



of Companies

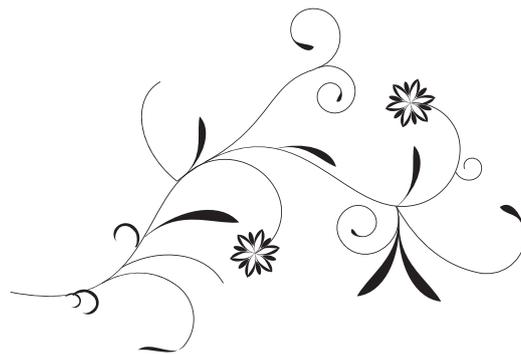
36th Annual Report 2015

UMER GROUP OF COMPANIES

BHANERO TEXTILE MILLS LIMITED

Vision

A Premier Quality Company, Providing Quality Products
And Maintaining An Excellent Level Of Ethical
And Professional 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.



BHANERO TEXTILE *of Companies* MILLS LIMITED

CORPORATE INFORMATION

Board of Directors	Mr. Khurrum Salim Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Iqbal Mehboob	Chief Executive / Director Non Executive Director Non Executive Director Non Executive Director Executive Director Non Executive Director Non Executive Director / Chairman Non Executive Director Independent Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Bilal Sharif Mr. Mohammad Shakeel Mr. Iqbal Mehboob	Chairman Member Member
Human Resource and Remuneration Committee	Mr. Bilal Sharif Mr. Mohammad Amin Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushatq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Bank Alfalah Limited Dubai Islamic Bank Faysal Bank Ltd. Habib Bank Limited MCB Bank Limited Meezan Bank Limited 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. Tel : 0223 870013 Unit II and Unit III are situated at: Feroz Watwan, Sheikhpura, Punjab. Tel: 056 3731723	



BHANERO TEXTILE *of Companies* MILLS LIMITED

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 36th Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Wednesday 28th October 2015 at 4:30 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 Annual General Meeting held on 27th October 2014.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2015 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 100% (i.e. PKR 10 per share) for the year ended 30th June, 2015, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2015-2016 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.

(By the order of the Board)

Karachi:

Date: 23rd September 2015

Syed Ashraf Ali, FCA
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 21st October 2015 to 28th October, 2015 (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 20th October 2015 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2015.
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.
8. The financial statements of the company for the year ended 30th June 2015 has been published on the website and may be downloaded from the following link, <http://www.umergroup.com/bhanero-financial-reports.html>
9. Members eager of getting financial statements through email, are request to kindly visit the company website and fill the standard request form.



BHANERO TEXTILE *of Companies* MILLS LIMITED

Directors' Report

The Directors of **Bhanero Textile Mills Limited** are pleased to submit the Annual Report and the audited financial statements for the year ended 30th June, 2015.

Financial Performance at a Glance

By the blessing of Allah Al Mighty, company earned profit after tax of PKR 207.410 Million during the year ended 30th June 2015 (30th June 2014: PKR 408.263 Million) despite the tough business conditions.

Earnings per share of company are PKR 69.14 per share (30th June 2014: PKR 136.09 per share), resulting in even more value for the shareholders equity. The breakup value of share is as on 30th June 2015 PKR 1,142.34 per share (30th June 2014: PKR 1,096.16 per share).

Textile sector and Economic Overview

Pakistan's economic growth for 2014-2015 came to 4.24% against the growth of 4.03% in last year. Pakistan has reached a relevantly stable growth, but the issue of sustainability of this growth remains under suspect because Pakistan's economy is still fragile.

Sustainability of Pakistan's economic growth depends upon the robustness of its industrial sector, which contributes significantly to the Gross Domestic Product (GDP) of Pakistan. Whereas almost 80% products are remain in crisis because of free imports of the same products are available at cheaper prices, especially from China. Pakistan earned only Euro 1 billion more from Generalized System of Preferences (GSP) Plus status last year. Pakistan's industry is not operating at full capacity due to energy crisis. Moreover cost of production is comparatively at higher side and unable to compete in international market. The other regional countries have significantly devalued their currencies but Pakistan's currency has not been adjusted accordingly. Heavy amount of sales tax and income tax are due from FBR which are creating cash flow problems for textile industry. Sales tax on textile industry should be zero rated.

