

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 | |
| LIAISON / CORRESPONDENCE OFFICE: | 9th Floor, City Towers, 6-K, Main Boulevard, Gulberg II, Lahore Tel: (042) 111-130-130 Fax: (042) 5770015 E-mail: lhroff@umergroup.com Website: www.umergroup.com | |
| 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 un-audited financial statements for the third quarter ended on March 31, 2007 in accordance with the requirements of section 245 of the Companies Ordinance, 1984.

FINANCIAL RESULTS

Allhumdulilah, the financial results of your company for the third quarter are better as compared to the third quarter of the last year. The company has earned a net profit after tax at Rs. 111.296 million (March 2006: Rs. 107.158 million). The net sales of the third quarter crossed the target of multi billion and stood at Rs. 2.632 billion (March 2006: Rs. 1.776 billion) with a slight decline in gross profit margin. The growth in net sales is about 48.21% 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 has increased due to addition of weaving unit. The earning per share for the third quarter stood at Rs. 37.10 (March 2006: Rs. 35.72).

YEAR UNDER REVIEW

The cost of input is high causing squeezed profit spread and tight liquidity position. The parity of cotton verses yarn is not encouraging. The management is deeply conscious of changing textile environment in the global markets. 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 International market is also depressed and the profit margin on the orders has narrow down due to competition. 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: April 27, 2007.



BHANERO TEXTILE MILLS LIMITED

**BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31 , 2007**

| <u>EQUITY AND LIABILITIES</u> | March 31, 2007 Rupees | June 30, 2006 Rupees |
|--|--------------------------------------|-------------------------------------|
| <u>SHARE CAPITAL AND RESERVES</u> | | |
| Authorized capital | | |
| 6,000,000 (June 30, 2006 : 6,000,000) ordinary shares of Rs.10 each | 60,000,000 | 60,000,000 |
| Issued, subscribed and paid up share capital | 30,000,000 | 30,000,000 |
| General Reserves | 650,000,000 | 650,000,000 |
| Unappropriated profits | 160,966,001 | 57,169,995 |
| | 840,966,001 | 737,169,995 |
| Loan from Sponsors - unsecured | 4 100,000,000 | - |
| <u>NON CURRENT LIABILITIES</u> | | |
| Long-term financing - secured | 5 855,873,988 | 1,114,285,713 |
| Liabilities against assets subject to finance lease | - | 15,914,163 |
| Long-term murabaha | 6 21,727,272 | 37,045,454 |
| Deferred liabilities | 152,442,912 | 109,232,515 |
| | 1,030,044,172 | 1,276,477,845 |
| <u>CURRENT LIABILITIES</u> | | |
| Trade and other payables | 171,106,824 | 304,413,327 |
| Mark-up accrued on loans | 15,930,172 | 28,223,127 |
| Short-term borrowings - secured | 732,774,302 | 516,338,225 |
| Current portion of long term borrowing | 343,598,442 | 207,868,753 |
| | 1,263,409,740 | 1,056,843,432 |
| CONTINGENCIES AND COMMITMENTS | 7 - | - |
| | 3,234,419,913 | 3,070,491,272 |

