

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
<u>3,000,000</u>	<u>3,000,000</u>		<u>30,000,000</u>	<u>30,000,000</u>

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
	<u>39,200,000</u>	<u>71,010,831</u>

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	December 31
			2006	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	<u>(125,136,080)</u>	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