



of Companies

34th Annual Report 2013

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

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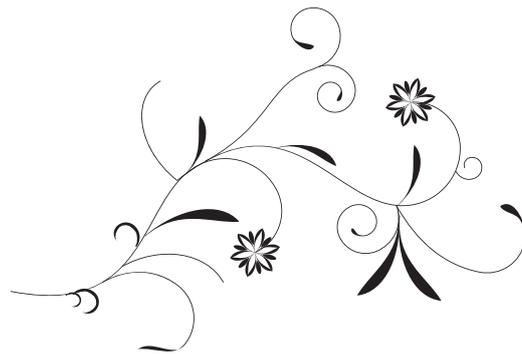
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Vision

A Premier Quality Company, Providing Quality Products

And Maintaining An Excellent Level Of Ethical

And Professional Standards.



Mission Statement

To become a leading manufacturer of textile products in the

International & Local markets and to explore new era to

Achieve the highest level of success.

CORPORATE INFORMATION

Board of Directors	Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel	Chief Executive / Director Non Executive Director Non Executive Director Non Executive Director Executive Director Non Executive Director Non Executive Director / Chairman Non Executive Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Bilal Sharif Mr. Adil Shakeel Mr. Mohammad Shakeel	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Bilal Sharif Mr. Mohammad Amin Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushtaq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Bank Alfalah Limited Barclays Bank Plc Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited MCB Bank Limited Meezan Bank Limited Faysal Bank Ltd. Samba Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Share Registrar	Hameed Majeed Associated (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, Pakistan Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3 Email: khioff@umergroup.com Website: http://www.umergroup.com	
Liaison / Correspondence office	9th Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: http://www.umergroup.com	
Mills At:	Unit I is situated at: Kotri Distric Dadu, Sindh. Unit II and Unit III are situated at: Feroz Watwan, Sheikhpura, Punjab.	

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 34th Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Tuesday 22nd October 2013 at 4:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extra Ordinary Meeting held on 31st December 2012.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2013 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 200% (i.e. PKR 20 per share) for the year ended 30th June, 2013, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2013-2014 and fix their remuneration. The retiring auditors M/S Mushtaq and Company, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

Special Business

6. To approve the remuneration and perquisite of Chief Executive and a Director of Company

Statement Under Section 160(1)/(b) of the Companies Ordinance 1984; Regarding the Special Business

The shareholders approval is sought for remuneration and perquisite of Chief Executive and a Director of the company; For this purpose it is proposed that the following resolution be passed with or without modification by the shareholders as an ordinary resolution;

"Resolved that the company hereby approves the monthly remuneration of Mr. Khurram Salim, Chief Executive, a sum not exceeding PKR 400,000 and Mr. Mohammad Salim - Director, a sum not exceeding PKR 400,000. In addition to above the company also approves following perquisites to them;

1. Company maintained car

Estimated expenses for fuel and repair
Chief Executive - Mr. Khurram Salim
PKR 800,000 per annum
Director - Mr. Mohammad Salim
PKR 800,000 per annum

2. Telephone and mobile phone facilities for personal and official use

Chief Executive - Mr. Khurram Salim
PKR 125,000 per annum
Director - Mr. Mohammad Salim
PKR 125,000 per annum

3. Business travelling

Chief Executive - Mr. Khurram Salim
On actual basis
Director - Mr. Mohammad Salim
On actual basis

Karachi:

Date: 19th September 2013

(By the order of the Board)

Syed Ashraf Ali

FCA

Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 19th October 2013 to 26th October, 2013 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 18th October 2013 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2013.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. As instructed by Securities and Exchange Commission of Pakistan (SECP) vide their letter No. EMD/D-II/Misc/2009-1342 dated April 4, 2013 dividend warrants cannot be issued without insertion of CNIC Numbers; therefore, all shareholders holding physical shares were requested to submit copies of their valid CNICs as requested by our letters and also through advertisement in newspapers. All those shareholders who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/National Tax numbers alongwith the folio numbers to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrants, so please let us have your CNIC numbers failing, which we will not be responsible if we are not able to pay the dividends.
6. In order to make process of payment of cash dividend more efficient, SECP vide circular No. 8(4) SM/CDC 2008 dated April 5, 2013 have issued instructions so that the shareholders can get their dividend credited in their respective bank accounts electronically without any delay. You may therefore authorize the Company to credit the dividend directly to your bank account for all future dividends declared by the Company. Accordingly all non CDC shareholders are requested to send their bank account details to the Company's Registrar at the address given above. Shareholders who hold shares with Participant/Central Depository Company of Pakistan (CDC) accounts are advised to provide the mandate to the concerned Stock Broker/ Central Depository Company of Pakistan Ltd.
7. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.

Directors' Report

The Directors of your Company are pleased to present the Annual Report with the audited financial statements of **Bhanero Textile Mills Limited** for the year ended June 30, 2013.

Financial Performance at a Glance

Overview

By the blessing of Allah Al Mighty, company earned profit of PKR 586.996 Million during the year ended 30th June 2013.

Earnings per share of company are PKR 195.67 per share, resulting in even more value for the shareholders.

By the grace of Al-Mighty Allah your company during the financial year ended 30th June 2013 maintained the position among the market leaders both in domestic and international markets.

Textile sector and Economic Overview

Domestically Pakistan is facing the problems of shortage of electricity, gas and the deteriorating law and order situation. The unscheduled and scheduled load shedding along with increasing rates of gas and electricity have obstructed the viability of the textile industry as the exporters are unable to meet their commitments. In addition our exports confined to raw materials to the global textile buyers and the same raw material comes back to the domestic market in form of finished value-added textile product. The capacity utilization in textile sector is only 60 percent.

Textiles is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, processing, made-ups and garments. The sector contributes nearly one-fourth of industrial value-added, provides employment to about 40 percent of industrial labour force, consumes more than 40 percent of banking credit to manufacturing sector and accounts for 8 percent of GDP. Except for seasonal and cyclical fluctuations, textile products have maintained an average share of about 60 percent in national exports. However, despite being the 4th largest producer and 3rd largest consumer of cotton globally, Pakistan's comparative advantage is largely pre-empted by low value added exports as reflected in country's 12th rank in world textiles exports.

Economic developments in financial year 2012-2013 are unfolding along broadly similar lines as financial year 2011-2012 but with deepening concerns about sustainability and the adequacy of foreign reserves. The economic situation weakened in the first half of financial year 2012-2013 as official reserves declined markedly, food and general inflation both reaccelerated in January 2013 following their earlier decline, and exports stagnated while imports contracted.

Higher inflation in the country is another major cause of concern. This was mainly due to rising commodity prices, weakening of the rupee due to declining in foreign exchange reserve. Cost of production is increasing day by day due to higher inflation and affecting the competitiveness in international market.

Operating Results and Profit Appropriation

Your company continued to perform well despite hardest business and economic conditions and posted profit before taxation for the year ended 30th June 2013 PKR 620.706 Million (30th June 2012: PKR 366.131 Million). The operating results and allocation of profit for the year ended 30th June 2013 is summarized as under;

	2013 Rupees	2012 Rupees
Sales	6,997,416,846	6,372,946,694
Gross profit	1,093,274,965	810,253,991
Profit before taxation	620,706,149	366,131,213
Taxation		
Current year	(63,054,804)	(65,357,163)
Prior year	257,986	364,597
Deferred	29,087,018	5,350,265

BHANERO TEXTILE MILLS LIMITED

	2013 Rupees	2012 Rupees
	<u>(33,709,800)</u>	<u>(59,642,301)</u>
Profit after taxation	586,996,349	306,488,912
Un-appropriated profit brought forward	90,340,988	173,752,076
Available for sale financial assets	-	300,000
Profit available for appropriation	<u>677,337,337</u>	<u>480,540,988</u>
Appropriations:		
Dividend paid	(60,000,000)	(90,000,000)
Transferred to General Reserve	(499,980,000)	(300,200,000)
Un-appropriated profit carried forward	117,357,337	90,340,988
Basic and diluted earning per share	<u>195.67</u>	<u>102.16</u>

The company achieved revenue growth of 9.80% for the year ended 30th June 2013. Sales has increased from PKR 6.372 billion to PKR 6.997 billion during the year ended 30th June 2013 as compared to previous ended 30th June 2012.

Gross profit for the year under review is amounting to PKR 1,093.274 million as compared to PKR 810.253 million in prior year. Whereas profit before taxation for the year under review is amounting to PKR 586.996 million as compared to PKR 366.131 million in prior year.

The Honourable Lahore High Court in its judgement on writ petition bearing number W.P. No. 8763/2011 decided that the amendments made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 are unconstitutional and unlawful. Subsequently, Honourable Sindh High Court in its judgement on the same matter upheld the amendments. The Company has filed an appeal before the Honourable Supreme Court against the decision of Honourable Sindh High Court. The same has been admitted and pending for adjudication. No provision for Workers' Welfare Fund amounting to PKR 17.175 million (June 2012: PKR 7.179 million) has been made in these financial statements based on the Company's legal advisor the Company has a strong chances of a favourable judgment.

Dividend

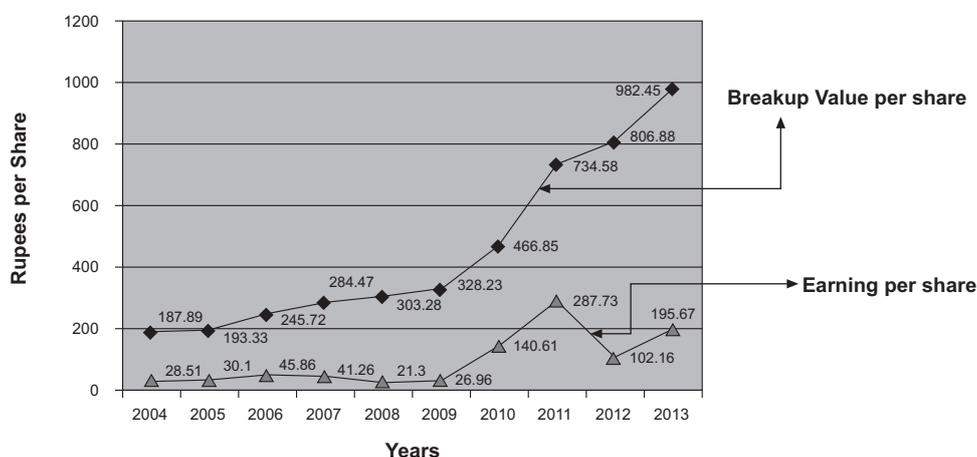
The board of directors is pleased to recommend a final cash dividend of 200% i.e PKR 20.0 per share (June 2012: 200% i.e. PKR 20.0 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

There is no long term borrowing as on 30th June 2013 (June 2012: PKR 1.681 million). Gearing ratio is 0.28 at 30th June 2013 as compared to 0.29 at 30th June 2012. The liquidity position of the company is sound with a current ratio of 2.17 at 30th June 2013 (June 2012: 1.89). The total of shareholders' fund stood at PKR 2.947 Billion (2012: PKR 2.420 Billion).

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2013 is PKR 982.45 (30th June 2012: PKR 806.78). The Earning per Share (EPS) of your company for the year ended 30th June 2013 is PKR 195.67 (30th June 2012: PKR 102.16).



BHANERO TEXTILE MILLS LIMITED

Cash Flow Management

The company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings. Due to better working capital management by the Company, Cash and Cash Equivalents increased by 62.37% closing at PKR 53.183 million as compared to PKR 32.753 million last year.

The company is well placed for its commitments towards long and short term loans.

Statement on Corporate and Financial Reporting Framework

The directors of your company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance as required by the Code. As a part of the compliance of the Code, we confirm the following:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The company has a very sound balance sheet with excellent gearing ratio and therefore there is no doubt at all about company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
 - Statement of pattern of shareholding has been given separately.
 - Statement of shares held by associated undertakings and related persons.
 - Statement of the board of directors meetings held during the year and attendance by each director has been given separately.
 - Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

Related Party transaction and Transfer Pricing

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has adopted comparable uncontrolled price method for pricing of transaction with related parties.

