



of Companies

HALF YEARLY ACCOUNTS
2013 - 2014
(UN - AUDITED)

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

Vision

A Premier quality Company
providing quality products
and maintaining an excellent
level of ethical and
professional standard.



Mission Statement

To become the leaders of
Textile products
in the local
&
international market
and to achieve
the highest level of success.

Directors' Review

On behalf of the board of directors of **Bhanero Textiles Mills Limited**, I am pleased to present, the unaudited condensed interim financial statements for Half Year ended 31st December 2013.

Operating Results

During the half year ended 31st December 2013, the company's profit after tax came to PKR 312.116 million as compared to PKR 203.710 million for the half year ended 31st December 2012.

During the half year under review the economy of Pakistan remained under pressure due to law and order situation and weakening of Pakistani Rupees against all major currencies since June 2013. Moreover demand of yarn was suppressed. However, by the blessing of Al-Mighty Allah, your company earned profit. The earning per share (EPS) for the half year ended 31st December 2013 is PKR 104.04 (31st December 2012: PKR 67.90).

The company's financial position continues to remain stout supported by strong capital and revenue reserves which have crossed PKR 3 billion. Break up value of shares is PKR 1,006.67 as at 31st December 2013 (30th June 2013: PKR 982.45).

Auditors' review on the condensed interim financial statements for the half year ended 31st December 2013 is annexed herewith.

Future Outlook

China is the largest importer of yarn. Due to slump in international market the demand of yarn from China has substantially reduced which has affected the prices of yarn and fabric. Cotton prices are now steady around PKR 6,900 to PKR 7,200 per maund but the depression in international market may affect the steadiness of cotton prices. US cotton futures fell, ahead of the release of government export data that traders expect falling demand for the fibre.

Grant of Generalized System of Preferences (GSP) Plus status by the European Union is good for textile industry. Significant increase in orders from EU countries are being expected in coming months followed by increases in production in textile industry but energy shortage particularly power and gas remains a major impediment to increase the production. However, the industry is expecting an increase in exports from April 2014.

Unlike previous year, frequency of gas outage has increased. In the absence of gas supply, we had to operate machineries through power generation based on furnace oil. Generation of power based on furnace oil has resulted in extra fuel and power cost which had to be borne by the company.

In the present scenario the results are likely to be depressed in coming quarters. The management of the company is doing its best efforts to maintain the profitability margin.

Acknowledgment

Yours directors record with appreciation, the efforts of the company's managers, technicians and workers who have worked vigorously to meet the target. Yours directors also extend their appreciation to the company's banker, buyers and suppliers for the cooperation extended by them.



On behalf of the Board
KHURRAM SALIM
Chief Executive

Karachi: 25th February , 2014

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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Member of



Illinois, USA

Auditor's Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Bhanero Textile Mills Limited** as at December 31, 2013, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2013 and December 31, 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

We conducted our review in accordance with international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi: 25th February , 2014

MUSHTAQ & COMPANY
Chartered Accountants
Engagement Partner:
Mushtaq Ahmed Vohra F.C.A

**Condensed Interim Balance Sheet (Un-audited)
as at 31st December , 2013**

| | December 31 2013 Rupees | June 30 2013 Rupees |
|---|-------------------------------|---------------------------|
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL AND RESERVES | | |
| Authorized capital | | |
| 6,000,000 (June 2013: 6,000,000) ordinary shares of Rs.10 each | <u>60,000,000</u> | <u>60,000,000</u> |
| Issued, subscribed and paid up capital | <u>30,000,000</u> | 30,000,000 |
| Reserves | <u>2,800,529,500</u> | 2,800,000,000 |
| Unappropriated profit | <u>369,474,159</u> | 117,357,337 |
| | <u>3,200,003,659</u> | 2,947,357,337 |
| NON CURRENT LIABILITIES | | |
| Deferred liabilities | <u>167,315,013</u> | <u>154,958,307</u> |
| | 167,315,013 | 154,958,307 |
| CURRENT LIABILITIES | | |
| Trade and other payables | <u>604,585,333</u> | 467,076,899 |
| Mark-up accrued on loans | <u>19,705,836</u> | 5,980,563 |
| Short term borrowings - secured | <u>1,435,721,451</u> | 828,550,000 |
| Current portion of long term loan | <u>640,040</u> | 1,699,570 |
| | <u>2,060,652,660</u> | 1,303,307,032 |
| CONTINGENCIES AND COMMITMENTS | | |
| 5 | - | - |
| | <u>5,427,971,332</u> | <u>4,405,622,676</u> |

