

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
COMPANY SECRETARY	Mr. Asif Mahmood FCA, FCIS, FITM, FICS, APA	
CHIEF FINANCIAL OFFICER	Mr. Anwar Hussain, FCA	
AUDIT COMMITTEE	Mr. Bilal Sharif Mr. Khurram Salim Mr. Mohammad Shakeel	Chairman Member Member
AUDITORS	M/s. Mushtaq & Co. Chartered Accountants 407- Commerce Centre, Hasrat Mohani Road, Karachi-74200	
LEGAL ADVISOR	Mr. Shahid Pervaiz Jamil	
BANKERS	ABN Amro Bank Citi Bank, N.A. Habib Bank Limited Hong Kong and Shanghai Banking Corp. Ltd. Standard Chartered Bank MCB Bank Limited United Bank Limited Bank of Punjab	
REGISTERED OFFICE:	Umer Chambers, 10/2, Bilmoria Street, Off. I.I. Chundrigar Road, Karachi. Tel: (021) 2635916-17 Fax: (021) 263-7826 E-mail: khioff@umergroup.com Website: www.umergroup.com	
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MILLS AT:	Unit I, is situated at Kotri, District Dadu, Ph: 0221-870013 Unit II & III, is situated at Feroz Watwan, Sheikhpura, Punjab Ph: 0496-731728	

BHANERO TEXTILE MILLS LIMITED

DIRECTORS REVIEW

The directors have pleasure in submitting financial statements (Reviewed) for the second quarter ended on December 31, 2006 in accordance with the requirements of section 245 of the Companies Ordinance, 1984.

FINANCIAL RESULTS

Allhumdulilah, the financial results of your company for the second quarter are better as compared to the second quarter of the last year. The company has earned a net profit after tax at Rs. 96.148 million (December 2005: Rs. 50.291million). The net sales of the second quarter stood at Rs. 1,680.741 million (December 2005: Rs. 926.305 million) with a slight decline in gross profit margin. The growth in net sales is about 80% as compared to the sales of the corresponding period of the last year which is due to the contribution of weaving unit. All operating expenses have increased in the normal trend except the financial cost which is increased exorbitantly. The earning per share for the second quarter stood at Rs. 32.05 (December 2005: Rs. 16.76).

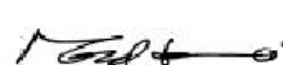
YEAR UNDER REVIEW

The cost of input of raw material is high causing squeezed profit margins and tight liquidity position. The management is deeply conscious of changing textile environment in the global markets. The exorbitant increase in the tariff of gas supply is also a factor of increase in cost of sales. As a matter of fact the cost of doing business in Pakistan is getting higher and higher which need to be control by the Government. The management of the company is not hopeful for better results this year.

THANKS AND GRATITUDE.

Your directors would like to place their appreciation of the cooperation of the financial institutions and dedication shown by the executives, officers, staff members and workers of the company in the performance of their duties. The directors do hope that it will continue in future.

On behalf of the Board



MOHAMMAD SALIM
(CHIEF EXECUTIVE / DIRECTOR)

Karachi: February 26, 2007

MUSHTAQ & CO.
CHARTERED ACCOUNTANTS

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Hasrat Mohani Road,
Karachi-74200,
Pakistan

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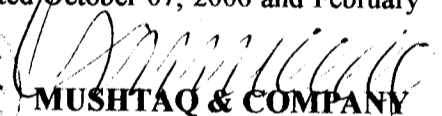
REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Bhanero Textile Mills Limited** ("the Company") 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 the "financial statements") for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2005 and 2006 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides 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 approved accounting standards as applicable in Pakistan.

The financial statements of the company for the year ended June 30, 2006 / six months period ended December 31, 2005 were audited and reviewed respectively by another firm of Chartered Accountants who had expressed unqualified opinions thereon vide their reports dated October 07, 2006 and February 27, 2006 respectively.