Human Resource and Remuneration Committee:

The board of directors has formed Human Resource and Remuneration Committee. The committee consists of three members. All members including chairman of committee is non-executive directors. The committee is responsible for making recommendation to board of directors for maintaining;

- A sound plan of organization for the company
 - An effective employees' development programme
 - Sound compensation and benefits plans, policies and practices designed to attract and retain the caliber of personnel needed to manage the business effectively
1. To review and advise on the human resource policies of the company and its revision from time to time as and when necessary.
 2. To determine the remuneration and terms of service of the Chief Executive and other executives of the company including their performance benefits and other benefits such as retirements benefits, perquisite and other contractual terms.
 3. To ensure that the best practices are adopted by the management of the company with emphasis that:
 - a. The people of appropriately high ability and caliber are recruited, retained and motivated by offering market competitive packages
 - b. Clear statement of job description and responsibilities for each individual position are defined for proper performance measurement

- c. Performance evaluation process / mechanism is in place and carried out annually
- d. Market competitive pay scales of comparable size and turnover companies are determined through independent sources and compared with company's existing pay scale
4. To review and advice on the training, development and succession planning for the senior management of the company.
5. To devise a mechanism for the approval of HR related policies of the company.
6. To recommend any matter of significance to the board of directors.

Audit Committee

The audit committee of the company is working as required by the code of corporate governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

Financial statements

As required under listing regulations of stock exchanges the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

The financial statements of the company have been duly audited by the auditors of the company, Mushtaq and Company, Chartered Accountants. Auditors have issued clean audit report on financial statements for the year ended 30th June 2013 and clean review report on Statement of Code of Corporate Governance and their reports are attached with the financial statements. No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

Director Education Program

During the year Mr. Mohammad Shaheen - Non Executive Director has been awarded certification of Corporate Governance Leadership Skills by the Pakistan Institute of Corporate Governance.

Expansion Plan

Normal BMR has been done in the year ended 30th June 2013 and BMR will continue as and when required. In view of the current economic scenario no further expansion is under consideration in near future.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in the shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 34th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 34th annual general meeting until the conclusion of 35th annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Mushtaq and Company, Chartered Accountants, as external auditor for the year ended 30th June 2014. The external auditors, M/s Mushtaq and Company, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partners are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

Health, Safety & Environment

The health and safety of our employees, the safety of our assets and the security of our operations always remain among the top priorities of the Company. The industry we operate in demands excellence in safety management and procedures. This is why safety is not only at the core of our sustainability efforts but at the core of our business. Safety is an all-encompassing priority for the Company, from the Board down to the business units. Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the business units.

Company always ensures environment preservation and adopts all the possible means for environment protection. We have been taking various steps to ensure minimal dust and emission from our plant and our production lines are installed with pollutant trapping and suppression systems to control dust particles and other emissions.

Human Resources

The Company has employed experienced and qualified human resources to meet the challenges ahead. Company also plans to strengthen its team, use employee performance evaluation methods to further strengthen organization structure and effectiveness. Corporate Social Responsibility

Company is working positively to raise the educational, health and environmental standards of the country in general and local communities in particular. Company is extensively supporting educational and health projects with renowned NGO chartered by Government of Pakistan. Company spent PKR 1.325 million under social commitments during the year. The company worked closely with NGO to support their programs for Health and Education to provide socio-economic opportunities to a multitude of individuals and households.

Business Risks, Challenges and Future Outlook

Major threat for textile industry is power disruption due to shutdown of electricity and gas. It is one of the main causes of under utilization of textile capacity of country. During the shutdown of gas supply, machineries are operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost.

The Cotton Crop Assessment Committee (CCAC) has estimated for 2013-14 that total production of the local industry is about 12 million bales of cotton. The estimated consumption for 2013-14 of local industry is around 14.0 million bales, showing a shortfall of about 2 million bales. The local industry will have to import about 2 million (480 lb) bales to meet the domestic requirements. Currently the price of cotton in local market is around PKR 7,000 per maund.

U.S. Department of Agriculture (USDA) estimates consumption for 2013-14 is about to increase by 2 percent following the 4 percent growth experienced in 2012-13. Despite the projected rebound in 2013-14, the consumption forecast remains one of the lowest of the past decade, as competition with manmade fibers keeps cotton mill use from growing faster as the global economy expands. The top four cotton-spinning countries-China, India, Pakistan, and Turkey-are forecast to account for a combined 70 percent of the world's cotton mill use in 2013-14, below both last season and the 2009-11 season average.

Based on above it is expected that the prices of cotton would be moderate in both local and international markets in the coming quarter.

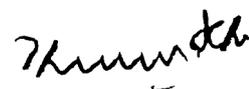
The enhancement in discount rate by State Bank of Pakistan by 50 bps has impacted the economy negatively. The State Bank of Pakistan should consider to keep the discount rate at a minimum possible level in order to facilitate the manufacturer to boost the economy.

The results of the First Quarter of the next fiscal year will depend on the direction of cotton prices and corresponding yarn and fabric prices. However the management expects a moderate profitability in subsequent period

Acknowledgement

Your directors extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during this period. Your directors also appreciate the efforts of the company's executives, managers, technicians and workers who have worked devotedly and achieve the targets set before them.

For and on behalf of the Board of Directors



Khurram Salim
Chief Executive

Karachi:

Date: 19th September 2013

Board of Directors Meetings

During the year four meetings of board of directors were held and the attendance by each director is as follows.

Directors	2012	2013			Total
	24 th Oct	28 th Feb	30 th April	19 th Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Muhammad Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Total	8/8	8/8	8/8	8/8	32/32

Audit Committee Meetings

During the year four meetings of audit committee were held and the attendance by each director is as follows.

Directors	2012	2013			Total
	17 th Oct	21 st Feb	23 rd April	12 th Sept	
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	3/3	3/3	3/3	3/3	12/12

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre Hasrat Mohani Road Karachi-74200 Tel: 32638521-4 Fax: 32639843
Branch Office: 501-B, City Towers, Main Boulevard Lahore, Tel: 35788637-8 Fax: 35788626
Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

REVIEW REPORT TO THE MEMBERS

On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Bhanero Textile Mills Limited** to comply with the Listing Regulations of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, the Listing Regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:
Date: 19th September 2013

Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A.

BHANERO TEXTILE MILLS LIMITED



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2013

This statement is being presented to comply with the code of corporate governance contained in listing regulation of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The company applies the principles contained in the Code in the following manner.

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times. At present it includes;

Category	Name
Independent Director	-
Executive Directors	Mr. Khurram Salim Mr. Mohammad Salim
Non Executive Directors	Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel

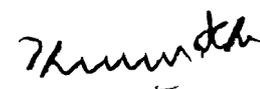
2. The directors have confirmed that none of the directors of the company are serving as a director in more than seven listed companies, including this company.
3. The Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. There was no casual vacancy occurred in board of directors during the year.
6. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment as determined by the CEO. However, there was no new appointment made during the year.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter. During the year four meetings of Board of Directors was held. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
8. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFIs. No director in the board is a member of any Stock exchange in Pakistan.
9. The company arranged briefing for its directors to apprise them of their duties and responsibilities. A director also acquired certification by the Pakistan Institute of Corporate Governance (PICG).
10. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
11. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2013

12. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
13. The Board has formed an audit committee. It comprises three members. The Chairman of the committee is a non executive director. The remaining two members are also non executive directors.
14. The Board has formed Human Resource and Remuneration Committee. It comprises of three members, all of them including Chairman of committee are non executive directors.
15. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
18. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
19. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.
20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
21. The "Closed Period", prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of directors' meeting for their consideration and formal approval.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. We confirm that all other material principles contained in the code have been complied with.

On and on behalf of the Board of Directors

Karachi:
Date: 19th September 2013



Khurram Salim
Chief Executive

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre Hasrat Mohani Road Karachi-74200 Tel: 32638521-4 Fax: 32639843
Branch Office: 501-B, City Towers, Main Boulevard Lahore, Tel: 35788637-8 Fax: 35788626
Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Bhanero Textile Mills Limited** as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verifications, we report that;

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
 - (i) the Balance Sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:
Date: 19th September 2013

Engagement Partner:
Shahabuddin A. Siddiqui
F.C.A.

BHANERO TEXTILE MILLS LIMITED

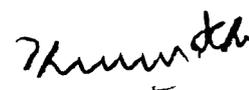


Balance Sheet As At June 30, 2013

	Note	30 th June, 2013 Rupees	30 th June, 2012 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2012: 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	5	30,000,000	30,000,000
Reserves	6	2,800,000,000	2,300,000,000
Unappropriated profit		117,357,337	90,340,988
		<u>2,947,357,337</u>	<u>2,420,340,988</u>
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	7	-	1,681,992
Deferred liabilities	8	154,958,307	165,341,045
		<u>154,958,307</u>	<u>167,023,037</u>
CURRENT LIABILITIES			
Trade and other payables	9	467,076,899	337,281,505
Mark-up accrued on loans and other payables	10	5,980,563	4,666,326
Short term borrowings - secured	11	828,550,000	696,500,000
Current portion of long term borrowings	12	1,699,570	5,042,375
		<u>1,303,307,032</u>	<u>1,043,490,206</u>
CONTINGENCIES AND COMMITMENTS			
	13	-	-
TOTAL EQUITY AND LIABILITIES		<u>4,405,622,676</u>	<u>3,630,854,231</u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

Karachi:
Date: 19th September 2013


Khurram Salim
Chief Executive

BHANERO TEXTILE MILLS LIMITED



Balance Sheet As At June 30, 2013

ASSETS	Note	30 th June, 2013 Rupees	30 th June, 2012 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	14	1,531,890,987	1,530,549,070
Capital work in progress	15	40,293,004	118,105,858
Long term investments	16	320,000	300,000
Long term deposit	17	10,642,796	11,340,096
		1,583,146,787	1,660,295,024
CURRENT ASSETS			
Stores, spares and loose tools	18	53,122,008	50,432,501
Stock in trade	19	2,127,754,269	1,372,934,426
Trade debts	20	414,889,160	381,348,469
Loans and advances	21	29,973,488	20,879,763
Trade deposits and short term prepayments	22	28,912,184	21,839,292
Other receivables	23	3,949,932	1,462,916
Income tax refundable	24	60,077,776	39,093,353
Sales tax refundable	25	50,613,456	49,814,973
Cash and bank balances	26	53,183,616	32,753,514
		2,822,475,889	1,970,559,207
TOTAL ASSETS		4,405,622,676	3,630,854,231

Mohammad Shakeel
Director

Profit and Loss Account For The Year Ended June 30, 2013

	Note	30 th June, 2013 Rupees	30 th June, 2012 Rupees
Sales	27	6,997,416,846	6,372,946,694
Cost of goods sold	28	5,904,141,881	5,562,692,703
Gross profit		1,093,274,965	810,253,991
Other income	29	4,282,948	10,819,745
		1,097,557,913	821,073,736
Distribution cost	30	175,473,206	191,861,000
Administrative expenses	31	143,541,572	98,636,151
Other operating expenses	32	32,940,751	19,831,381
Finance cost	33	124,896,235	144,613,991
		476,851,764	454,942,523
Profit before tax		620,706,149	366,131,213
Provision for taxation	34		
Current year		63,054,804	65,357,163
Prior year		(257,986)	(364,597)
Deferred		(29,087,018)	(5,350,265)
		33,709,800	59,642,301
Profit after tax		586,996,349	306,488,912
Earnings per share - basic and diluted	35	195.67	102.16

The annexed notes from 1 to 50 form an integral part of these financial statements.

Khurram Salim
Chief Executive

Mohammad Shakeel
Director

Karachi:

Date: 19th September 2013

BHANERO TEXTILE MILLS LIMITED



Statement of Comprehensive Income For The Year Ended June 30, 2013

	Note	30 th June, 2013 Rupees	30 th June, 2012 Rupees
Change in fair value of available for sale financial assets	16	20,000	100,000
Other comprehensive income before taxation		20,000	100,000
Taxation		-	-
Other comprehensive income after taxation		20,000	100,000
Profit for the year after taxation		586,996,349	306,488,912
Total comprehensive income for the year		587,016,349	306,588,912

The annexed notes from 1 to 50 form an integral part of these financial statements.

