



of Companies

FIRST QUARTERLY ACCOUNTS
2018-2019
(UN - AUDITED)

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

Directors' Review

On behalf of the board of directors of Bhanero Textile Mills Limited, I am pleased to present the unaudited condensed interim financial statements for the first quarter ended September 30, 2018.

Significant financial performance of the first quarter ended September 30, 2018;

Profit after tax for the first quarter ended 30th September, 2018 is PKR 112.416 million as compared to PKR 71.4924 million for the corresponding period ended 30th September, 2017.

Earnings per share for the first quarter ended 30th September, 2018 is PKR 37.47 (30th September, 2017 PKR 23.83).

Break-up value of the share as on 30th September, 2018 is PKR 1,458.38 (30th June 2018: 1,420.91).

During the quarter ended 30th September, 2018 profits increased by 57.24% as compared to corresponding period ended 30th September, 2017.

Prospect of Textiles Sector in Pakistan

The significance of textile sector on Pakistan's economy cannot be overlooked so the newly elected government must take swift and radical measures towards revival of this sector which standalone accounts for over 60% of the total exports in the country and that led to substantial contribution towards foreign exchange in national exchequer.

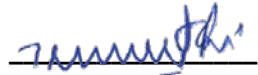
At present textile sector employs almost 45% of total labor force of the country so strategically, the special emphasis should be paid on increasing the value-added garment industry which is relatively low-energy consuming industry and has an immense job-creation potential. In this regard, exploring linkages with China in form of contracts for garment manufacturing could be an interesting avenue to explore, especially with an industry on China's west coast that is much closer to Pakistan. This perspective is very important given by the fact that China's domestic consumption is on upsurge. The government across the board can work with the large and notable textile players of the country to implement this strategy through its Special Economic Zones. Further, we must defend and invest in the entire value chain of the textile sector on a priority basis, including innovative solutions for enhancing cotton yields.

Though we are expecting tough economic condition ahead but quite optimistic about the future however, to maintain the momentum we need to utilize our maximum potential by tailoring the needs of the company.

Acknowledgement

The Board appreciates the contribution of employees and continual supports all financial institutions.

On behalf of the Board



Khurram Salim

(Chief Executive)

Karachi: October 29, 2018

Bhanero Textile Mills Limited

Condensed Interim Statement of Financial Position (Un-Audited) As at September 30, 2018

	September 30, 2018	June 30, 2018		September 30, 2018	June 30, 2018		
EQUITY AND LIABILITIES	Note	Un-Audited Rupees	Audited Rupees	ASSETS	Note	Un-Audited Rupees	Audited Rupees
SHARE CAPITAL AND RESERVES				NON CURRENT ASSETS			
Authorized capital 6,000,000 (June 30, 2018: 6,000,000) ordinary shares of Rs.10 each		60,000,000	60,000,000	Property, plant and equipment	8	2,809,005,798	2,826,325,408
Issued, subscribed and paid up capital		30,000,000	30,000,000	Long term deposits		28,532,816	28,532,816
Reserves		4,000,000,000	4,000,000,000			2,837,538,614	2,854,858,224
Unappropriated profit		345,152,796	232,737,034				
		4,375,152,796	4,262,737,034				
NON CURRENT LIABILITIES				CURRENT ASSETS			
Long term financing - secured		860,941,507	885,233,720	Stores, spares and loose tools		70,649,313	68,013,768
Deferred liabilities	6	420,512,640	408,166,202	Stock in trade		2,827,474,759	2,347,207,583
		1,281,454,147	1,293,399,922	Trade debts		722,591,588	841,493,842
CURRENT LIABILITIES				Loans and advances		24,755,268	28,699,627
Trade and other payables		986,376,003	771,694,591	Trade deposits and short term prepayments		101,669,277	83,460,335
Unclaimed dividend		755,477	758,605	Other receivables		11,398,533	17,447,274
Accrued interest/markup		10,488,181	15,177,821	Advance income tax		198,446,892	206,106,353
Short term borrowings - secured		325,128,953	220,457,778	Sales tax refundable		150,909,848	130,039,795
Current portion of long term borrowings		86,293,299	81,367,073	Cash and bank balances		120,214,764	68,266,023
		1,409,041,913	1,089,455,868			4,228,110,242	3,790,734,600
CONTINGENCIES AND COMMITMENTS							
	7	-	-				
TOTAL EQUITY AND LIABILITIES		7,065,648,856	6,645,592,824	TOTAL ASSETS		7,065,648,856	6,645,592,824