	2015	2014
	Rupees	Rupees
Sales	7,350,098,065	8,060,771,943
Gross profit	641,533,843	965,882,199
Profit before taxation	236,843,325	470,203,574
Taxation		
Current year	12,439,185	79,121,073
Prior year	(5,099,670)	352,698
Deferred	22,093,295	(17,533,199)
	<u>29,432,810</u>	<u>61,940,572</u>
Profit after taxation	207,410,515	408,263,002
Comprehensive income		
Disposal of investment available for sale	-	180,000
Re-measurement of employees retirement benefits obligation – Actuarial loss	(9,931,102)	(8,235,989)
Deferred tax	1,059,309	923,302
	<u>(8,871,793)</u>	<u>(7,132,687)</u>
Total comprehensive income	198,538,722	401,130,315
Un-appropriated profit brought forward	108,487,652	117,357,337
Profit available for appropriation	307,026,374	518,487,652
Appropriations:		
Dividend paid	(60,000,000)	(60,000,000)
Transferred to General Reserve	(150,000,000)	(349,820,000)
Un-appropriated profit carried forward	97,026,374	108,487,652
	=====	=====
Basic and diluted earning per share	69.14	136.09
	=====	=====

BHANERO TEXTILE of Companies MILLS LIMITED

The sales of the company have decrease by 8.82% during the year ended 30th June 2015 as compared to previous year due to decline in cotton prices.

Gross profit for the year under review is amounting to PKR 641.533 million as compared to PKR 965.882 million in prior year. Whereas profit before taxation for the year under review is amounting to PKR 236.843 million as compared to PKR 470.203 million in prior year.

Gross profit ratio has declined due to slump in textile sector particularly in spinning segment which was remained under pressure due to lower demand and reduced prices in both local and international markets. The cotton prices have now declined to PKR 4,700 per maund from the PKR 5,300 per maund which was the average price for the year ended 30th June 2015. The increase in rate of electricity and levy of GIDC were also a major cause of decline in profitability.

Dividend

The board of directors is pleased to recommend a final cash dividend of 100% i.e PKR 10.0 per share (June 2014: 200% i.e. PKR 20.0 per share) for the approval of shareholders at the forthcoming annual general meeting.

Balance Sheet

By the blessing of Allah Al Mighty the total of shareholders' equity stood at PKR 3.427 billion as on 30th June 2015 (2014: PKR 3.288 Billion). Gearing ratio is 0.19 at 30th June 2015 as compared to 0.43 at 30th June 2014. The liquidity position of the company is sound with a current ratio of 5.22 at 30th June 2015 (June 2014: 2.43).

Cash Flow Management

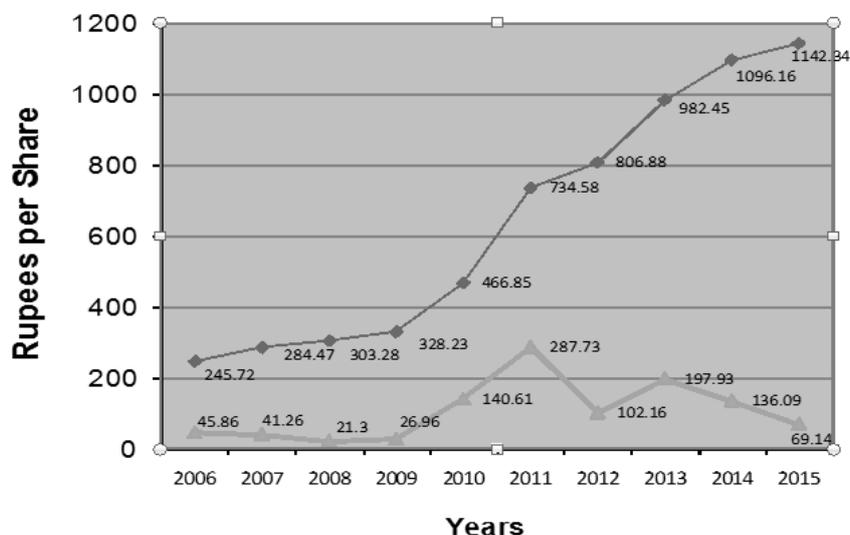
The Company's cash flow management system projects cash inflows and outflows on a regular basis and monitors the cash position on a daily basis. The Company manages its working capital requirements through short term running finance facilities and other short term borrowing instruments.

Net increase in cash and cash equivalents for the year is Rs. 146.636 million which comprises of net cash generated from operating activities, net cash used in investing activities and net outflows from financing activities amounting to Rs. 1,002.655 million, Rs. (23.875) million and Rs. (832.143) million respectively.