Khurram Salim
Chief Executive

Mohammad Shakeel
Director

Karachi:

Date: 19th September 2013

BHANERO TEXTILE MILLS LIMITED



Cash Flow Statement For The Year Ended June 30, 2013

	30 th June, 2013	30 th June, 2012
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	620,706,149	366,131,213
Adjustments for:		
Depreciation on property, plant and equipment	147,790,522	150,048,560
Provision for employees' benefits	30,130,177	23,715,993
Provision for bad debts	36,769,012	1,832,728
Infrastructure fee	5,663,074	4,766,026
(Gain) on disposal of property, plant and equipment	(1,623,493)	(54,820)
Finance cost	124,896,235	144,613,991
Operating cash flows before changes in working capital	964,331,676	691,053,691
(Increase)/decrease in current assets		
Inventories	(757,509,350)	176,377,356
Trade debts	(70,309,703)	53,409,393
Loans and advances	(9,093,725)	3,091,025
Trade deposits	(7,072,892)	(1,061,617)
Other receivables	(2,487,016)	(103,135)
Sales tax refundable	(798,483)	(14,276,176)
	(847,271,169)	217,436,846
Increase in trade and other payables	129,702,284	2,436,940
Cash generated by operations	246,762,791	910,927,477
Finance cost paid	(123,581,998)	(149,802,062)
Employees' benefits paid	(17,088,971)	(11,520,253)
Income taxes paid	(83,781,241)	(73,323,181)
Long term deposits	697,300	1,245,000
	(223,754,910)	(233,400,496)
Net cash generated from operating activities	23,007,881	677,526,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	6,210,000	1,528,448
Purchase of property, plant and equipment	(75,906,092)	(220,251,859)
Net cash used in investing activities	(69,696,092)	(218,723,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term financing	-	(179,968,737)
Payment of liability against assets subject to finance lease	(5,024,797)	(8,295,101)
Short term bank borrowings	132,050,000	(201,106,515)
Dividend paid	(59,906,890)	(89,916,384)
Net cash from financing activities	67,118,313	(479,286,737)
Net increase / (decrease) in cash and cash equivalents	20,430,102	(20,483,167)
Cash and cash equivalents at the beginning of the year	32,753,514	53,236,681
Cash and cash equivalents at the end of the year	53,183,616	32,753,514

The annexed notes from 1 to 50 form an integral part of these financial statements.

Karachi:
Date: 19th September 2013


Khurram Salim
Chief Executive


Mohammad Shakeel
Director

Statement of Changes in Equity For The Year Ended June 30, 2013

	Share capital	General reserve	Available for sale financial assets	Unappropriated profits	Total
Rupees					
Balance as at June 30, 2011	30,000,000	2,000,000,000	-	173,752,076	2,203,752,076
Transfer of loss at fair value of available for sale financial assets	-	-	(300,000)	300,000	-
Profit for the year ended June 30, 2012	-	-	-	306,488,912	306,488,912
Other comprehensive income for the year ended 30th June 2012	-	-	100,000	-	100,000
Transfer to general reserve	-	300,200,000	-	(300,200,000)	-
Final dividend paid for the year ended June 30, 2011 at the rate of PKR 30.0 per share	-	-	-	(90,000,000)	(90,000,000)
Balance as at June 30, 2012	30,000,000	2,300,200,000	(200,000)	90,340,988	2,420,340,988
Profit for the year ended June 30, 2013	-	-	-	586,996,349	586,996,349
Other comprehensive income for the year ended 30th June 2013	-	-	20,000	-	20,000
Final dividend paid for the year ended June 30, 2012 at the rate of PKR 20.0 per share	-	-	-	(60,000,000)	(60,000,000)
Transfer to general reserve	-	499,980,000	-	(499,980,000)	-
Balance as at June 30, 2013	30,000,000	2,800,180,000	(180,000)	117,357,337	2,947,357,337



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 19th September 2013

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

1 THE COMPANY AND ITS OPERATIONS

- 1.1 Bhanero Textile Mills Limited ("the Company") was incorporated on 30th March 1980 as a public limited company in Pakistan under Companies Ordinance, 1984 and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area Karachi.
- 1.2 The company is principally engaged in manufacturing and sales of yarn and fabric. The production facilities are located at Kotri, District Dadu in the province of Sindh and Feroz Watwan, District Sheikhpura in the province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest Rupee.

2.4 Use Of Estimates And Judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 45 to these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards

2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards, interpretations and amendments	Description
Amendments to IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange

**Notes to the financial statement
For the year ended June 30, 2013****Standards, interpretations and amendments****Description**

differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. The amendment is effective for annual periods beginning on or after July 01, 2012.

2.5.2 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date.

Standards, interpretations and amendments

Amendments to IAS 16 - Property, Plant and Equipment
– Classification of servicing equipment

Description

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 19 - Employee Benefits

The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial loss in other comprehensive income in the period of initial application. The standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 32 Financial Instruments:
Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The standard is effective for annual periods beginning on or after January 01, 2013.

Amendments to IAS 32 Financial Instruments:
Presentation - Offsetting financial assets and financial liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The standard is effective for annual periods beginning on or after January 01, 2014.

Amendments to IAS 34 - Interim Financial Reporting -
Interim reporting of segment information for total assets and total liabilities

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. The standard is effective for annual periods beginning on or after January 01, 2013.

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

Standards, interpretations and amendments

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities

Description

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment is effective for annual periods beginning on or after January 01, 2013.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

"This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The amendment is effective for annual periods beginning on or after January 01, 2013."

2.5.3 Securities and Exchange Commission of Pakistan through SRO 182(I)/2013 dated 4th March 2013 has amended the requirements of 4th Schedule of the Companies Ordinance 1984. The amendments require some additional disclosure and modification of existing disclosure.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.2 Employee benefits

Short term employees benefits

The company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Post retirement benefits

Defined benefit plans

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit or loss. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

Actuarial gains and losses are recognized in profit or loss for the period in which these arise.

**Notes to the financial statement
For the year ended June 30, 2013****3.3 Taxation**

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or minimum of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.5 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.6 Dividend

Dividend is recognized as a liability in the period in which it is approved by shareholders.

3.7 Property, plant and equipment and depreciation**Owned assets**

Property, plant and equipment, except freehold and leased hold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note except for equipment and other assets. Equipment and other assets are depreciated

Notes to the financial statement For the year ended June 30, 2013

over the period of three years. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is material.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.8 Capital work in progress

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.9 Investments

Investment available for sale

Investment available for sale are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in equity through comprehensive income. Gains or losses on available-for-sale investments are recognized in equity through comprehensive income until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

3.10 Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently. No derivative is designated as hedging instrument by the Company.

3.11 Stores and spares

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

3.12 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows;

Raw material	At weighted average cost or replacement cost which ever is lower
Work in progress	At average manufacturing cost
Finished goods	At average manufacturing cost or net realisable value which ever is lower
Waste	Net realizable value

Notes to the financial statement For the year ended June 30, 2013

Valuation of raw material, work in process and finished goods as on 30th June 2013 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

3.13 Trade debts and other receivables

These are carried at original invoice amount less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and balances with bank for the purpose of cash flow statement.

3.15 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on the basis of constant periodic rate of return.

Dividend income is recognized when the right to receive dividend is established i.e. the book closure date of the investee company declaring the dividend.

3.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

3.17 Impairment

All company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

3.18 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are retranslated into Pak Rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences, if any, are taken to profit and loss account.

3.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.20 Transactions with related party

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

3.21 Segment reporting

Segment reporting is based on the operating (business) segments of the company. An operating segment is a component

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

of the company that engages in a business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the company's other components. An operating segment's operating results are reviewed by the CEO to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property , plant and equipment.

The business segments are engaged in providing products and services which are subject to risks and rewards which differ from the risk and reward of other segment Segments reported are Spinning, Weaving and Power Generation, Which also reflects the management structure of company.

4 Capital Management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital and level of dividends to ordinary shareholders. The company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the company's approach to capital management during the year. Further the company is not subject to externally imposed capital requirements.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

		30 th June, 2013	30 th June, 2012
		Rupees	Rupees
30-Jun-13	30-Jun-12		
Number of shares			
1,762,500	1,762,500	17,625,000	17,625,000
1,237,500	1,237,500	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>

Ordinary shares of PKR 10 each allotted for consideration'- fully paid in cash Ordinary shares of Rs 10. each allotted as bonus shares

6 RESERVES

General reserve	2,800,180,000	2,300,200,000
Available for sale financial assets	(180,000)	(200,000)
	<u>2,800,000,000</u>	<u>2,300,000,000</u>

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payments are payable in thirty six equal monthly installments. The internal rate of return is 13.74% to 15.3% (2012: 14% to 17%) per annum are used as discounting factor. The lease agreement contains bargain purchase option. Taxes, repairs, replacement and insurance costs are borne by the company.

Present value of minimum lease payments		1,699,570	6,724,367
Current portion	12	(1,699,570)	(5,042,375)
		<u>-</u>	<u>1,681,992</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

7.1 The reconciliation between gross minimum lease payments, future financial charges and present value of minimum lease payments is as under:

Gross minimum lease payments

	30 th June, 2013	30 th June, 2012
	Rupees	Rupees
Not later than one year	1,732,721	5,553,380
Later than one year but not later than five years	-	1,910,884
	1,732,721	7,464,264
Finance charges allocated to future period	(33,151)	(511,005)
Not later than one year	-	(228,892)
Later than one year but not later than five years	(33,151)	(739,897)
Present value of minimum lease payments	1,699,570	6,724,367
Not later than one year	1,699,570	5,042,375
Later than one year but not later than five years	-	1,681,992
	1,699,570	6,724,367
Current portion	(1,699,570)	(5,042,375)
	-	1,681,992

8 DEFERRED LIABILITIES

Employee benefits	8.2	92,004,945	78,963,739
Deferred taxation	8.3	38,361,226	67,448,244
Infrastructure fee	8.4	24,592,136	18,929,062
		154,958,307	165,341,045

8.1 Actuarial valuation has been carried out internally by the management of the Company as at June 30, 2013 using the projected unit credit method assuming a discount rate of 9% (2012: 12%) per annum and expected rate of increase in salaries at 9% (2012: 12%) per annum.

8.2 Movement in net liability recognized in the balance sheet

Present value of defined benefits obligation - at the beginning of the year		78,963,739	66,767,999
Charged to profit and loss account	8.2.1	30,130,177	23,715,993
Benefits paid during the year		(17,088,971)	(11,520,253)
Present value of defined benefits obligation - at the end of the year		92,004,945	78,963,739

8.2.1 The following amounts have been charged to the profit and loss account during the current year

Current service cost		15,552,960	13,316,696
Interest cost		6,906,965	7,295,750
Actuarial (gains) / losses recognized during the year		7,670,252	3,103,547
Net amount chargeable to profit and loss account		30,130,177	23,715,993

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

8.2.2 There is no unrecognized actuarial loss / gain.

8.2.3 Historical information	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined benefits obligation	92,004,945	78,963,739	66,767,999	52,780,190	45,777,015
Experience adjustments on plan liabilities	7,670,252	3,103,547	2,218,777	866,220	2,769,748

8.2.4 The expected gratuity expense for the year ending 30th June 2014 works out to PKR 33,143,195.

8.3 Deferred taxation	30-Jun-13 Rupees	30-Jun-12 Rupees
The liability for deferred taxation comprises timing differences relating to:		
Accelerated tax depreciation on owned assets	59,375,806	84,508,059
Provision for employee benefit	(11,266,410)	(11,334,362)
Finance lease	222,486	586,609
Provision for doubtful debts	(9,948,614)	(6,283,354)
Provision for diminution in value of investments	(22,042)	(28,708)
	<u>(21,014,580)</u>	<u>(17,059,815)</u>
	<u>38,361,226</u>	<u>67,448,244</u>

8.4 This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee levied through fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006). The Supreme Court in his judgment dated 17th May 2011 has decided that fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006) is valid and hence the levy imposed and collected from the effective date of the fifth version i.e. 28th December 2006 is valid and all imposition and collection before 28th December 2006 are declared to be invalid. The company has now filed petition in Sindh High Court, challenging fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006 regarding levy of infrastructure fee from the 28th December 2006. During the pendency of decision on fifth version of law, Sindh High Court has directed on 31st May 2011 to pay 50% of liability to Excise and Taxation Department, Government of Sindh, and provide bank guarantee of the remaining amount as calculated in accordance with the decision of Supreme Court of Pakistan. Subsequent imports of the company be released against 50% payment infrastructure fee to Excise and Taxation Department, Government of Sindh and furnishing bank guarantee of balance 50% amount. The company has provided bank guarantees amounting to PKR 25.094 Million (June 30, 2012: PKR 18.544 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

9 TRADE AND OTHER PAYABLES		30-Jun-13 Rupees	30-Jun-12 Rupees
Creditors	9.1	287,039,982	196,750,803
Accrued liabilities		145,419,626	119,720,169
Workers' Profit Participation Fund	9.2	32,940,751	19,831,381
Unclaimed dividend		485,362	392,252
Others		1,191,178	586,900
		<u>467,076,899</u>	<u>337,281,505</u>

9.1 The outstanding balance of associated undertaking as at 30th June 2013 is Rs. 46.2 Million (June 2012: 16.273 Million).

