees-----					
Banking companies-Secured						
Opening balance	22,000,00	58,648,778	-	-	80,648,778	118,648,778
Obtained during the period	-	-	60,000,000	43,000,000	103,000,000	-
	22,000,00	58,648,778	60,000,00	43,000,000	183,648,778	118,648,778
Paid during the period	(5,000,00)	(58,648,778)	-	-	(63,648,778)	(38,000,000)
	17,000,000	-	60,000,00	43,000,000	120,000,000	80,648,778
Payable within one year shown under current liabilities	(10,000,000)	-	-	(8,600,000)	(18,600,000)	(42,600,000)
	7,000,000	-	60,000,00	34,400,000	101,400,000	38,048,778

Terms:

	10 Half year	20 Quarterly	16 Quarterly
No. of installments	10	20	16
Installment period	As per schedule	As per schedule	As per schedule
Installment amount	As per schedule	As per schedule	As per schedule
Commencement of first installment	December, 2003 and April 2005	March, 2008	March, 2007
Interest rate/mark-up	6 months treasury bills + 3%	6 months treasury bill + 3%	6 months KIBOR + 1%
	Floor of 5.50%	Floor of 5.50%	-
Sub note	2.1	2.2	2.2

Securities:

- 2.1 These finances are secured against financial guarantee from Bank Al-Habib Limited issued on behalf of the company.
- 2.2 These finances are secured by 1st Charge over factory property (including land, building, plant & machinery) located at Sheikhpura by way of equitable mortgage and lien over sponsor's ordinary shares of the company and personal guarantee of all directors.

	December 31, 2006 Rupees	June 30, 2006 Rupees
3. CONTINGENCIES AND COMMITMENTS		
3.1 Contingencies		
Bank guarantee issued to Collector of customs against import licence 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	37,987,178	7,220,251
Local bills discounted	54,084,374	59,005,000
3.2 Commitments		
Outstanding letters of credit for import of store items	6,825,903	2,131,200

4. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPEMENT

During the period following addition and deletion were made:

	December 31, 2006		June 30, 2006	
	Acquisitions/ Additions	Disposal (W.D.V)	Acquisitions/ Disposal	Disposal (W.D.V)
	-----Rupees-----			
Operating assets				
Owned				
Building on free hold land-Mills	148,312	-	-	-
Plant and machinery	6,449,449	-	9,257,672	-
Building on free hold land	-	-	3,603,830	-
Office equipment	95,000	-	679,475	-
Vehicle	-	-	39,000	223,103
Leased				
Generator	-	-	66,417,791	-
Capital work in progress				
Plant and machinery	-	-	5,509,820	-
Civil work	-	-	148,312	-

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of QUALITY TEXTILE MILLS LIMITED as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, here-in-after referred to as "financial statements", for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue report on these statements based on our review. Separate figures of the profit loss account for the quarter ended December 31, 2006 and December 31, 2005 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagement ISRE-2400 applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance about whether the above said statements are free of any material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi :
February 15, 2007