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

Karachi: 25th February , 2014



KHURRAM SALIM
Chief Executive

**Condensed Interim Balance Sheet (Un-audited)
as at 31st December , 2013**

| | Note | December 31 2013 Rupees | June 30 2013 Rupees |
|---|------|-------------------------------|---------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 1,510,206,270 | 1,531,890,987 |
| Capital work in progress | 7 | 81,117,842 | 40,293,004 |
| Long term investment | | 849,500 | 320,000 |
| Long term deposits | | 10,917,796 | 10,642,796 |
| | | 1,603,091,408 | 1,583,146,787 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 87,236,986 | 53,122,008 |
| Stock in trade | | 2,847,101,939 | 2,127,754,269 |
| Trade debts | | 587,721,165 | 414,889,160 |
| Loans and advances | | 28,503,924 | 29,973,488 |
| Trade deposits and short term prepayments | | 34,986,162 | 28,912,184 |
| Other receivables | | 7,403,476 | 3,949,932 |
| Advance income tax | | 58,338,715 | 60,077,776 |
| Sales tax refundable | | 88,622,312 | 50,613,456 |
| Cash and bank balances | | 84,965,245 | 53,183,616 |
| | | 3,824,879,924 | 2,822,475,889 |
| | | 5,427,971,332 | 4,405,622,676 |

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

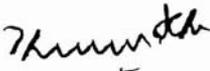


MOHAMMAD SHAKEEL
Director

**Condensed Interim Profit and Loss Account (Un-audited)
for the half year ended 31st December , 2013**

| | Half Year Ended | | Quarter Ended | |
|---|----------------------|--------------------|----------------------|--------------------|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| Sales | 3,769,774,294 | 3,346,748,614 | 1,934,851,143 | 1,669,460,208 |
| Cost of goods sold | 3,190,763,048 | 2,917,646,065 | 1,628,698,550 | 1,421,700,388 |
| Gross profit | 579,011,246 | 429,102,549 | 306,152,593 | 247,759,820 |
| Other income | 7,841,022 | 2,520,283 | 6,448,701 | 870,886 |
| | 586,852,268 | 431,622,832 | 312,601,294 | 248,630,706 |
| Distribution cost | 95,502,600 | 83,923,162 | 49,597,838 | 39,392,823 |
| Administrative expenses | 56,766,444 | 49,772,465 | 28,547,937 | 24,749,541 |
| Other operating expenses | 18,705,249 | 12,314,639 | 9,792,961 | 9,304,491 |
| Finance cost | 66,093,961 | 48,416,426 | 44,212,039 | 26,293,654 |
| | 237,068,254 | 194,426,692 | 132,150,775 | 99,740,509 |
| Profit before tax | 349,784,014 | 237,196,140 | 180,450,519 | 148,890,197 |
| Provision for taxation Current period | 37,667,192 | 33,486,083 | 19,345,879 | 17,065,646 |
| Profit for the period | 312,116,822 | 203,710,057 | 161,104,640 | 131,824,551 |
| Earnings per Share - basic and diluted | 104.04 | 67.90 | 53.70 | 43.94 |

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


KHURRUM SALIM
Chief Executive


MOHAMMAD SHAKEEL
Director

Karachi: 25th February , 2014

**Condensed Interim Cash Flow Statement (Un-audited)
for the half year ended 31st December , 2013**

| | December 31 2013 Rupees | December 31 2012 Rupees |
|---|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 349,784,014 | 237,196,140 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 70,917,512 | 76,551,572 |
| Provision for employees' benefits | 18,360,000 | 14,550,000 |
| Infrastructure Fees | 2,720,898 | 3,288,222 |
| (Gain) on disposal of property, plant and equipment | (516,134) | (1,037,636) |
| Finance cost | 66,093,961 | 48,416,426 |
| Operating cash flows before changes in working capital | 507,360,251 | 378,964,724 |
| (Increase)/decrease in current assets | | |
| Inventories | (753,462,648) | (1,003,213,018) |
| Trade debts | (172,832,005) | 28,412,086 |
| Loans and advances | 1,469,564 | (63,132,483) |
| Trade deposits | (6,073,978) | (3,566,220) |
| Other receivables | (3,453,544) | (2,190,011) |
| Sales tax refundable | (38,008,856) | (4,354,300) |
| | (972,361,467) | (1,048,043,946) |
| Increase in trade and other payables | 95,425,596 | 82,380,185 |
| Cash generated by operations | (369,575,620) | (586,699,037) |
| Finance cost paid | (52,368,688) | (47,443,319) |
| Employees' benefits paid | (8,724,192) | (5,908,836) |
| Income taxes paid | (35,928,131) | (36,155,824) |
| Long term deposits | (275,000) | - |
| | (97,296,011) | (89,507,979) |
| Net cash used in operating activities | (466,871,631) | (676,207,016) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceed from disposal of property, plant and equipment | 3,687,712 | 5,055,000 |
| Purchase of property, plant and equipment | (93,229,211) | (5,390,731) |
| Net cash used in investing activities | (89,541,499) | (335,731) |