9.2 Workers' profit participation fund

Opening balance		19,831,381	49,778,262
Interest on funds utilized in the Company's business	9.1.1	5,168,122	10,665,009
		24,999,503	60,443,271
Paid to the fund		(24,999,503)	(60,443,271)
		-	-
Allocation for the year		32,940,751	19,831,381
		<u>32,940,751</u>	<u>19,831,381</u>

9.1.1 Interest on workers' profit participation fund has been provided @ 150% (2012: 225%) per annum.

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Notes to the financial statement For the year ended June 30, 2013

		30-Jun-13 Rupees	30-Jun-12 Rupees
10 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES			
Mark-up accrued on secured:			
- short-term bank borrowings		<u>5,980,563</u>	<u>4,666,326</u>
11 SHORT TERM BORROWINGS - SECURED			
From banking companies			
Short term loan	11.2	<u>828,550,000</u>	<u>696,500,000</u>

11.1 The aggregate approved short term borrowing facilities amounted to PKR 5,960 million (2012: PKR 5,610 million).

11.2 These facilities are subject to mark-up ranging from 1 to 6 month KIBOR + spread between 0.1% to 2.5% (2012: 1 to 3 month KIBOR + spreads between 0.3% to 3%) per annum payable quarterly. These are secured against joint hypothecation charge on stock and receivables.

12 CURRENT PORTION OF LONG TERM BORROWINGS

Liabilities against assets subject to finance lease	7	<u>1,699,570</u>	<u>5,042,375</u>
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13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 The Company has issued post dated cheques amounting to PKR 5,677,878 (2012: PKR 21,001,604) in favor of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds furnished by the company are likely to be released after the fulfillment of term of related SROs.

13.2 Bank guarantee issued to Sui Northern Pipeline Company Limited amounting to PKR 43.759 Million (2012: PKR 43.759 million).

13.3 The Company has not provided the provision for Workers' Welfare Fund of Rs. 17,175,436 in the financial statements for the year ended 30th June 2013 as the Company has challenged the decision of the High Court of Sindh in Supreme Court of Pakistan. The petition No. B-280 K of 2013 of the Company has been admitted by the Supreme Court. The Company received favorable opinion from its legal advisor and as such no provision was made.

Honorable Supreme Court has already allowed the Civil Petition No. 198/K and others and has issued following orders on the levy of Workers' Welfare Fund. Amendment through Finance Act. 2006 and 2008 and to determination whether Workers' Welfare Fund is a tax or fee. "The leave to appeal is granted to these also on the same points as noted above". The outcome of civil appeal filed by the Company will be accounted for on the basis of decision by the Honorable Supreme Court of Pakistan.

		30-Jun-13 Rupees	30-Jun-12 Rupees
13.4 Bills discounted		<u>278,932,397</u>	<u>263,184,758</u>
Commitments			
Letter of credit (for store, raw material and machinery)		<u>250,747,185</u>	<u>-</u>
Capital work in progress		<u>-</u>	<u>1,500,000</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2013

14 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2013	Rate
	As at July 01, 2012	Additions / (disposals)	Transfers	As at June 30, 2013	As at July 01, 2012	For the year	Transfers / (disposal)	As at June 30, 2013		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	148,324,234	46,441,922	-	194,766,156	-	-	-	-	194,766,156	-
Building on leasehold land	125,780,097	3,611,798	-	129,391,895	69,871,536	9,329,244	-	79,200,780	50,191,115	10%
Building on freehold land	291,204,249	1,420,626	-	292,624,875	165,612,800	9,009,474	-	174,622,274	118,002,601	10%
Office premises on leasehold land	29,618,120	426,555	-	30,044,675	13,021,029	878,354	-	13,899,383	16,145,292	5%
Office premises on freehold land	83,897,771	-	-	83,897,771	25,908,980	2,870,490	-	28,779,470	55,118,301	5%
Plant and machinery	2,360,752,807	80,615,140 (27,945,836)	-	2,413,422,111	1,320,927,909	109,862,173	(24,476,547)	1,406,313,535	1,007,108,576	10%
Equipments and other assets	28,432,490	11,853,806	-	40,286,296	21,706,233	2,948,767	-	24,655,000	15,631,296	Three years
Electric Installation	21,749,872	-	-	21,749,872	10,690,376	1,105,950	-	11,796,326	9,953,546	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	3,416,181	376,411	-	3,792,592	3,387,697	10%
Cooling towers	5,223,570	-	-	5,223,570	2,391,552	283,202	-	2,674,754	2,548,816	10%
Ventilation system	1,461,897	-	-	1,461,897	649,017	81,288	-	730,305	731,592	10%
Boiler	18,244,925	-	-	18,244,925	6,721,888	1,013,305	-	7,735,193	10,509,732	10%
Factory equipments	13,607,029	-	-	13,607,029	11,355,532	272,149	-	11,627,681	1,979,348	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,743,146	109,656	-	3,852,802	1,465,506	10%
Office equipments	20,245,336	-	-	20,245,336	14,169,468	605,377	-	14,774,845	5,470,491	10%
Furniture and fixtures - Office	872,972	-	-	872,972	630,122	24,285	-	654,407	218,565	10%
Vehicles	60,673,722	9,349,099 (4,081,133)	8,639,450	74,581,138	31,222,194	8,132,995	3,510,330	39,901,604	34,679,534	20%
							(2,963,915)			
	3,223,020,902	153,718,946 (32,026,969)	8,639,450	3,353,352,329	1,702,037,963	146,903,120	3,510,330	1,825,010,951	1,528,341,378	
							(27,440,462)			
Assets subject to finance lease										
Vehicles	14,918,240	-	(8,639,450)	6,278,790	5,352,109	887,402	(3,510,330)	2,729,181	3,549,609	10%
	14,918,240	-	(8,639,450)	6,278,790	5,352,109	887,402	(3,510,330)	2,729,181	3,549,609	
June 30, 2013	3,237,939,142	153,718,946 (32,026,969)	-	3,359,631,119	1,707,390,072	147,790,522	-	1,827,740,132	1,531,890,987	
							(27,440,462)			

Year Ended June 30, 2012

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2012	Rate
	As at July 01, 2011	Additions / (disposals)	Transfers	As at June 30, 2012	As at July 01, 2011	For the year	Transfers / (disposal)	As at June 30, 2012		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	122,307,851	26,016,383	-	148,324,234	-	-	-	-	148,324,234	-
Building on leasehold land	110,418,383	15,361,714	-	125,780,097	64,909,002	4,962,534	-	69,871,536	55,908,561	10%
Building on freehold land	290,626,096	578,153	-	291,204,249	151,664,403	13,948,397	-	165,612,800	125,591,449	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	12,117,025	904,004	-	13,021,029	16,597,091	5%
Office premises on freehold land	82,635,608	1,262,163	-	83,897,771	22,899,478	3,009,502	-	25,908,980	57,988,791	5%
Plant and machinery	2,280,471,773	91,006,003 (10,724,969)	-	2,360,752,807	1,217,771,563	112,482,089	-	1,320,927,909	1,039,824,898	10%
Equipments and other assets	22,458,477	5,974,013	-	28,432,490	19,955,883	1,750,350	-	21,706,233	6,726,257	Three years
Electric Installation	21,749,872	-	-	21,749,872	9,461,543	1,228,833	-	10,690,376	11,059,496	10%
Gas line and pipe	7,180,289	-	-	7,180,289	2,997,947	418,234	-	3,416,181	3,764,108	10%
Cooling towers	5,223,570	-	-	5,223,570	2,076,883	314,669	-	2,391,552	2,832,018	10%
Ventilation system	1,461,897	-	-	1,461,897	558,697	90,320	-	649,017	812,880	10%
Boiler	18,244,925	-	-	18,244,925	5,595,994	1,125,894	-	6,721,888	11,523,037	10%
Factory equipments	13,607,029	-	-	13,607,029	11,119,955	235,577	-	11,355,532	2,251,497	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,568,151	174,995	-	3,743,146	1,574,962	10%
Office equipments	20,245,336	-	-	20,245,336	13,496,827	672,641	-	14,169,468	6,075,868	10%
Furniture and fixtures - Office	872,972	-	-	872,972	603,139	26,983	-	630,122	242,850	10%
Vehicles	40,176,505	7,716,454 (856,757)	13,637,520	60,673,722	19,764,771	6,312,003	5,927,775	31,222,194	29,451,528	20%
							(782,355)			
	3,073,050,225	147,914,883 (11,581,726)	13,637,520	3,223,020,902	1,558,561,261	147,657,025	5,927,775	1,702,037,963	1,520,982,939	
							(10,108,098)			
Assets subject to finance lease										
Vehicles	28,555,760	-	(13,637,520)	14,918,240	8,888,349	2,391,535	(5,927,775)	5,352,109	9,566,131	10%
	28,555,760	-	(13,637,520)	14,918,240	8,888,349	2,391,535	(5,927,775)	5,352,109	9,566,131	
June 30, 2012	3,101,605,985	147,914,883 (11,581,726)	13,637,520	3,237,939,142	1,567,449,610	150,048,560	-	1,707,390,072	1,530,549,070	
							(10,108,098)			

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

14.1 Equipment and other assets includes assets amounting to PKR 15,710,241 (2012: PKR 15,710,241) which has been fully depreciated.

		June 30, 2013	June 30, 2012
		Rupees	Rupees
14.2 The depreciation charge for the year has been allocated as follows:			
Cost of goods sold	28	138,030,807	140,519,588
Administrative expenses	31	9,759,715	9,528,972
		<u>147,790,522</u>	<u>150,048,560</u>

14.3 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2013

Description	Cost	Accumulated depreciation	Written down value	Proceeds from disposal of property, plant and equipment	Gain / (loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
Machinery							
Ring frames	11,404,556	10,534,131	870,425	1,800,000	929,575	Negotiation	Mr. Muhammad Khalid, Faisalabad
Ring frames	3,418,333	3,245,189	173,144	500,000	326,856	Negotiation	Mr. Muhammad Javed Qazi, Hyderabad
Carding machines	13,122,947	10,697,227	2,425,720	2,380,000	(45,720)	Negotiation	Mr. Shahbaz Ali, Faisalabad
	27,945,836	24,476,547	3,469,289	4,680,000	1,210,711		
Vehicles							
Toyota Hilux - CJ-5232	498,655	491,655	7,000	100,000	93,000	Negotiation	Syed Rasool, Kurram Post Office Laddah, District South Waziristan.
Suzuki Alto - AXD-876	805,510	91,291	714,219	775,000	60,781	Negotiation	UBL Insurers Limited, 2nd Floor, State Life Building, I. I. Chundrigar Road, Karachi
Honda Civic - ALR-216	1,198,000	925,498	272,502	310,000	37,498	Negotiation	Mr. Mohammad Sabir Hussain, House No. A-604, Sector 11A North Karachi.
LRP-304	1,196,455	1,080,432	116,023	200,000	83,977	Negotiation	Mr. Umer Khattab, House No. D-156, Metrowell, Block 5, Karachi.
LOZ-5659	382,513	375,039	7,474	145,000	137,526	Negotiation	Mr. Sohail Akhter, House No. 21, Street No. 3, Raj Garh, Lahore.
	4,081,133	2,963,915	1,117,218	1,530,000	412,782		
30-Jun-13	32,026,969	27,440,462	4,586,507	6,210,000	1,623,493		

Year Ended June 30, 2012

Description	Cost	Accumulated depreciation	Written down value	Proceeds from disposal of property, plant and equipment	Gain / (loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of buyer
Machinery							
Auto Coner	2,116,572	1,880,148	236,424	210,000	(26,424)	Negotiation	Blessed Textiles Limited
Carding	3,280,738	2,669,590	611,148	603,448	(7,700)	Negotiation	Mr. Sajjad Ahmed, House No. 38, Street No. I, Al Masoom Town, Faisalabad.
Carding	4,938,659	4,387,005	551,654	515,000	(36,654)	Negotiation	Mr. Sajjad Ahmed, House No. 38, Street No. I, Al Masoom Town, Faisalabad.
Carding	389,000	389,000	-	-	-	Impairment	-
	10,724,969	9,325,743	1,399,226	1,328,448	(70,778)		
Vehicles							
LXV-6423	767,457	705,585	61,872	160,000	98,128	Negotiation	Azmat Abbas, House # 78/III F Block, Model Town Lahore.
LZQ-8306	61,300	49,007	12,293	12,000	(293)	Negotiation	Hafiz Muhammad Qasim, Mollah Bilal Gunj, Near Railway Police Post, Narowal,
Honda CD 70 - KCM-8422	28,000	27,763	237	28,000	27,763	Negotiation	Mr. Jawaid Louis, House No. 1406, North Nazimabad, Block - Q, Karachi
	856,757	782,355	74,402	200,000	125,598		
30-Jun-12	11,581,726	10,108,098	1,473,628	1,528,448	54,820		