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


CHIEF EXECUTIVE
Karachi: October 29, 2018


DIRECTOR


CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Profit and Loss Account (Un-Audited) For The Quarter Ended September 30, 2018

	Quarter Ended	
	September 30, 2018	September 30, 2017
	Rupees	Rupees
Sales	2,034,591,824	1,479,140,749
Cost of goods sold	1,797,458,389	1,293,578,932
Gross profit	237,133,435	185,561,817
Distribution cost	44,814,800	41,843,922
Administrative expenses	32,267,772	35,199,186
	77,082,572	77,043,108
Other income	2,291,067	1,758,791
Operating Profit	162,341,930	110,277,500
Other operating expenses	10,094,052	3,990,482
Finance cost	15,257,153	16,305,045
	25,351,205	20,295,527
Profit before tax	136,990,725	89,981,973
Provision for taxation - current year	24,574,963	18,489,259
Profit after tax	112,415,762	71,492,714
Earnings per share - basic and diluted	37.47	23.83

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


CHIEF EXECUTIVE
Karachi: October 29, 2018


DIRECTOR


CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Comprehensive Income (Un-Audit For The Quarter Ended September 30, 2018

	Quarter Ended	
	September 30, 2018	September 30, 2017
	Rupees	Rupees
Profit for the period after taxation	112,415,762	71,492,714
Other comprehensive income	-	-
Total comprehensive Income for the period	112,415,762	71,492,714

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



CHIEF EXECUTIVE

Karachi: October 29, 2018



DIRECTOR



CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Changes in Equity (Un-Audited) For The Quarter Ended September 30, 2018

	Share capital	General reserve	Unappropriated profits	Total
	Rupees			
Balance as at June 30, 2017	30,000,000	3,700,000,000	156,302,336	3,886,302,336
Total comprehensive income for the quarter ended September 30, 2017	-	-	71,492,714	71,492,714
Balance as at September 30, 2017	30,000,000	3,700,000,000	227,795,050	3,957,795,050
Total comprehensive income for the remaining period	-	-	415,342,026	415,342,026
Final dividend paid for the year ended June 30, 2017 at the rate of PKR 36.80 per share	-	-	(110,400,042)	(110,400,042)
Transfer to general reserve	-	300,000,000	(300,000,000)	-
Balance as at June 30, 2018	30,000,000	4,000,000,000	232,737,034	4,262,737,034
Total comprehensive income for the quarter ended September 30, 2018	-	-	112,415,762	112,415,762
Balance as at September 30, 2018	30,000,000	4,000,000,000	345,152,796	4,375,152,796

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


CHIEF EXECUTIVE
Karachi: October 29, 2018


DIRECTOR


CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Condensed Interim Statement of Cash Flows (Un-Audited) For The Quarter Ended September 30, 2018

	September 30, 2018	September 30, 2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	136,990,725	89,981,973
Adjustments for:		
Depreciation on property, plant and equipment	61,196,635	48,557,645
Provision for employees' benefits	12,465,000	11,370,000
Infrastructure fee - ETO	1,528,985	2,183,248
Infrastructure fee - GIDC	5,035,799	-
Gain on disposal of property, plant and equipment	(505,024)	(309,224)
Finance cost	15,257,153	16,305,045
Operating cash flows before changes in working capital (Increase) / decrease in current assets	231,969,273	168,088,687
Inventories	(482,902,721)	237,496,210
Trade debts	118,902,254	78,790,862
Loans and advances	3,944,359	(593,269)
Trade deposits & prepayments	(18,208,942)	(10,175,670)
Other receivables	6,048,741	(2,633,632)
Sales tax refundable	(20,870,053)	4,816,909
	(393,086,362)	307,701,410
Increase in trade and other payables	214,681,412	161,203,422
Cash generated from operations	53,564,323	636,993,519
Finance cost paid	(19,946,793)	(21,048,890)
Employees' benefits paid	(6,683,346)	(4,418,022)
Income taxes paid	(16,915,502)	(30,467,358)
	(43,545,641)	(55,934,270)
Net cash generated from operating activities	10,018,682	581,059,249
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	3,018,125	2,833,334
Additions in property, plant and equipment	(46,390,126)	(370,053,122)
Net cash used in investing activities	(43,372,001)	(367,219,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(19,365,987)	(19,365,987)
Proceeds from long term loans	-	300,770,000
Increase in short term borrowings	104,671,175	(491,607,523)
Dividend paid	(3,128)	-
Net cash generated from / (used in) financing activities	85,302,060	(210,203,510)
Net increase in cash and cash equivalents	51,948,741	3,635,951
Cash and cash equivalents at the beginning of the period	68,266,023	39,785,959
Cash and cash equivalents at the end of the period	120,214,764	43,421,910