The annexed notes form an integral part of these financial statements


**MOHAMMAD SALIM
CHIEF EXECUTIVE**



BHANERO TEXTILE MILLS LIMITED

**BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31 , 2007**

| <u>ASSETS</u> | March 31, 2007 Rupees | June 30, 2006 Rupees |
|---|--------------------------------------|-------------------------------------|
| <u>FIXED ASSETS</u> | | |
| Property, plant and equipment | 8 2,016,806,362 | 2,127,525,460 |
| Capital work-in-progress | 22,496,852 | 23,915,325 |
| | 2,039,303,214 | 2,151,440,785 |
| | | |
| <u>LONG-TERM LOANS</u> | 5,074,658 | 6,187,334 |
| | | |
| <u>LONG-TERM DEPOSITS</u> | 2,282,551 | 9,295,044 |
| | | |
| <u>LONG-TERM INVESTMENT</u> | 400,000 | 400,000 |
| | | |
| <u>CURRENT ASSETS</u> | | |
| Stores, spares and loose tools | 33,177,902 | 24,508,294 |
| Stock in trade | 706,809,645 | 594,035,718 |
| Trade debts | 298,247,475 | 180,966,914 |
| Loans and advances | 33,370,131 | 39,003,450 |
| Trade deposits and short term prepayments | 67,859,959 | 19,195,814 |
| Other receivables | 662,435 | 166,573 |
| Taxation | 16,124,405 | 21,432,496 |
| Bank balances | 31,107,538 | 23,858,850 |
| | 1,187,359,490 | 903,168,109 |
| | | |
| | 3,234,419,913 | 3,070,491,272 |

**MOHAMMAD SHAHKEEL
DIRECTOR**

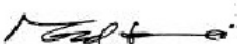


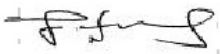
BHANERO TEXTILE MILLS LIMITED

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2007**

| | <u>NINE MONTHS ENDED</u> | | <u>QUARTER ENDED</u> | |
|--|--------------------------|-----------------------|-----------------------|-----------------------|
| | March 31, 2007 | March 31, 2006 | March 31, 2007 | March 31, 2006 |
| | -----Rupees----- | | -----Rupees----- | |
| Sales (Net) | 2,631,651,599 | 1,775,608,419 | 950,910,685 | 849,303,134 |
| Cost of goods sold | <u>2,245,165,562</u> | <u>1,451,317,339</u> | <u>850,722,696</u> | <u>704,287,404</u> |
| Gross profit | 386,486,037 | 324,291,080 | 100,187,989 | 145,015,730 |
| Other operating income | <u>884,150</u> | <u>1,931,027</u> | <u>303</u> | <u>1,781,274</u> |
| | 387,370,187 | 326,222,107 | 100,188,292 | 146,797,004 |
| Distribution cost | <u>19,537,159</u> | <u>15,311,569</u> | <u>7,303,957</u> | <u>6,633,124</u> |
| Administrative expenses | <u>34,340,281</u> | <u>29,432,746</u> | <u>10,430,100</u> | <u>9,491,013</u> |
| Other operating expenses | <u>9,231,277</u> | <u>8,228,159</u> | <u>1,818,691</u> | <u>3,943,354</u> |
| Finance cost | <u>150,648,949</u> | <u>118,833,731</u> | <u>46,080,425</u> | <u>51,232,732</u> |
| | 213,757,666 | 171,806,205 | 65,633,173 | 71,300,223 |
| Profit before taxation | 173,612,521 | 154,415,902 | 34,555,119 | 75,496,781 |
| Provision for taxation | | | | |
| Current Period | <u>26,316,515</u> | <u>17,892,045</u> | <u>9,389,580</u> | <u>8,628,991</u> |
| Prior Period | <u>-</u> | <u>(634,568)</u> | <u>-</u> | <u>-</u> |
| Deffered | <u>36,000,000</u> | <u>30,000,000</u> | <u>10,017,674</u> | <u>10,000,000</u> |
| | 62,316,515 | 47,257,477 | 19,407,254 | 18,628,991 |
| Profit after taxation | 111,296,006 | 107,158,425 | 15,147,865 | 56,867,790 |
| Earnings per share - basic and diluted | <u>37.10</u> | <u>35.72</u> | <u>5.05</u> | <u>18.96</u> |