MUSHTAQ & COMPANY
CHARTERED ACCOUNTANTS

KARACHI:

DATED: 26 FEB 2007

BHANERO TEXTILE MILLS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2006 (UNAUDITED)

	Note	December 31 2006	June 30 2006
	Rupees.....	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 6,000,000 (June 2006 : 6,000,000) ordinary shares of Rs. 10 each		60,000,000	60,000,000
Issued, subscribed and paid up capital	4	30,000,000	30,000,000
General reserves		650,000,000	650,000,000
Unappropriated profits		145,818,136	57,169,995
		825,818,136	737,169,995
Loan from sponsors	5	100,000,000	-
NON CURRENT LIABILITIES			
Long-term financing - secured		938,016,846	1,114,285,713
Liabilities against assets subject to finance lease		-	15,914,163
Long-term murabaha		26,136,363	37,045,454
Deferred liabilities		140,749,748	109,232,515
CURRENT LIABILITIES			
Trade and other payables		179,291,222	304,413,327
Mark-up accrued on loans and other payables		22,411,114	28,223,127
Short-term borrowings - secured		644,091,574	516,338,225
Current portion of :-			
Long term financing		279,341,007	145,714,287
Liabilities against assets subject to finance lease		36,384,050	40,336,284
Long term murabaha		21,818,182	21,818,182
Provision for taxation		16,926,935	-
		1,200,264,084	1,056,843,432
CONTINGENCIES AND COMMITMENTS	6	-	-
		3,230,985,177	3,070,491,272

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

Muhammad Salim
Chief Executive

BHANERO TEXTILE MILLS LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2006 (UNAUDITED)

	Note	December 31 2006	June 30 2006
ASSETS	Rupees.....	
FIXED ASSETS			
Property, plant and equipment	7	2,056,904,753	2,127,525,460
Capital work in progress		26,745,100	23,915,325
		2,083,649,853	2,151,440,785
LONG TERM INVESTMENTS		400,000	400,000
LONG TERM LOANS - SECURED		4,020,914	6,187,334
LONG TERM DEPOSITS		2,282,551	9,295,044
CURRENT ASSETS			
Stores, spares and loose tools		27,651,883	24,508,294
Stock in trade		562,007,403	594,035,718
Trade debts		389,805,281	180,966,914
Loans and advances		25,326,654	22,462,822
Trade deposits and short-term prepayments		36,436,535	19,195,814
Other receivables		1,203,796	166,573
Taxation		53,064,781	37,973,124
Cash and bank balances		45,135,526	23,858,850
		1,140,631,859	903,168,109
		3,230,985,177	3,070,491,272

Muhammad Shakeel
Director

BHANERO TEXTILE MILLS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UNAUDITED)

	Six months period ended		Quarter ended	
	December 31 2006	December 31 2005	December 31 2006	December 31 2005
Rupees.....	Rupees.....	
Sales	1,680,740,914	926,305,285	849,363,809	517,143,773
Cost of goods sold	1,394,442,866	747,029,935	730,544,685	425,469,521
Gross profit	286,298,048	179,275,350	118,819,124	91,674,252
Distribution costs	12,233,202	8,678,445	6,656,925	5,522,036
Administrative expenses	23,910,181	19,941,733	12,043,161	9,831,181
Other operating expenses	7,412,586	4,284,805	2,711,367	1,851,966
Finance costs	104,568,524	67,600,999	47,966,787	41,324,294
	148,124,493	100,505,982	69,378,240	58,529,477
	138,173,555	78,769,368	49,440,884	33,144,775
Other income	883,847	149,753	293,363	42,454
Profit before taxation	139,057,402	78,919,121	49,734,247	33,187,229
Provision for taxation				
Current period	16,926,935	9,263,054	5,691,607	2,162,276
Prior period	-	(634,568)	-	(269,716)
Deferred	25,982,326	20,000,000	25,982,326	10,000,000
	42,909,261	28,628,486	31,673,933	11,892,560
Profit after taxation	96,148,141	50,290,635	18,060,314	21,294,669
Earnings per share - basic and diluted	32.05	16.76	6.02	7.10

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

Muhammad Salim
Chief Executive

Muhammad Shakeel
Director

BHANERO TEXTILE MILLS LIMITED

CASH FLOW STATEMENT

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UNAUDITED)