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


CHIEF EXECUTIVE
Karachi: October 29, 2018


DIRECTOR


CHIEF FINANCIAL OFFICER

Bhanero Textile Mills Limited

Notes to the Condensed Interim Financial Information (Un-audited)

For The Quarter Ended September 30, 2018

1 REPORTING ENTITY

Bhanero Textile Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is primarily spinning and weaving units engaged in the manufacture and sale of yarn and woven fabric, however, it is also engaged in the generation of electricity for self consumption. The registered office of the Company is situated at Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. The manufacturing facility is located at Kotri District Jamshoro in the Province of Sindh and District Sheikhpura in the Province of Punjab.

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, 2018.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4 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 2018.

2.5 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE PERIOD

The following new and revised standards, interpretations and amendments are effective in the current period.

IFRS 9 – Financial Instruments (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. Adoption of IFRS 9 has resulted in the following changes:

Classification of financial instruments

Under IAS 39, the Company classified its financial instruments, on initial recognition, into following classes depending on the purpose for which financial assets and liabilities were acquired or incurred.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(b) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss.

IFRS 9 has introduced new requirements for classification of financial instruments, whereby financial assets and liabilities can be classified into the following categories:

- (a) *Financial assets at amortized cost*
Assets held in a business model whose objective is to hold assets in order to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.
- (b) *Financial assets at fair value*
Financial assets, that do not meet the classification criteria for 'financial assets at amortized cost'.
- (c) *Financial liabilities at fair value*
All financial liabilities that are held for trading or are designated as such on initial recognition.

As a result of the application of IFRS 9, the classification of the Company's financial assets and liabilities is as follows:

	IAS 39 Classification	IFRS 9 Classification
Borrowings	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Trade and other payables	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Trade and other receivables	Loans and receivables	Financial assets at amortized cost
Bank balances	Loans and receivables	Financial assets at amortized cost

Impairment of financial assets

There is no change in the particular measurement methods adopted for each individual financial instrument resulting from application of IFRS 9.

Impairment of financial assets

IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized. This has resulted in change in the Company's approach to measurement of

IAS 39 Impairment	IFRS 9 Impairment
<p>A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.</p> <p>An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p>	<p>A financial asset is assessed at each reporting date to determine whether there is any objective evidence that the credit risk has increased resulting in an increase in expected credit losses.</p> <p>Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to 12 months' expected credit losses.</p> <p>All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p>

4 CHANGE IN ACCOUNTING POLICY

The Company has changed its accounting policy for certain financial instruments resulting changes in policies for classification and measurement of those financial instruments. Refer to note 3 for details.

There is no impact of the change on the amounts reported in all periods presented in these interim financial statements.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2018, except of change referred to in note 4.