The annexed notes form an integral part of these financial statements


MOHAMMAD SALIM
CHIEF EXECUTIVE

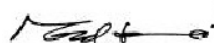

MOHAMMAD SHAHKEEL
DIRECTOR

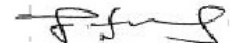


BHANERO TEXTILE MILLS LIMITED

CASH FLOW STATEMENT (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2007

| | MARCH 31, 2007 Rupees | MARCH 31, 2006 Rupees |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 173,612,521 | 154,415,902 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 151,106,236 | 104,275,000 |
| Provision for employees' benefits | 10,170,000 | 7,650,000 |
| Infrastructure fee | 1,500,746 | 2,721,238 |
| (Gain) / loss on disposal of property, plant and equipment | (852,030) | (245,286) |
| Finance cost | 150,648,949 | 118,833,731 |
| Operating cash flows before changes in working capital | 486,186,422 | 387,650,585 |
| (Increase)/decrease in current assets | | |
| Inventories | (121,443,535) | (37,045,759) |
| Trade debts | (117,280,561) | (117,846,530) |
| Loans and advances | 6,827,937 | (2,139,230) |
| Trade deposits and short term prepayments | (48,664,145) | (135,598,843) |
| Other receivables | (495,862) | 3,431,059 |
| Taxation | 5,308,091 | (20,720,895) |
| Increase/(Decrease) in trade and other payables | (133,313,578) | 152,152,428 |
| | (409,061,653) | (157,767,770) |
| Cash generated from operations | 77,124,769 | 229,882,815 |
| Finance cost paid | (162,941,904) | (113,393,668) |
| Employees' benefits paid | (4,460,349) | (5,169,421) |
| Income taxes paid | (27,511,133) | (2,713,345) |
| Long term loans | 1,112,676 | 83,059 |
| Long term deposits | 7,012,493 | 55,000 |
| | (186,788,217) | (121,138,375) |
| Net cash from operating activities | (109,663,448) | 108,744,440 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property, plant and equipment | 1,690,000 | 1,005,000 |
| Purchase of property, plant and equipment | (39,806,635) | (780,578,276) |
| Net cash used in investing activities | (38,116,635) | (779,573,276) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipt of long term financing | - | 400,000,000 |
| Payment of long term financing | (108,571,429) | (15,000,000) |
| Payment of long term -murahaba | (15,318,182) | (15,318,182) |
| Loan from sponsors | 100,000,000 | - |
| Payment of liability against assets subject to finance lease | (30,024,770) | (28,280,497) |
| Short term bank borrowings | 216,436,077 | 359,069,364 |
| Dividend paid | (7,492,925) | (15,000,000) |
| Net cash from financing activities | 155,028,771 | 685,470,685 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 7,248,688 | 14,641,849 |
| 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 | 31,107,538 | 26,865,258 |


MOHAMMAD SALIM
CHIEF EXECUTIVE


MOHAMMAD SHAHKEEL
DIRECTOR



BHANERO TEXTILE MILLS LIMITED

NOTES TO THE ACCOUNTS (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2007

1 THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as a public limited company on March 30, 1980. Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The main business of the company is manufacturing and sales of yarn and woven fabrics. The registered office is located at 10/2 Bilmoria street I.I Chudrigar Road, Karachi

2 BASIS OF PREPARATION

- 2.1** These financial statements have been prepared in accordance with the directives issued by the Securities & 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 Ordinance 1984.

These financial statements have been prepared under "Historical Cost Convention" except for staff gratuity accounted for in accordance with "International Accounting Standard - 19" and modifications due to adjustments for exchange rates fluctuations and are un-audited.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of the Nine Months financial statements are the same as those of the published annual financial statements for the year ended June 30, 2006. The changes in Equity are as follows:

| | Share capital | General reserves | Unappropriated profits | Total |
|--|-------------------|--------------------|------------------------|--------------------|
| | ← RUPEES → | | | |
| Balance as at June 30, 2005 | 30,000,000 | 550,000,000 | 58,699,324 | 638,699,324 |
| Profit for the period | | | 107,158,425 | 107,158,425 |
| Final dividend for the year ended June 30, 2005 Rs. 5/= per share | - | - | (15,000,000) | (15,000,000) |
| Balance as at March 31, 2006 | 30,000,000 | 550,000,000 | 150,857,749 | 730,857,749 |
| Balance as at June 30, 2006 | 30,000,000 | 650,000,000 | 57,169,995 | 737,169,995 |
| Profit for the period | - | - | 111,296,006 | 111,296,006 |
| Final dividend for the year ended June 30, 2006 Rs. 2.50 per share | - | - | (7,500,000) | (7,500,000) |
| Balance as at March 31, 2007 | 30,000,000 | 650,000,000 | 160,966,001 | 840,966,001 |