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

	30-Jun-13 Rupees	30-Jun-12 Rupees
15 CAPITAL WORK IN PROGRESS		
Building and other civil work	-	3,269,584
Machinery	-	75,107,220
Electric installation	40,293,004	39,729,054
	<u>40,293,004</u>	<u>118,105,858</u>
16 LONG TERM INVESTMENTS		
Available for sale		
50,000 ordinary shares of Rs. 10 each.	16.1 500,000	500,000
Provision for diminution in the value of investments	16.2 (180,000)	(200,000)
	<u>320,000</u>	<u>300,000</u>
16.1	The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.	
16.2	The market value of these shares was PKR 6.4 per share as at June 30, 2013 (June 2012: PKR 6.0 per share).	
17 LONG TERM DEPOSITS	30-Jun-13 Rupees	30-Jun-12 Rupees
With Leasing companies	-	618,000
Electricity	10,492,520	10,492,520
Telephone	33,600	67,900
Others	116,676	161,676
	<u>10,642,796</u>	<u>11,340,096</u>
18 STORES, SPARES AND LOOSE TOOLS		
Stores and spares	47,067,427	41,786,411
Loose tools	-	1,445,740
Packing material	6,054,581	7,200,350
	<u>53,122,008</u>	<u>50,432,501</u>
18.1	No item of stores, spares and loose tools is pledged as security as at reporting date.	
19 STOCK IN TRADE		
Raw material	1,633,232,525	959,966,470
Raw material in transit	131,084,416	137,063,770
Work in process	89,631,044	95,537,511
Finished goods	271,132,596	177,900,993
Waste	2,673,688	2,465,682
	<u>2,127,754,269</u>	<u>1,372,934,426</u>
19.1	Finished goods stock cost PKR Nil (2012: PKR 8,563,489) has been valued at PKR Nil (2012: PKR 2,454,649) being the net realisable value of finished goods.	
19.2	No item of stock in trade is pledged as security as at reporting date.	
20 TRADE DEBTS		
Foreign - secured against letter of credit	26,679,837	80,082,472
Local - unsecured - considered good	388,209,323	301,265,997
Local - unsecured - considered doubtful	75,254,744	39,352,443
	490,143,904	420,700,912
Provision for doubtful debts.	20.1 (75,254,744)	(39,352,443)
	<u>414,889,160</u>	<u>381,348,469</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

		30-Jun-13 Rupees	30-Jun-12 Rupees
20.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		39,352,443	41,201,615
Bad debts provision provided during the year		36,052,301	1,832,728
Bad debts recovered during the year		(150,000)	(3,681,900)
Provision for bad debts at the end of year		<u>75,254,744</u>	<u>39,352,443</u>
21 LOANS AND ADVANCES			
Advances to :			
Suppliers - unsecured but considered good		16,655,994	6,148,484
Suppliers - unsecured and considered doubtful		309,001	309,001
Employees - Secured considered good		13,317,494	14,731,279
Employees - Un-secured considered doubtful		1,165,000	1,165,000
		<u>31,447,489</u>	<u>22,353,764</u>
Provision for doubtful supplier advances	21.1	<u>(1,474,001)</u>	<u>(1,474,001)</u>
		<u>29,973,488</u>	<u>20,879,763</u>
21.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		1,474,001	6,244,001
Bad debts provision provided during the year		-	-
Bad debts recovered during the year		-	(4,770,000)
Provision for bad debts at the end of year		<u>1,474,001</u>	<u>1,474,001</u>
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		810,000	1,088,490
Deposits against infrastructure fees	22.1	25,094,654	18,544,654
Short term prepayments		618,000	1,245,000
Prepaid expenses		1,378,765	961,148
Margin against letter of credit		1,010,765	-
		<u>28,912,184</u>	<u>21,839,292</u>
22.1			
Effective mark up rate on these deposits range from 7% to 9% (June 30, 2012: 8% to 9.50%) per annum.			
23 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD			
KMC refundable - Considered doubtful		680,624	680,624
Other receivables		3,949,932	1,462,916
		4,630,556	2,143,540
Provision for doubtful receivables		(680,624)	(680,624)
		<u>3,949,932</u>	<u>1,462,916</u>
24 INCOME TAX REFUNDABLE			
Income tax refundable		39,221,665	31,005,887
Advance income tax		83,910,915	73,444,629
		123,132,580	104,450,516
Provision for taxation - Current year		(63,054,804)	(65,357,163)
		<u>60,077,776</u>	<u>39,093,353</u>
25 SALES TAX REFUNDABLE			
Sales tax and federal excise duty refundable		50,613,456	49,814,973
Federal excise duty and 1% Special excise duty refundable		3,084,628	2,367,917
Provision for non refundable		(3,084,628)	(2,367,917)
		-	-
		<u>50,613,456</u>	<u>49,814,973</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

	30-Jun-13 Rupees	30-Jun-12 Rupees
26 CASH AND BANK BALANCES		
Balances with banks on:		
Current accounts	47,377,128	27,200,432
Foreign currency account - current	<u>5,806,488</u>	<u>5,553,082</u>
	<u>53,183,616</u>	<u>32,753,514</u>
27 SALES - NET		
Export		
Yarn	<u>3,454,971,543</u>	<u>3,279,445,533</u>
Fabric	<u>2,341,104,445</u>	<u>2,099,447,388</u>
	<u>5,796,075,988</u>	<u>5,378,892,921</u>
Export Rebate	<u>2,029,862</u>	<u>152,300</u>
	<u>5,798,105,850</u>	<u>5,379,045,221</u>
Local		
Yarn	<u>874,886,820</u>	<u>698,767,724</u>
Fabric	<u>219,505,826</u>	<u>165,496,336</u>
Cotton and polyester	<u>86,855,910</u>	<u>74,872,636</u>
Waste and others	<u>52,003,446</u>	<u>54,764,777</u>
	<u>1,233,252,002</u>	<u>993,901,473</u>
	<u>7,031,357,852</u>	<u>6,372,946,694</u>
Discount	<u>(43,978)</u>	<u>-</u>
Sales tax	<u>(33,897,028)</u>	<u>-</u>
	<u>(33,941,006)</u>	<u>-</u>
	<u>6,997,416,846</u>	<u>6,372,946,694</u>

27.1 Export sales includes exchange gain of PKR 43,851,057 (2012: PKR 98,016,257).

27.2 Export sales includes PKR 3,934.388 Million (2012: PKR 2,828.773 Million) in respect of indirect export sales.

28 COST OF GOODS SOLD

Raw material consumed	28.1	3,927,221,856	3,720,530,676
Packing material consumed		57,485,131	58,327,735
Stores, spares and loose tools		174,406,333	149,175,248
Salaries, wages and benefits	28.2	423,775,778	322,696,750
Processing charges		16,258,055	16,458,910
Fees and Subscription		81,145	263,810
Fuel, power and water		830,918,066	720,369,881
Electricity duty		1,615,589	1,753,745
Insurance		19,532,890	16,274,563
Vehicle running and maintenance		8,124,682	7,260,154
Rent, rate and taxes		539,035	452,838
Repairs and maintenance		13,286,319	8,526,943
Communication		811,622	765,499
Traveling and conveyance		1,559,492	1,659,030
Depreciation	14.2	138,030,807	140,519,588
Raw material impaired		1,488,825	-
Others		<u>3,712,492</u>	<u>1,980,186</u>
		<u>5,618,848,117</u>	<u>5,167,015,556</u>
Work in process			
Opening stock		<u>95,537,511</u>	<u>81,162,437</u>
Stock burnt during process		<u>(238,435)</u>	<u>(123,850)</u>
Closing stock		<u>(89,631,044)</u>	<u>(95,537,511)</u>
		<u>5,668,032</u>	<u>(14,498,924)</u>
Cost of goods manufactured		<u>5,624,516,149</u>	<u>5,152,516,632</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

		30-Jun-13 Rupees	30-Jun-12 Rupees
Cost of cotton sold	28.3	87,223,853	70,748,615
Finished stocks			
Opening stock		180,366,675	443,623,809
Finished goods purchases		285,937,518	76,227,322
Cost of finished goods theft		(96,030)	(57,000)
Closing stock		(273,806,284)	(180,366,675)
		<u>192,401,879</u>	<u>339,427,456</u>
		<u>5,904,141,881</u>	<u>5,562,692,703</u>
28.1 Raw material consumed			
Opening stock		1,097,030,240	1,022,524,218
Purchases - net		4,697,014,784	3,870,642,758
		<u>5,794,045,024</u>	<u>4,893,166,976</u>
Cost of raw material sold		(101,017,402)	(75,606,060)
Raw material impaired		(1,488,825)	-
Closing stock		(1,764,316,941)	(1,097,030,240)
		<u>3,927,221,856</u>	<u>3,720,530,676</u>
28.2 Salaries, wages and benefits includes employees benefits amounting to PKR 23,507,889 (June 30, 2012: PKR 18,157,152).			
28.3 Cost of cotton and polyester sold			
Cost of purchases		85,298,512	68,432,820
Salaries, wages and other benefits		133,380	306,280
Loading and unloading		7,572	6,054
Insurance		254,907	302,070
Commission		-	63,002
Finance cost		1,529,482	1,638,389
		<u>87,223,853</u>	<u>70,748,615</u>
29 OTHER INCOME			
Income from financial assets			
Interest income		1,892,766	1,647,625
Exchange gain / (loss)		(60,819)	-
Bad debts recovered		150,000	8,451,900
		<u>1,981,947</u>	<u>10,099,525</u>
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		1,623,493	54,820
Rental income		677,508	665,400
		<u>2,301,001</u>	<u>720,220</u>
		<u>4,282,948</u>	<u>10,819,745</u>
30 DISTRIBUTION COST			
Export			
Freight on export sales		35,979,330	65,089,172
Commission on export sales		48,719,458	47,253,458
Export development surcharge		4,549,700	6,301,588
Sales Promotion Expenses		1,309,744	7,102,222
Others		3,204,353	4,902,714
		<u>93,762,585</u>	<u>130,649,154</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

		30-Jun-13 Rupees	30-Jun-12 Rupees
Local			
Salaries and wages		846,415	765,803
Freight on local sales		17,542,654	13,486,662
Commission on local sales		60,499,711	42,434,609
Quality claim		1,753,577	3,556,334
Others		1,068,264	968,438
		<u>81,710,621</u>	<u>61,211,846</u>
		<u>175,473,206</u>	<u>191,861,000</u>
31 ADMINISTRATIVE EXPENSES			
Directors' remuneration	37	3,960,000	1,920,000
Staff salaries and benefits	31.1	55,614,875	50,925,963
Traveling, conveyance and entertainment		7,956,643	9,834,684
Printing and stationery		2,095,395	1,998,949
Communication		2,548,629	2,617,899
Vehicles running and maintenance		10,373,194	8,737,733
Legal and professional		1,250,500	1,987,525
Auditors' remuneration	31.2	1,281,500	1,168,000
Fee and subscription		3,946,799	2,361,991
Repair and maintenance		1,551,716	1,728,254
Depreciation	14.2	9,759,715	9,528,972
Rent, rates and utilities		1,290,479	623,738
Donation	31.3	1,325,000	680,650
BadDebts	20.1	36,769,012	1,832,728
Inadmissible input		8,464	-
Software license renewal and maintenance fee		2,162,752	-
Office Renovation		-	1,344,411
Others		1,646,899	1,344,654
		<u>143,541,572</u>	<u>98,636,151</u>
31.1	Salaries, wages and benefits includes employees benefits amounting to PKR 6,622,288 (June 30, 2012 : PKR 5,558,843).		
31.2	Auditors' remuneration		
		1,100,000	1,000,000
		145,500	132,000
		36,000	36,000
		<u>1,281,500</u>	<u>1,168,000</u>
31.3	No director or his spouse had any interest in the donee		
32 OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	9.2	32,940,751	19,831,381
Workers' Welfare Fund	13.3	-	-
		<u>32,940,751</u>	<u>19,831,381</u>
33 FINANCE COST			
Mark-up on:			
- long-term financing		-	2,225,571
- short-term borrowings		102,820,807	114,042,136
- liabilities against assets subject to finance lease		455,804	1,180,673
- workers' profit participation fund	9.2	5,168,122	10,665,009
		<u>108,444,733</u>	<u>128,113,389</u>
Bank charges and commission		2,242,146	1,573,138
Letter of credits discounting		14,209,356	14,927,464
		<u>124,896,235</u>	<u>144,613,991</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

		30-Jun-13 Rupees	30-Jun-12 Rupees
34 PROVISION FOR TAXATION			
Current			
- for the year	34.1	63,054,804	65,357,163
- for prior years		(257,986)	(364,597)
		62,796,818	64,992,566
Deferred	8.3	(29,087,018)	(5,350,265)
		<u>33,709,800</u>	<u>59,642,301</u>

34.1 Provision for current tax for the year has been made in accordance with section 18 and section 154 of the Income Tax Ordinance 2001. Income tax assessment of company has been finalized upto tax year 2012.