		September 30, 2018	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
6 DEFERRED LIABILITIES			
These include the following:			
Staff retirement benefits - gratuity		155,348,295	149,566,641
Deferred taxation		111,301,359	111,301,359
Infrastructure fee payable - ETO		82,500,069	80,971,084
Infrastructure fee payable - Gas		71,362,917	66,327,118
		420,512,640	408,166,202
7 CONTINGENCIES AND COMMITMENTS			
There is no material change in contingencies and commitments as disclosed in annual financial statements for the year ended June 30, 2018 except following:			
7.1 Bills Discounted		925,426,621	
Commitments			
Letter of credit (for store, raw material and machinery)		389,765,769	
	<i>Note</i>		
		September 30, 2018	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
- assets owned by the Company	8.1	2,741,922,395	2,794,870,715
Capital work in progress		67,083,403	31,454,693
		2,809,005,798	2,826,325,408
8.1 Assets owned by the Company			
Net book value at the beginning of the period/year		2,794,870,715	2,029,939,532
Additions during the period/year			
Freehold land		-	235,887,464
Factory buildings		-	61,918,840
Non factory buildings		-	42,584,904
Plant and machinery		-	635,765,387
Equipment and other assets		-	28,915,913
Furniture & Fixtures - Factory		297,796	408,910
Furniture & Fixtures - Office		-	1,785,000
Office Equipment		-	62,650
Vehicles		10,463,620	18,565,850
		10,761,416	1,025,894,918
Net book value of assets disposed during the period/year		(2,513,101)	(37,511,596)
Depreciation for the period/year		(61,196,635)	(223,452,139)
Net book value at the end of the period / year		2,741,922,395	2,794,870,715
9 PROVISION FOR TAXATION			
9.1 No provision for deferred tax has been made as the impact of the same is considered immaterial.			
10 TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and include the Chief Executive and Directors of the Company.			
Transactions with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.			

Names and details of transactions and balances with related parties are as follows:

Name	Nature of relationship	Shareholding percentage
Faisal Spinning Mills Limited	Associated companies	N/A
Blessed Textiles Limited	Associated companies	N/A
Bhanero Energy Limited	Associated companies	N/A
Admiral (Private) Limited	Associated companies	N/A
Umer Farms (Private) Limited	Associated companies	N/A

Nature of transactions	Quarter Ended	
	September 30, 2018	September 30, 2017
	Rupees	Rupees
Services received	77,250	77,250
Services rendered	289,756	681,779
Electricity purchased	110,734,764	151,997,953
Purchase of yarn, fabric and machinery	45,693,530	36,188,166
Sales of cotton, yarn, fabric and machinery	126,158,875	78,990,766

11 SEGMENT REPORTING

The Company has two reportable segments, which offer different products and are managed separately. The following summary describes the operations in each of the company's reportable segments.

Reportable segment	Principal activity
Spinning	Manufacture and sale of yarn
Weaving	Manufacture and sale of woven fabric

Information about operating segments as at September 30, 2018 is as follows:

	Quarter ended September 30, 2018			
	Spinning Rupees	Weaving Rupees	Total Rupees	
Revenue from external customers	1,355,680,458	678,911,366	2,034,591,824	
Inter-segment transfers	14,335,000	-	14,335,000	
Segment results	99,754,604	62,587,326	162,341,930	
	Quarter ended September 30, 2017			
	Spinning Rupees	Weaving Rupees	Total Rupees	
Revenue from external customers	983,002,898	496,137,851	1,479,140,749	
Inter-segment transfers	99,522,700	-	99,522,700	
Segment results	79,423,842	30,853,658	110,277,500	
	As at September 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment assets	5,251,430,657	1,334,659,366	479,558,833	7,065,648,856
	As at June 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment assets	5,008,303,435	1,189,150,090	448,139,299	6,645,592,824
	As at September 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	2,160,614,020	335,325,135	194,556,905	2,690,496,060

	As at June 30, 2018			
	Spinning Rupees	Weaving Rupees	Un-allocated Rupees	Total Rupees
Segment liabilities	1,867,153,492	323,429,855	192,272,443	2,382,855,790

12 EVENTS AFTER THE REPORTING PERIOD

12.1 There are no significant events after the reporting period that may require any adjustment or disclosure in this condensed interim financial report.

13 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

14 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on October 29, 2018.

15 GENERAL

15.1 There are no other significant activities since June 30, 2018 affecting the interim financial information.

15.2 Figures have been rounded off to the nearest Rupee.



CHIEF EXECUTIVE

Karachi: October 29, 2018



DIRECTOR



CHIEF FINANCIAL OFFICER