	Note	December 31 2006	December 31 2005
	Rupees.....	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		139,057,402	78,919,121
Adjustments for:			
Depreciation on property, plant and equipment		100,133,194	58,003,830
Provision for employees' benefits		6,780,000	5,100,000
Infrastructure fee		631,732	2,657,117
Gain due to change in the fair value of investments available for sale		-	(32,500)
(Gain) / loss on disposal of property, plant and equipment		(852,030)	(116,414)
Finance cost		104,568,524	67,600,999
Operating cash flows before changes in working capital		350,318,822	212,132,153
Changes in working capital		(321,958,771)	(21,401,184)
Cash generated by operations		28,360,051	190,730,969
Finance cost paid		(110,380,537)	(49,083,308)
Employees' benefits paid		(1,876,825)	(3,618,164)
Income taxes refunded / (paid)		(19,364,383)	6,911,420
Long term loans		2,166,420	(1,138,591)
Long term deposits		7,012,493	50,000
		(122,442,832)	(46,878,643)
Net cash used in operating activities		(94,082,781)	143,852,326
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,690,000	630,000
Purchase of property, plant and equipment		(33,180,232)	(735,844,727)
Net cash used in investing activities		(31,490,232)	(735,214,727)
Receipt of long term financing		-	400,000,000
Payment of long term financing		(42,642,147)	(10,000,000)
Payment of long term murabaha		(10,909,091)	(10,909,091)
Loan from sponsors		100,000,000	-
Payment of liability against assets subject to finance lease		(19,866,397)	(18,712,269)
Short term bank borrowings		127,753,349	884,103,953
Dividend paid		(7,486,025)	(15,000,000)
Net cash from financing activities		146,849,689	1,229,482,593
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		21,276,676	638,120,192
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		23,858,850	12,223,409
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		45,135,526	650,343,601

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

Muhammad Salim
Chief Executive

Muhammad Shakeel
Director

BHANERO TEXTILE MILLS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UNAUDITED)

Note	Share Capital	General Reserves	Unappropriated Profits	Total
				Rupees.....
Balance as at July 01, 2005	30,000,000	550,000,000	58,699,324	638,699,324
Profit for the six months period ended December 31, 2005	-	-	50,290,635	50,290,635
Final dividend for the period ended June 30, 2005 Rs 5 per share	-	-	(15,000,000)	(15,000,000)
Balance as at December 31, 2005	30,000,000	550,000,000	93,989,959	673,989,959
Balance as at July 01, 2006	30,000,000	650,000,000	57,169,995	737,169,995
Profit for the six months period ended December 31, 2006	-	-	96,148,141	96,148,141
Final dividend for the year ended June 30, 2006 Rs 2.5 per share	-	-	(7,500,000)	(7,500,000)
Balance as at December 31, 2006	30,000,000	650,000,000	145,818,136	825,818,136

Muhammad Salim
Chief Executive

Muhammad Shakeel
Director

BHANERO TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UNAUDITED)

1 STATUS AND ACTIVITIES

The Company was incorporated as a public limited company on March, 1980 under the Companies Act, 1913 (now Companies Ordinance, 1984) and its shares are listed on all stock exchanges in Pakistan. The principal business of the Company is manufacturing and sale of yarn and woven fabrics.

2 BASIS OF PREPARATION

2.1 These financial statements have been prepared in accordance with the directives issued by the Securities and Exchange Commission of Pakistan and are in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and being submitted to shareholders as required by section 245 of the Companies

These financial statements have been prepared under "Historical Cost Convention" except for certain financial assets which are stated at fair value and employee benefits accounted for in accordance with the International Accounting Standard - 19 "Employee Benefits".

These interim financial statements are unaudited. However, a limited scope review of these interim financial statements has been performed by the auditors of the Company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim financial statements are consistent with those applied in the preparation of the published financial statements of the Company for the year ended June 30, 2006.