**Condensed Interim Cash Flow Statement (Un-audited)
for the half year ended 31st December , 2013**

| | December 31 2013 Rupees | December 31 2012 Rupees |
|---|-------------------------------|-------------------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of liability against assets subject to finance lease | (1,059,530) | (3,095,791) |
| Short term bank borrowings | 607,171,451 | 827,862,166 |
| Dividend paid | (17,917,162) | (59,737,538) |
| Net cash from financing activities | 588,194,759 | 765,028,837 |
| Net increase in cash and cash equivalents | 31,781,629 | 88,486,090 |
| Cash and cash equivalents at the beginning of the period | 53,183,616 | 32,753,514 |
| Cash and cash equivalents at the end of the period | 84,965,245 | 121,239,604 |

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



KHURRUM SALIM
Chief Executive

Karachi: 25th February , 2014

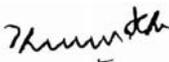


MOHAMMAD SHAKEEL
Director

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the half year ended 31st December , 2013**

| | Half Year Ended | | Quarter Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| Profit for the period | 312,116,822 | 203,710,057 | 161,104,640 | 131,824,551 |
| Other comprehensive income for the period | | | | |
| Change in fair value of available for sale of financial assets | 529,500 | (125,000) | 529,500 | (125,000) |
| Total comprehensive Income for the period | 312,646,322 | 203,585,057 | 161,634,140 | 131,699,551 |

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



KHURRUM SALIM
Chief Executive

Karachi: 25th February , 2014



MOHAMMAD SHAKEEL
Director

**Condensed Interim Statement of Changes In Equity (Un-audited)
for the half year ended 31st December , 2013**

| | Share Capital | General Reserves | Available for sale financial assets | Unappropriated Profit | Total |
|--|-------------------|----------------------|-------------------------------------|-----------------------|----------------------|
| | Rupees | Rupees | Rupees | Rupees | Rupees |
| Balance as at 30th June, 2012 | 30,000,000 | 2,300,200,000 | (200,000) | 90,340,988 | 2,420,340,988 |
| Other comprehensive income for the half year ended 31st December 2012 | - | - | (125,000) | 203,710,057 | 203,585,057 |
| Final dividend for the year ended June 30, 2012 PKR. 20.0 per share | - | - | - | (60,000,000) | (60,000,000) |
| Balance as at 31st December, 2012 | 30,000,000 | 2,300,200,000 | (325,000) | 234,051,045 | 2,563,926,045 |
| Profit for the remaining period | - | - | - | 383,286,292 | 383,286,292 |
| Transferred to general reserve | - | 499,980,000 | - | (499,980,000) | - |
| Other comprehensive income for the year ended 30th June 2013 | - | - | 145,000 | - | 145,000 |
| Balance as at 30th June, 2013 | 30,000,000 | 2,800,180,000 | (180,000) | 117,357,337 | 2,947,357,337 |
| Other comprehensive income for the half year ended 31st December 2013 | - | - | 529,500 | - | 529,500 |
| Profit for the half year ended 31st December 2013 | - | - | - | 312,116,822 | 312,116,822 |
| Final dividend for the year ended 30th June, 2013 | - | - | - | (60,000,000) | (60,000,000) |
| Balance as at 31st December, 2013 | 30,000,000 | 2,800,180,000 | 349,500 | 369,474,159 | 3,200,003,659 |

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



KHURRUM SALIM
Chief Executive



MOHAMMAD SHAKEEL
Director

Karachi: 25th February , 2014

**Condensed Interim Notes to Financial Information (Un-audited)
for the half year ended 31st December , 2013**

1 NATURE AND SCOPE OF THE BUSINESS

The company was incorporated in Pakistan as a Public limited company on March 30, 1980 under the Companies Act, 1913 (Now Companies Ordinance, 1984). Its shares are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The company is principally engaged in manufacturing and sale of yarn and fabrics. The registered office is located at Umer House, 23/1, Sector 23, S.M Farooq Road, Korangi Industrial Area, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30th June, 2013.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial information comprise of condensed interim balance sheet, condensed profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2013 which have been subjected to a review but not audited. These condensed interim financial information also include the condensed interim profit and loss account for the quarter ended December 31, 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 30 June, 2013 except for adoption of IAS-19, as more described in note 3.2 below.