		30-Jun-13 %	30-Jun-12 %
34.2 Numerical reconciliation between the average tax rate and the applicable tax rate			
Applicable tax rate		35.00	35.00
Tax effect of amounts that are:			
adjustment of the prior years		(0.04)	(0.10)
income chargeable to tax at different rate		(18.87)	(15.70)
deferred tax		(4.67)	(1.45)
		<u>(23.58)</u>	<u>(17.25)</u>
Effective tax rate		<u>11.42</u>	<u>17.75</u>

	30-Jun-13 Rupees	30-Jun-12 Rupees
35 EARNINGS PER SHARE - BASIC AND DILUTED	<u>195.67</u>	<u>102.16</u>

There is no dilutive effect on the basic earning per share of the company which is based on;

Earnings

Earnings for the purpose of basic earnings per share (net profit after tax for the year)	<u>586,996,349</u>	<u>306,488,912</u>
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Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>3,000,000</u>	<u>3,000,000</u>
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Basic earnings per share have been computed by dividing earnings as stated above with weighted average number of ordinary shares.

Basic earnings per share	Rupees	<u>195.67</u>	<u>102.16</u>
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No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

36 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 19th September 2013 has proposed to pay cash dividend of @ 200% i.e. PKR 20 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2013

37 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	Chief Executive		Director		Total	
	2013	2012	2013	2012	2013	2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Remuneration	2,280,000	960,000	1,680,000	960,000	3,960,000	1,920,000
Number of persons	1	1	1	1	2	2

37.1 In addition the Chief Executive, and directors are provided with free use of Company maintained cars and telephone for business use.

38 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2013 is as follows:

38.1 Operating Results

Note	Spinning		Weaving		Power Generation		Total	
	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
Sales								
Export sales	895,023,761	1,218,637,119	955,320,423	1,331,482,322	-	-	1,850,344,184	2,550,119,441
Local sales	992,486,259	813,476,041	240,765,743	180,425,432	-	-	1,233,252,002	993,901,473
Custom rebate	-	33,195	2,029,862	119,105	-	-	2,029,862	152,300
Inter-segment sales	-	215,478,700	-	-	145,539,338	163,577,240	145,539,338	379,055,940
	4,445,472,822	4,305,655,179	2,585,885,030	2,282,770,215	145,539,338	163,577,240	7,176,897,190	6,752,002,634
Discount and sales tax								
Discount	(43,978)	-	-	-	-	-	(43,978)	-
Sales tax	(24,382,779)	-	(9,514,249)	-	-	-	(33,897,028)	-
	(24,426,757)	-	(9,514,249)	-	-	-	(33,941,006)	-
Net sales	4,421,046,065	4,305,655,179	2,576,370,781	2,282,770,215	145,539,338	163,577,240	7,142,956,184	6,752,002,634
Cost of sales	3,495,715,121	3,587,519,489	2,409,517,731	2,194,301,113	145,937,192	159,928,041	6,051,170,044	5,941,748,643
Gross profit	925,330,944	718,135,690	166,853,050	88,469,102	(397,854)	3,649,199	1,091,786,140	810,253,991
Distribution cost	111,017,850	121,437,520	64,455,356	70,423,480	-	-	175,473,206	191,861,000
Administrative cost	89,848,940	81,097,927	53,483,659	17,522,699	208,973	15,525	143,541,572	98,636,151
	200,866,790	202,535,447	117,939,015	87,946,179	208,973	15,525	319,014,778	290,497,151
Operating result	724,464,154	515,600,243	48,914,035	522,923	(606,827)	3,633,674	772,771,362	519,756,840
38.2 Segment assets	3,208,225,756	2,460,964,468	939,369,981	927,065,742	107,460,727	120,436,307	4,255,056,464	3,508,466,517
Unallocated assets							150,566,212	122,387,714
							4,405,622,676	3,630,854,231
38.3 Segment liabilities	1,212,700,366	764,116,032	163,387,547	337,351,478	18,738,702	22,276,175	1,394,826,615	1,123,743,685
Unallocated liabilities							63,438,724	86,769,558
							1,458,265,339	1,210,513,243

38.4 Inter-segment pricing

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. There were no major customer of company which formed 10 percent or more of the company's revenue.

39 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities

39.1 Turnover	2013	2012
	Rupees	Rupees
Total turnover for reportable segments	7,142,956,184	6,752,002,634
Elimination of inter-segment turnover	(145,539,338)	(379,055,940)
Total turnover	6,997,416,846	6,372,946,694

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

	2013 Rupees	2012 Rupees
39.2 Cost of sales		
Total cost of sales for reportable segments	6,049,681,219	5,941,748,643
Elimination of inter-segment revenue	<u>(145,539,338)</u>	<u>(379,055,940)</u>
Total cost of sales	<u>5,904,141,881</u>	<u>5,562,692,703</u>
39.3 Assets		
Total assets for reportable segments	4,255,056,464	3,508,466,517
Taxation recoverable	60,077,776	39,093,353
Sales tax refundable	50,613,456	49,814,973
Trade deposits	28,912,184	21,839,292
Long term investment	320,000	300,000
Long term deposit	10,642,796	11,340,096
Total assets	<u>4,405,622,676</u>	<u>3,630,854,231</u>
39.4 Liabilities		
Total liabilities for reportable segments	1,394,826,615	1,123,743,685
Unclaimed dividends	485,362	392,252
Infrastructure fee	24,592,136	18,929,062
Deferred taxation	38,361,226	67,448,244
Total liabilities	<u>1,458,265,339</u>	<u>1,210,513,243</u>

40	Note	Spinning		Weaving		Power Generation		Total	
		30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
	Cost of sales								
	Raw material consumed	2,083,752,366	2,348,140,008	1,843,469,490	1,587,869,368	-	-	3,927,221,856	3,936,009,376
	Packing material consumed	51,685,070	51,910,466	5,800,061	6,417,269	-	-	57,485,131	58,327,735
	Stores and spare parts	118,735,106	91,274,890	49,636,563	49,421,859	6,034,664	8,478,499	174,406,333	149,175,248
	Salaries, wages and benefits	323,819,961	249,047,603	93,759,994	68,789,851	6,195,823	4,859,296	423,775,778	322,696,750
	Processing charges	10,731,400	3,614,045	5,526,655	12,844,865	-	-	16,258,055	16,458,910
	Fees and subscription	59,545	241,760	9,600	10,050	12,000	12,000	81,145	263,810
	Fuel, power and water								
	Inter-segment	-	71,990,770	145,539,338	91,586,470	-	-	145,539,338	163,577,240
	Others	527,812,499	403,017,340	187,375,294	190,280,111	115,730,273	127,072,430	830,918,066	720,369,881
		527,812,499	475,008,110	332,914,632	281,866,581	115,730,273	127,072,430	976,457,404	883,947,121
	Electricity duty	-	-	-	-	1,615,589	1,753,745	1,615,589	1,753,745
	Insurance	11,848,790	8,810,594	3,915,704	3,406,025	3,768,396	4,057,944	19,532,890	16,274,563
	Vehicle running and maintenance	6,266,901	5,629,079	1,671,549	1,488,960	186,232	142,115	8,124,682	7,260,154
	Rent, rates and taxes	495,225	436,738	41,990	15,360	1,820	740	539,035	452,838
	Repair and maintenance	9,797,294	5,102,251	2,870,616	2,960,231	618,409	464,461	13,286,319	8,526,943
	Communication	590,692	550,579	220,930	214,920	-	-	811,622	765,499
	Travelling and conveyance and entertainment	1,366,000	1,491,072	144,434	116,726	49,058	51,232	1,559,492	1,659,030
	Depreciation	74,824,116	72,350,591	51,504,531	55,166,592	11,702,160	13,002,405	138,030,807	140,519,588
	Raw material impaired	1,488,825	-	-	-	-	-	1,488,825	-
	Others	2,571,548	1,122,992	1,118,176	824,020	22,768	33,174	3,712,492	1,980,186
		3,225,845,338	3,314,730,778	2,392,604,925	2,071,412,677	145,937,192	159,928,041	5,764,387,455	5,546,071,496
	Work in process								
	Opening stock	50,261,027	44,384,859	45,276,484	36,777,578	-	-	95,537,511	81,162,437
	Work in process lost/brunt	(238,435)	(123,850)	-	-	-	-	(238,435)	(123,850)
	Closing stock	(46,715,496)	(50,261,027)	(42,915,548)	(45,276,484)	-	-	(89,631,044)	(95,537,511)
		3,307,096	(6,000,018)	2,360,936	(8,498,906)	-	-	5,668,032	(14,498,924)
	Cost of goods manufactured	3,229,152,434	3,308,730,760	2,394,965,861	2,062,913,771	145,937,192	159,928,041	5,770,055,487	5,531,572,572
	Cost of cotton sold	87,223,853	70,748,615	-	-	-	-	87,223,853	70,748,615
	Finished stocks								
	Opening stock	101,327,832	242,503,064	79,038,843	201,120,745	-	-	180,366,675	443,623,809
	Finished goods purchased	270,181,528	66,921,882	15,755,990	9,305,440	-	-	285,937,518	76,227,322
	Finished goods theft	(96,030)	(57,000)	-	-	-	-	(96,030)	(57,000)
	Closing stock	(193,563,321)	(101,327,832)	(80,242,963)	(79,038,843)	-	-	(273,806,284)	(180,366,675)
		177,850,009	208,040,114	14,551,870	131,387,342	-	-	192,401,879	339,427,456
		3,494,226,296	3,587,519,489	2,409,517,731	2,194,301,113	145,937,192	159,928,041	6,049,681,219	5,941,748,643