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31 2006	June 30 2006		December 31 2006	June 30 2006
.....Number of shares.....		Rupees.....	
1,762,500	1,762,500	ordinary shares of Rs. 10 each fully paid in	17,625,000	17,625,000
1,237,500	1,237,500	ordinary shares of Rs. 10 each fully paid as bonus shares	12,375,000	12,375,000
3,000,000	3,000,000		30,000,000	30,000,000

5 LOAN FROM SPONSORS

The above loan is unsecured, interest free and not repayable in the next twelve months.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is no material change in contingencies as disclosed in the notes to the financial statements for the year ended June 30, 2006 except for the professional tax which was imposed by provincial government. The Honorable Supreme Court of Pakistan decided the case in favor of provincial government. The company is now providing/paying professional tax.

6.2 Commitments

Letters of credit	14,200,000	65,010,831
Civil Works	25,000,000	6,000,000
	39,200,000	71,010,831

BHANERO TEXTILE MILLS LIMITED

7 PROPERTY, PLANT AND EQUIPMENT	December 31 2006	June 30 2006
Rupees.....	
Written down value at the beginning of the period	2,127,525,460	1,043,294,021
Additions during the period		
Owned		
Freehold land	-	20,152,814
Building on freehold land	1,564,613	193,778,626
Building on leasehold land	-	14,092,329
Office premises on freehold land	-	48,484,708
Office premises on leasehold land	-	3,992,935
Plant and machinery	4,139,249	927,074,191
Ventilation system	1,461,897	-
Boilers	17,500,000	-
Electric installation	-	32,047,844
Factory Equipment	-	912,300
Office equipments	-	260,655
Computers and accessories	-	254,650
Furniture and fixtures	-	1,046,234
Vehicles	5,684,700	7,419,189
	30,350,459	1,249,516,475
Written down value of assets disposed off	(837,970)	(2,333,079)
Depreciation	(100,133,194)	(162,951,957)
	2,056,904,755	2,127,525,460

8 **BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of associated undertakings, employee benefits plan and key management personnel. The transactions with related parties during the current period generally consist of sales and purchases. Nature and description of significant related party transactions along with monetary values are as

8.1 **Transactions**

Categories	Relationship	Nature of transactions	Six months period ended	
			December 31 2006	December 31 2005
		Rupees.....	
Associated undertakings	Common directorship	Purchases	97,249,661	35,584,987
		Sales	199,243,181	364,272,905
		Services provided	3,424,112	5,827,900
		Electricity charges	49,423,375	109,421,068
Employee benefits	Defined benefit plan - gratuity	Provision	6,780,000	5,100,000

BHANERO TEXTILE MILLS LIMITED

	December 31 2006	December 31 2005
Rupees.....	
8.2 Outstanding balances		
Employees benefits payable	<u>38,981,146</u>	<u>32,613,676</u>
9 CHANGES IN WORKING CAPITAL		
Operating cash flows before changes in working capital		
(Increase)/decrease in current assets		
Inventories	28,884,726	24,880,671
Trade debts	(208,838,367)	(12,390,985)
Loans and advances	(2,863,832)	(2,158,787)
Trade deposits and short term prepayments	(17,240,721)	(9,120,025)
Other receivables	(1,037,223)	(2,362,294)
Taxation	4,272,726	(22,143,171)
	<u>(196,822,691)</u>	<u>(23,294,591)</u>
Increase / (decrease) in trade and other payables	(125,136,080)	1,893,407
	<u>(321,958,771)</u>	<u>(21,401,184)</u>

10 DATE OF AUTHORIZATION FOR ISSUE

These six months period financial statements were authorized for issue on February 26, 2007 by the Board of Directors of the Company.

11 DIVIDEND

The Company has paid cash dividend at the rate of 25% (i.e. Rs. 2.5 per share) on ordinary shares as approved in 27th Annual General Meeting held on October 31, 2006.

12 OTHERS

There are no other significant activity since June 30, 2006 affecting the financial statements.

13 GENERAL

13.1 Figures have been rounded off to the nearest rupee.

13.2 Corresponding figure has been re-arranged to reflect more appropriate presentation for the purpose of comparisic

Muhammad Salim
Chief Executive

Muhammad Shakeel
Director