3.2 Change in accounting policy for employee benefits - defined benefit plan

IAS 19 (revised) ' Employee benefits' amends the accounting for employment benefits which became effective to the Company from July 1, 2013. The changes introduced by the IAS 19 (revised) are as follows:

- (a) The standard requires past service cost to be recognised immediately in profit and loss account;
- (b) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year;
- (c) There is new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
- (d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The management believes that the effects of these changes would not have any effect on this condensed interim financial information as the cumulative balance for unrecognised actuarial losses as at June 30, 2013 was Nil.

**Condensed Interim Notes to Financial Information (Un-audited)
for the half year ended 31st December , 2013**

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1** The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.
- 4.2** Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30 June, 2013.
- 4.3** The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2013.

5 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There has been no significant change in the contingencies and commitments since the last audited financial statements except as disclosed in note 5.1 and 5.2 respectively.

| | December 31 2013 Rupees | June 30 2013 Rupees |
|---|--|------------------------------------|
| 5.1 Contingencies | | |
| Bank Guarantee issued by bank on behalf of the company | <u>43,759,000</u> | <u>43,759,000</u> |
| 5.2 Commitments | | |
| Confirmed letter of credit in respect of: Plant and machinery, raw material & stores | <u>654,086,571</u> | <u>250,747,185</u> |
| | <u>654,086,571</u> | <u>250,747,185</u> |
| 6 PROPERTY, PLANT AND EQUIPMENT | | |
| Written down value of assets - opening | 1,531,890,987 | 1,530,549,070 |
| Addition during the period | 52,404,373 | 153,718,946 |
| Disposals during the period - written down value | (3,171,578) | (4,586,507) |
| Depreciation charged during the period | (70,917,512) | (147,790,522) |
| Written down value of assets - closing | <u>1,510,206,270</u> | <u>1,531,890,987</u> |
| 7 CAPITAL WORK IN PROGRESS | | |
| Factory Building | 955,750 | - |
| Plant & Machinery | 39,330,138 | - |
| Others | 40,831,954 | 40,293,004 |
| | <u>81,117,842</u> | <u>40,293,004</u> |

**Condensed Interim Notes to Financial Information (Un-audited)
for the half year ended 31st December , 2013**

8 TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The Company enters into transactions with the related parties in normal course of business at arm's length price determined in accordance with "comparable Uncontrolled Price Method". Transactions with related parties other than remuneration and benefits to key management personnel under the terms of employment are as follows:

| | Half Year Ended | | Quarter Ended | |
|--|--------------------|-------------------|--------------------|-------------------|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| Services received | 150,000 | 994,908 | 75,000 | 994,908 |
| Services rendered | 659,858 | 5,484,108 | 15,000 | 2,403,600 |
| Electricity purchased | 394,886,721 | 260,477,748 | 201,651,178 | 148,182,213 |
| Purchase of yarn, fabric and machinery | 59,347,631 | 255,477,748 | 37,204,829 | 81,856,742 |
| Sales of cotton, yarn and fabric | 369,459,645 | 392,172,585 | 151,609,995 | 191,545,630 |

9 DATE OF AUTHORIZATION FOR ISSUE

These six months period financial information were authorized for issue on **25th February 2014** by the Board of Directors of the Company.

10 DIVIDEND

The Company has paid cash dividend at the rate of 200% (i.e. Rs. 20.0 per share) on the ordinary shares as approved in 34th Annual General Meeting held on October 22, 2013.

11 OTHERS

There are no other significant activity since June 30, 2013 affecting the financial statements.

12 COMPARATIVE FIGURES

In order to comply with the requirements of international Accounting Standards 34 "Interim Financial Reporting", balance sheet has been compared with the balances of annual financial statements while profit & Loss Accounts has been compared with corresponding figures of last half year and quarter.



KHURUM SALIM
Chief Executive



MOHAMMAD SHAKEEL
Director

Karachi: 25th February , 2014

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