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

	Note	Spinning		Weaving		Power Generation		Total	
		30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12	30-Jun-13	30-Jun-12
40.1 Raw material consumed									
Opening stock		1,041,971,015	983,717,109	55,059,225	38,807,109	-	-	1,097,030,240	1,022,524,218
Purchases									
Inter-segment		-	-	-	215,478,700	-	-	-	215,478,700
Others		2,765,149,240	2,474,826,734	1,931,865,544	1,395,816,024	-	-	4,697,014,784	3,870,642,758
		2,765,149,240	2,474,826,734	1,931,865,544	1,611,294,724	-	-	4,697,014,784	4,086,121,458
Raw material sold - cotton		(85,298,512)	(68,432,820)	-	-	-	-	(85,298,512)	(68,432,820)
Raw material sold - yarn		-	-	(15,718,890)	(7,173,240)	-	-	(15,718,890)	(7,173,240)
Raw material impaired		(1,488,825)	-	-	-	-	-	(1,488,825)	-
Closing stock		(1,636,580,552)	(1,041,971,015)	(127,736,389)	(55,059,225)	-	-	(1,764,316,941)	(1,097,030,240)
		<u>2,083,752,366</u>	<u>2,348,140,008</u>	<u>1,843,469,490</u>	<u>1,587,869,368</u>	<u>-</u>	<u>-</u>	<u>3,927,221,856</u>	<u>3,936,009,376</u>
40.2 Cost of cotton sold									
Cost of purchase		85,298,512	68,432,820	-	-	-	-	85,298,512	68,432,820
Salaries, wages and other benefits		133,380	306,280	-	-	-	-	133,380	306,280
Loading and unloading		7,572	6,054	-	-	-	-	7,572	6,054
Insurance		254,907	302,070	-	-	-	-	254,907	302,070
Commission		-	63,002	-	-	-	-	-	63,002
Finance cost		1,529,482	1,638,389	-	-	-	-	1,529,482	1,638,389
		<u>87,223,853</u>	<u>70,748,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,223,853</u>	<u>70,748,615</u>
41 Distribution cost									
Export									
Ocean freight and forwarding		22,259,693	36,286,290	13,719,637	28,802,882	-	-	35,979,330	65,089,172
Export development surcharge		2,239,911	2,955,358	2,309,789	3,346,230	-	-	4,549,700	6,301,588
Commission		16,221,885	25,114,613	32,497,573	22,138,845	-	-	48,719,458	47,253,458
Sales Promotion Expenses		773,366	1,330,528	536,378	5,771,694	-	-	1,309,744	7,102,222
Others		801,701	1,610,869	2,402,652	3,291,845	-	-	3,204,353	4,902,714
		42,296,556	67,297,658	51,466,029	63,351,496	-	-	93,762,585	130,649,154
Local									
Salaries and wages		846,415	765,803	-	-	-	-	846,415	765,803
Inland transportation		17,378,279	13,272,057	164,375	214,605	-	-	17,542,654	13,486,662
Commission		47,674,759	35,577,230	12,824,952	6,857,379	-	-	60,499,711	42,434,609
Quality claim		1,753,577	3,556,334	-	-	-	-	1,753,577	3,556,334
Others		1,068,264	968,438	-	-	-	-	1,068,264	968,438
		68,721,294	54,139,862	12,989,327	7,071,984	-	-	81,710,621	61,211,846
		<u>111,017,850</u>	<u>121,437,520</u>	<u>64,455,356</u>	<u>70,423,480</u>	<u>-</u>	<u>-</u>	<u>175,473,206</u>	<u>191,861,000</u>
42 Administrative cost									
Directors' remuneration		3,960,000	1,920,000	-	-	-	-	3,960,000	1,920,000
Staff salaries and benefits		47,045,767	42,692,543	8,569,108	8,233,420	-	-	55,614,875	50,925,963
Traveling, conveyance and entertainment		5,354,162	6,531,813	2,602,481	3,302,871	-	-	7,956,643	9,834,684
Printing and stationery		1,602,290	1,814,995	493,105	183,954	-	-	2,095,395	1,998,949
Communication		2,376,741	2,303,552	171,888	314,347	-	-	2,548,629	2,617,899
Vehicles running and maintenance		8,350,900	7,225,863	2,022,294	1,511,870	-	-	10,373,194	8,737,733
Legal and professional		1,055,500	1,267,525	-	720,000	195,000	-	1,250,500	1,987,525
Auditors' remuneration		854,333	778,666	427,167	389,334	-	-	1,281,500	1,168,000
Fee and subscription		3,237,324	1,566,459	709,475	795,532	-	-	3,946,799	2,361,991
Repair and maintenance		1,517,516	1,638,984	34,200	89,270	-	-	1,551,716	1,728,254
Depreciation		7,922,939	7,771,519	1,822,803	1,741,928	13,973	15,525	9,759,715	9,528,972
Rent, rates and utilities		1,290,479	623,738	-	-	-	-	1,290,479	623,738
Donation		950,000	680,650	375,000	-	-	-	1,325,000	680,650
Bad Debts		716,711	1,832,728	36,052,301	-	-	-	36,769,012	1,832,728
Inadmissible input		8,464	-	-	-	-	-	8,464	-
Software license renewal and maintenance fee		2,162,752	-	-	-	-	-	2,162,752	-
Office Renovation		-	1,344,411	-	-	-	-	-	1,344,411
Others		1,443,062	1,104,481	203,837	240,173	-	-	1,646,899	1,344,654
		<u>89,848,940</u>	<u>81,097,927</u>	<u>53,483,659</u>	<u>17,522,699</u>	<u>208,973</u>	<u>15,525</u>	<u>143,541,572</u>	<u>98,636,151</u>

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2013

43 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2013 the net fair value of all financial instruments has been based on the valuation methodology outlined below:-

Long-term deposits

Long term deposits does not carry any rate of return. The fair value of it has been taken at book value as it is not considered materially different and readily exchangeable.

Non-current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and reprising profiles of similar non-current liabilities.

Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / mark-up rate risk is as under:

	2013							Effective Interest Rate %
	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	414,889,160	-	414,889,160	414,889,160	
Loans and advances	-	-	-	29,973,488	-	29,973,488	29,973,488	
Trade deposits	25,094,654	-	25,094,654	3,817,530	-	3,817,530	28,912,184	8 to 9.5
Other receivables	-	-	-	3,949,932	-	3,949,932	3,949,932	
Bank balances	-	-	-	53,183,616	-	53,183,616	53,183,616	
Long-term deposits	-	-	-	-	10,642,796	10,642,796	10,642,796	
Long term investments	-	-	-	-	320,000	320,000	320,000	
	<u>25,094,654</u>	<u>-</u>	<u>25,094,654</u>	<u>505,813,726</u>	<u>10,962,796</u>	<u>516,776,522</u>	<u>541,871,176</u>	
Financial liabilities								
Long-term financing	1,699,570	-	1,699,570	-	-	-	1,699,570	13.74 to 15.30
Trade and other payables	32,940,751	-	32,940,751	434,136,148	-	434,136,148	467,076,899	
Mark-up accrued on loans	-	-	-	5,980,563	-	5,980,563	5,980,563	
Short-term borrowings	828,550,000	-	828,550,000	-	-	-	828,550,000	KIBOR + 0.1 to 2.5
	<u>863,190,321</u>	<u>-</u>	<u>863,190,321</u>	<u>440,116,711</u>	<u>-</u>	<u>440,116,711</u>	<u>1,303,307,032</u>	
On balance sheet gap	<u>(838,095,667)</u>	<u>-</u>	<u>(838,095,667)</u>	<u>65,697,015</u>	<u>10,962,796</u>	<u>76,659,811</u>	<u>(761,435,856)</u>	

Contingencies and commitments

Post dated cheques	5,677,878
Bill discounted	278,932,397
Guarantees (Note 8.4 and Note 13.2)	68,854,329
Letters of credit	250,747,185
Civil work	-

Notes to the financial statement For the year ended June 30, 2013

2012

	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	Effective Interest Rate %
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	381,348,469	-	381,348,469	381,348,469	
Loans and advances	-	-	-	20,879,763	-	20,879,763	20,879,763	
Trade deposits	18,544,654	-	18,544,654	3,294,638	-	3,294,638	21,839,292	8 to 9.5
Other receivables	-	-	-	1,462,916	-	1,462,916	1,462,916	
Bank balances	-	-	-	32,753,514	-	32,753,514	32,753,514	
Long-term loans	-	-	-	-	-	-	-	
Long-term deposits	-	-	-	-	11,340,096	11,340,096	11,340,096	
Long term investments	-	-	-	-	300,000	300,000	300,000	
	<u>18,544,654</u>	<u>-</u>	<u>18,544,654</u>	<u>439,739,300</u>	<u>11,640,096</u>	<u>451,379,396</u>	<u>469,924,050</u>	
Financial liabilities								
Long-term financing	5,042,375	1,681,992	6,724,367	-	-	-	6,724,367	7 and KIBOR + 1
Trade and other payables	19,831,381	-	19,831,381	317,450,124	-	317,450,124	337,281,505	
Mark-up accrued on loans	-	-	-	4,666,326	-	4,666,326	4,666,326	
Short-term borrowings	696,500,000	-	696,500,000	-	-	-	696,500,000	KIBOR + 0.3 to 3
	<u>721,373,756</u>	<u>1,681,992</u>	<u>723,055,748</u>	<u>322,116,450</u>	<u>-</u>	<u>322,116,450</u>	<u>1,045,172,198</u>	
On balance sheet gap	<u>(702,829,102)</u>	<u>(1,681,992)</u>	<u>(704,511,094)</u>	<u>117,622,850</u>	<u>11,640,096</u>	<u>129,262,946</u>	<u>(575,248,148)</u>	

Contingencies and commitments

Post dated cheques	21,001,604
Bill discounted	263,184,758
Guarantees (Note 8.4 and Note 13.2)	62,304,329
Letters of credit	-
Civil work	1,500,000

43.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Changes in interest rates can affect the rates charged on interest bearing liabilities. This can result in an increase in interest expense relative to financial borrowings or vice versa. The Company manages its risk by interest rate swapping, maintaining a fair balance between interest rates and financial assets and financial liabilities. The effective interest rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

43.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 541,886,215 (June 30, 2012: PKR 469,924,050), unsecured local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 448,827,619 (June 30, 2012: PKR 403,691,148) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

43.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

43.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2013, the total foreign currency risk exposure was PKR 32,486,325 (June 30, 2012: PKR 85,635,554) in respect of foreign trade debts.

43.5 Fair value of financial instruments

"Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms' length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values."

43.6 Credit risk

43.6.1 Maximum credit exposure

The carrying amount of financial assets, excluding cash in hand, represents maximum credit exposure. The maximum exposure to credit risk as at the reporting date is:

<i>Note</i>	June 30, 2013 Rupees	June 30, 2012 Rupees
Financial assets at fair value through profit or loss	-	-
Held-to-maturity investments	-	-
Loans and receivables:		
Long term deposits	10,642,796	11,340,096
Trade receivables	414,889,160	381,348,469
Loan and advances	29,973,488	20,879,763
Refundable trade deposits	28,912,184	21,839,292
Other receivables	3,949,932	1,462,916
Cash at banks	53,183,616	32,753,514
	541,551,176	469,624,050
Available for sale financial assets	320,000	300,000
	488,687,560	437,170,536

43.6.2 Concentration of credit risk

Maximum exposure to credit risk by geographical region as at the reporting date is:

Domestic	463,464,067	340,618,440
Europe	-	-
United States of America	-	28,172,153
Asia and Middle East	26,679,837	40,630,655
Africa	-	11,279,664
Other regions	-	-
	490,143,904	420,700,912

43.6.3 Impairment losses

The ageing of loans and receivables as at the reporting date is as follows:

Not past due	414,889,160	381,348,469
Past due less than one year	68,275,770	32,373,469
Past due more than one year but less than three years	309,001	309,001
Past due more than three years	6,978,974	6,978,974
	490,452,905	421,009,913

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

June 30, 2013
Rupees

June 30, 2012
Rupees

The movement in allowance for impairment in respect of loans and receivables during the year is as follows:

As at beginning of the year	40,826,444	47,445,616
Impairment loss recognized	36,052,301	1,832,728
Impairment loss reversed	(150,000)	(8,451,900)
As at end of the year	<u>76,728,745</u>	<u>40,826,444</u>

Credit quality of counter parties is assessed based on historical default rates. All loans and receivables not past due are considered good. The management believes that allowance for impairment of loans and receivables past due is not necessary, as these comprise amounts due from old customers, which have been re-negotiated from time to time and are also considered good.

43.6.4 Collateral held

The Company does not hold collateral to secure its loans and receivables. However, foreign trade receivables of the Company are secured through letters of credits and exposure to credit risk in respect of these is minimal.