| | MARCH 2007 RUPEES | JUNE 2006 RUPEES |
|---|----------------------|----------------------|
| 4 LOAN FROM SPONSORS | 100,000,000 | - |
| The above loan is unsecured, interest free and not repayable in the next twelve months. | | |
| 5 LONG-TERM FINANCING - SECURED | | |
| Opening Balance | 1,260,000,000 | 680,000,000 |
| Add: Received during the period | - | 600,000,000 |
| Less: Loan Paid during the Period | 108,571,429 | 20,000,000 |
| | 1,151,428,571 | 1,260,000,000 |
| Less: Current Portion | 295,554,583 | 145,714,287 |
| | 855,873,988 | 1,114,285,713 |
| 6 LONG-TERM MURABAHA - SECURED | | |
| Opening Balance | 58,863,636 | 80,681,818 |
| Less: Loan Paid during the Period | 15,318,182 | 21,818,182 |
| | 43,545,454 | 58,863,636 |
| Less: Current Portion | 21,818,182 | 21,818,182 |
| | 21,727,272 | 37,045,454 |



BHANERO TEXTILE MILLS LIMITED

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no material change in contingencies as disclosed in the financial statements for the year ended June 30, 2006 except for the professional tax which was imposed by provincial government. The Honourable Supreme Court of Pakistan decided the case in favor of provincial government and the company has subsequently paid the professional tax. The bank guarantee issued in favor of Sui Northern Gas Co Ltd amounted to Rs. 39.235 million and in favor of Excise and Taxation Office its amounted to Rs. 13.1 million.

7.2 Commitments

Letter of Credit

MARCH 2007
RUPEES

JUNE 2006
RUPEES

371,418,000

65,010,831

8 ACQUISITION AND DISPOSAL OF FIXED ASSETS

Written down value at the beginning of the period

2,127,525,460

1,043,294,021

Additions during the period

Freehold land

-

20,152,814

Building on freehold land

11,550,144

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

4,438,930

927,074,191

Ventilation system

1,461,897

-

Boilers

17,500,000

-

Electric installation

300,677

32,047,844

Factory Equipment

-

912,300

Office equipments

288,760

260,655

Computers and accessories

-

254,650

Furniture and fixtures

-

1,046,234

Vehicles

5,684,700

7,419,189

41,225,108

1,249,516,475

Written down value of assets disposed off

(837,970)

(2,333,079)

Depreciation

(151,106,236)

(162,951,957)

2,016,806,362

2,127,525,460

9 TRANSACTIONS WITH RELATED PARTIES

MARCH 2007
RUPEES

MARCH 2006
RUPEES

The company enters into transactions with related parties in normal course of business at arms length determined accordance with " Comparebale Uncontrolled Price Method". Transaction with related parties other than remuneration and benefits to key managements personnel under the term of employments are as follows.

Services Received

998,250.00

-

Services Rendered

5,943,712.00

7,097,400.00

Electricity consumed

75,825,071.00

180,795,145.00

Purchase of yarn , fabric , Store and cotton

227,433,218.00

85,545,997.00

Sales of yarn , fabric and cotton

267,428,245.00

453,319,994.00

10 CYCLICALLY OF OPERATIONS

The textile business is an all year business however, major raw material purchases i.e cotton, take place during the for months from October to January. This lead to higher figures in respect of stocks, bank borrowings and sales tax refundable being reflected during those periods.

11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 27, 2007 by Board Of Directors of the Company.

12 GENERAL

Figures have been rounded off to the nearest rupee.

MOHAMMAD SALIM

CHIEF EXECUTIVE

Karachi April 27, 2007

MOHAMMAD SHAHKEEL

DIRECTOR