43.7 Liquidity risk

Following are the contractual maturities of financial liabilities, including estimated interest payments

	As at June 30, 2013				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	-	100,000,000	100,000,000	-	-
Liabilities against assets subject to finance lease	1,699,570	1,699,570	1,699,570	-	-
Long term payables	24,592,136	24,592,136	-	24,592,136	-
Short term borrowings	828,550,000	828,550,000	828,550,000	-	-
Mark-up accrued on borrowings	5,980,563	5,980,563	5,980,563	-	-
Trade creditors	287,039,982	287,039,982	287,039,982	-	-
Accrued liabilities	145,419,626	145,419,626	145,419,626	-	-
Unclaimed dividend	485,362	485,362	485,362	-	-
Other payables	34,131,929	34,131,929	34,131,929	-	-
	<u>1,327,899,168</u>	<u>1,427,899,168</u>	<u>1,403,307,032</u>	<u>24,592,136</u>	<u>-</u>
	As at June 30, 2012				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	-	100,000,000	-	-	-
Long term finances	-	-	-	-	-
Liabilities against assets subject to finance lease	6,724,367	6,724,367	5,042,375	1,681,992	-
Long term payables	18,929,062	18,929,062	-	18,929,062	-
Short term borrowings	696,500,000	696,500,000	696,500,000	-	-
Mark-up accrued on borrowings	4,666,326	4,666,326	4,666,326	-	-
Trade creditors	196,750,803	196,750,803	196,750,803	-	-
Accrued liabilities	119,720,169	119,720,169	119,720,169	-	-
Unclaimed dividend	392,252	392,252	392,252	-	-
Other payables	20,418,281	20,418,281	20,418,281	-	-
	<u>1,064,101,260</u>	<u>1,164,101,260</u>	<u>1,043,490,206</u>	<u>20,611,054</u>	<u>-</u>

Notes to the financial statement For the year ended June 30, 2013

	June 30, 2013 Rupees	June 30, 2012 Rupees
43.8 Market risk		
43.8.1 Currency risk		
The Company's exposure to currency risk as at the reporting date is as follows:		
Trade receivables	26,679,837	80,082,472
Cash and cash equivalents	5,806,488	5,553,082
Total exposure	<u>32,486,325</u>	<u>85,635,554</u>

All foreign currency balances are denominated in USD. Average exchange rate used during the year and spot exchange rate applied at the reporting date was PKR 99.25 / USD (2012: PKR 89.64 / USD and PKR 94.40 / USD) respectively. Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 96.3228 / USD (2012: PKR 91.63 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 3,248,633 (2012: PKR 8,563,555). A ten percent depreciation would have had the equal but opposite effect on profit or loss. This sensitivity analysis based on assumption that all variables, with the exception of foreign exchange rates, remain unchanged.

43.8.2 Interest rate risk

The interest rate profile the Company's interest bearing financial instruments as at the reporting date is as follows:

	June 30, 2013 Rupees	June 30, 2012 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	25,094,654	18,544,654
Financial liabilities	830,249,570	701,542,375

The Company is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have decreased profit or loss by PKR 8,302,496 (2012: PKR 7,015,424). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

43.9 Fair values

Fair value is the amount for which an asset could be exchanged or a liability be settled between knowledgeable willing parties, in an arm's length transaction. As at the reporting date, the fair values of all financial instruments are considered to approximate their book values.

44 TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. Transaction with associated undertakings and related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 8.2.1, 9.1 and 37 are as follow :

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2013

June 30, 2013
Rupees

June 30, 2012
Rupees

Nature of relationship Nature of transactions

Associated undertaking	Sales of yarn	605,047,265	662,073,610
	Sales of fabric	130,390	1,759,524
	Sales of cotton	53,680,985	34,361,726
	Sales of machinery, stores, spare parts and loose tools	-	560,137
	Services rendered	8,778,060	665,400
	Purchase of yarn	262,963,929	71,299,044
	Purchase of fabrics	37,842	-
	Purchase of cotton	146,820,154	80,940,798
	Purchase electricity	549,871,954	237,769,287
	Purchase of machinery, stores, spare parts and loose tools	2,760,800	635,050
	Services received	3,341,259	1,178,023
Retirement benefits			
Key management	Provision for gratuity	30,130,177	23,715,993
	Remuneration	3,960,000	1,920,000

45 Accounting Estimates and Judgments

45.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

45.2 Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

45.3 Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

45.4 Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

45.5 Interest rate and cross currency swap

"The Company has entered into various interest rates and cross currency swap over the last year. The calculation involves use of estimates with regard to interest and foreign currency rates which fluctuate with the market forces."

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2013

	June 30, 2013 Rupees	June 30, 2012 Rupees
46 PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning		
Number of spindles installed	69,312	68,736
Number of looms installed	140	140
Number of spindles worked	69,312	68,736
Number of looms worked	140	140
Number of working days	365	365
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,388,285	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	25,611,349	24,162,615
Installed capacity of fabric after conversion into 50 picks - meters	26,166,485	26,166,485
Actual production of fabric after conversion into 50 picks - meters	24,332,549	24,212,723

It is difficult to precisely describe production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindles speed and twist etc. It would also vary according to pattern of production adopted in a particular year.

47 NUMBER OF EMPLOYEES	30-Jun-13	30-Jun-12
The average number of employees for the year ended	1,394	1,343

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 19th September 2013.

49 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the purposes of comparison. Significant reclassifications made is as following:

From	TO	Nature	Amount Rupees
49.1 Loan and advance	Trade deposit and short term prepayments	Proper allocation	
Prepaid expenses			961,148
49.2 Income tax refundable	Income tax refundable		
Prior year tax	Income tax refundable		1,599,775

50 GENERAL

The figures have been rounded off to the nearest Rupee.

Khurram Salim
Chief Executive

Karachi:

Date: 19th September 2013

Mohammad Shakeel
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2013

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
167	1	100	9,694
38	101	500	11,689
7	501	1000	5,798
14	1001	5000	30,241
4	5001	10000	26,078
1	10001	15000	14,000
2	20001	25000	43,984
1	25001	30000	29,872
1	40001	45000	42,780
4	50001	55000	204,938
3	55001	60000	176,142
3	60001	65000	181,600
3	70001	75000	216,400
2	80001	85000	165,600
2	155001	160000	317,900
1	170001	175000	170,400
1	250001	255000	250,176
1	265001	270000	267,825
1	330001	335000	334,283
1	500001	505000	500,600
257			3,000,000

* Note: There is no shareholding in the slab not mentioned

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2013**

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer and their spouse and minor children	18	1,537,460	51.25
2	Associated Companies, Undertaking and Related Parties	9	1,309,040	43.63
3	NIT & ICP	-	-	-
4	Bank / Financial Institution	1	148	0.00
5	Insurance Companies	1	70,500	2.35
6	General Public / Individuals	226	82,247	2.74
7	Joint Stock Companies	1	600	0.02
8	Others Company	1	5	0.00
		257	3,000,000	100.00

List of Shareholders As At 30 June, 2013

Sr #	Shareholder Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES		
	Admiral (Pvt) Ltd	16.69	500,600
	Mr. Farrukh Saleem	2.02	60,600
	Mr. Yousuf Saleem	1.69	50,674
	Mr. Saqib Saleem	1.68	50,490
	Mr. Muhammad Qasim	5.28	158,400
	Mr. Faisal Shakeel	8.34	250,176
	Mrs. Saba Yousuf	2.76	82,700
	Mrs. Saba Saqib	2.76	82,900
	Mrs. Sadaf Farrukh	2.42	72,500
2	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN		
	Mr. Muhammad Saleem	0.73	21,929
	Mr. Muhammad Sharif	0.47	14,000
	Mr. Muhammad Shaheen	1.43	42,780
	Mr. Muhammad Shakeel	0.74	22,055
	Mr. Khurram Saleem	2.02	60,500
	Mr. Bilal Sharif	2.02	60,500
	Mr. Muhammad Amin	5.32	159,500
	Mr. Adil Shakeel	8.93	267,825
	Mrs. Yasmin Begum	1.01	30,372
	Mrs. Seema Begum	1.78	53,292
	Mrs. Nazli Begum	1.68	50,482
	Mrs. Amna Khurram	2.45	73,400
	Mrs. Samia Bilal	11.14	334,283
	Mrs. Fatima Amin	5.68	170,400
	Master Abdullah Bilal	1.96	58,787
	Master Azaan Bilal	1.96	58,678
	Master Ali Bilal	1.96	58,677
3	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES		
	State Life Insurance Corporation of Pakistan	2.35	70,500
	Habib Metropolitan Bank Limited	0.00	148
4	JOINT STOCK COMPANIES		
	S.S. Corporation (Pvt) Ltd	0.02	600
5	INDIVIDUAL SHAREHOLDERS	2.74	82,247
6	OTHERS COMPANY	0.00	5
	TOTAL	100.00	3,000,000

List of Shareholders As At 30 June, 2013

Sr #	Shareholder Category	Percentage	No. of Shares
7	DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN		
	Mrs. Anjum Begum gifted shares to her grandsons		
	Master Abdullah Bilal	1.59	47,787
	Master Azaan Bilal	1.96	58,678
	Master Ali Bilal	1.96	58,677
8	SHAREHOLDERS HOLDING 5% OR MORE		
	Mr. Muhammad Qasim	5.28	158,400
	Mr. Faisal Shakeel	8.34	250,176
	Mr. Muhammad Amin	5.32	159,500
	Mr. Adil Shakeel	8.93	267,825
	Mrs. Samia Bilal	11.14	334,283
	Mrs. Fatima Amin	5.68	170,400
	Admiral (Pvt) Ltd	16.69	500,600

Year wise Operating Data

Year Ended 30th June

2013	2012	2011	2010	2009	2008
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Spinning Unit

Spindle installed	69,312	68,736	68,736	68,736	68,736	68,736
Spindle worked	69,312	68,736	68,736	68,736	68,736	68,736
Installed capacity after conversion in to 20/s count (Kgs)	23,388,285	23,200,746	23,200,746	23,200,746	23,200,746	23,200,746
Actual production after conversion in to 20/s count (Kgs)	25,611,349	24,162,615	25,694,021	26,019,888	26,346,958	26,346,958

Weaving Unit

Air jet looms installed	140	140	140	140	140	140
Air jet looms worked	140	140	140	140	140	140
Installed capacity after conversion into 50 picks - (meters)	26,166,485	26,166,485	26,166,485	26,166,485	26,166,485	26,166,485
Actual production after conversion into 50 picks - (meters)	24,332,549	24,212,723	27,527,198	23,665,124	24,985,060	29,025,904

Year wise Financial Data

Year Ended 30th June

	2013	2012	2011	2010	2009	2008
Rupees in Thousands						
Fixed assets	1,531,890	1,530,549	1,534,156	1,573,154	1,724,335	1,841,843
Investments, long term loans and deposits	10,963	11,640	12,765	20,485	40,749	11,494
Current assets	2,822,476	1,970,559	2,202,001	1,517,201	1,366,386	1,544,122
Shareholders equity	2,947,357	2,420,340	2,203,752	1,400,553	984,716	909,841
Long term liabilities	-	1,681	6,728	89,184	518,333	610,159
Deferred liabilities	154,958	165,341	153,729	169,574	203,565	186,926
Current liabilities	1,303,307	1,043,490	1,430,481	1,418,424	1,339,149	1,616,482
Turnover (Net)	6,997,417	6,372,946	7,545,581	4,800,841	3,781,556	3,477,248
Gross profit	1,093,275	810,253	1,477,484	901,722	496,257	409,440
Operating profit	745,602	510,745	1,157,360	650,569	389,412	30,844
Financial charges	124,896	144,613	224,088	231,441	289,788	220,877
Profit before tax	620,706	366,131	933,272	419,128	99,624	99,967
Profit after tax	586,996	366,131	863,199	421,836	80,874	63,905
Cash Dividend	60,000	90,000	60,000	6,000	6,000	7,500
Transfer to reserves	499,980	300,200	700,000	400,000	50,000	100,000
Profit carried forward	117,357	90,340	173,752	70,553	54,716	29,841

PROXY FORM

I/We _____
of _____
being a member of **BHANERO TEXTILE MILLS LIMITED** and holder of _____
ordinary shares as per Share Register Folio No. _____ and/or CDC Participant
ID No. _____ and Sub Account No. _____ hereby appoint
Mr./Mrs./Miss _____ of _____ or failing
him/her _____ of _____ as my / our
proxy to act on my/our behalf at the 34th Annual General Meeting of the Company to be held on
_____ 22nd October 2013 at 4:00 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq
Road, Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

WITNESS

Signature

Name

Address

Affix
Rs. 5/-
Revenue
Stamp

CNIC/Passport #

(Signature should agree with the
specimen signature registered
with the Company)

Signed this _____ day of _____ 2013

Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to the Company Secretary, **Bhenero Textile Mills Limited**, Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. so as to reach not less than 48 hours before the time scheduled for holding the meeting.

- (i) The Proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
- (ii) Attested copy of CNIC or the Passport of the beneficial owner alongwith the Proxy form should also be submitted.
- (iii) The Proxy nominee shall produce his / her original CNIC or original Passport at the time of the meeting.
- (iv) In case of a Corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature should be submitted (unless it has been provided earlier) along with Proxy form to the Company.

REGISTERED OFFICE

Umer House, 23/1, Sector 23, S.M. Farooq Road,
Korangi Industrial Area, Karachi-74900, Pakistan

Phones : 021 - 35115177 - 80

Fax No. : 021 - 35063002 - 3

E-mail : khioff@umergroup.com

Website : www.umergroup.com