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

Breakup Value and Earning per Share

The breakup value of your share as on 30th June 2015 is PKR 1,142.34 (30th June 2014: PKR 1,096.16). The Earning per Share (EPS) of your company for the year ended 30th June 2015 is PKR 69.14 (30th June 2014: PKR 136.09).





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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.

Major Judgment Areas

Main areas related to income taxes, deferred tax, retirement benefit obligations and accounting estimates and judgments are detailed in notes to the financial statements.

Accounting Standards

The accounting policies of the Company fully reflect the requirements of the Companies Ordinance 1984 and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this Ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

Human Resource and Remuneration Committee:

The Human Resource and Remuneration Committee reviews the human resource structure of the Company and addresses the requirement of the Code of Corporate Governance. The committee has been constituted to address and improve the crucial area of human resource development. Its aim is to assist the Board and guide the management in the formulation of the Human Resource policies regarding performance management, Human Resource staffing, compensation and benefits. The expanded role of the Committee is to review CEO performance and to recommend CEO compensation for the approval of the Board. Further, the selection, evaluation and compensation of CFO, Company Secretary and Head of Internal Audit is also reviewed and recommended to the Board by the Committee.



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Board's Performance Evaluation

Governance and Evaluation Committee has assessed the Board's performance based on the established mechanism of self-assessment by the individual Board members. The above mechanism was approved by the Board on the recommendation of Governance and Evaluation Committee.

CEO's Performance Evaluation

During the year, the Human Resource and Remuneration Committee of the Board evaluated the performance of the CEO in line with the established performance based evaluation system.

The evaluation was reviewed against the following criteria:

- Leadership
- Policy and strategy
- People Management
- Business Processes/Excellence
- Governance and Compliance
- Financial Performance
- Impact on Society

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 2015 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

Four directors have been awarded certification of Corporate Governance Leadership Skills by the Pakistan Institute of Corporate Governance. Whereas three directors are exempt from obtaining certification of Corporate Governance Leadership Skills based on their education and experience as provided in Code of Corporate Governance 2012.

Board and Audit Committee Meetings

The number of board and audit committee meetings held during the year 2014-15 was four. The attendance of the directors and members are as under:

Board Meetings			Audit Committee Meeting		
S. No.	Director's Name	Attendance	S. No.	Member's Name	Attendance
1	Mr. Khurram Salim	4/4	1	Mr. Bilal Sharif	4/4
2	Mr. Bilal Sharif	3/4	2	Mr. Mohammad Shakeel	4/4
3	Mr. Mohammad Amin	3/4	3	Mr. Iqbal Mehboob	4/4
4	Mr. Adil Shakeel	4/4			
5	Mr. Mohammad Salim	4/4			
6	Mr. Mohammad Sharif	4/4			
7	Mr. Mohammad Shaheen	3/4			
8	Mr. Mohammad Shakeel	3/4			
9	Mr. Iqbal Mehboob	4/4			



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Normal BMR has been done in the year ended 30th June 2015 and BMR will continue as and when required.

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 Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary and their spouses and minor children during the year ended 30th June 2015.

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 36th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 36th annual general meeting until the conclusion of 37th 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 2016. 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 & Environmental Protection

As a responsible participant in the economy, Company strives continually to make Health, Safety and Environment a core priority in its daily operations. As part of these efforts, Company adheres to the highest HSE standards and policies including compliance with relevant laws and regulations. Alongside this the Company regularly initiates self-efforts to further improve HSE compliance and management across the board through audits/ inspections and trainings.

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.

Corporate Social Responsibility

Company is extensively supporting educational and health projects with renowned NGO chartered by Government of Pakistan. Company spent PKR 1.710 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.

Company is working positively to raise the educational, health and environmental standards of the country in general and local communities in particular.

Business Risks, Challenges and Future Outlook

Another challenging period ahead is being forecasted. Continuous sluggish demand of yarn and increase in gas and electricity tariffs is the main obstacle to maintain profitability of the company.

The Cotton Crop production target for 2015-16 was set to 15.5 million bales, however the target was subsequently reduced to 13.3 million bales. Cotton Crop Assessment Committee (CCAC) has reported that Punjab was projected to produce 10.5 million bales from six million acres, however it has missed the sowing target and grew cotton on 5.6 million acres registering a decline of about six percent. The recent monsoon rains and floods affected cotton crop on about nine million acres and CCAC revised the production estimate downward to 9.3 million bales. Sindh was projected to produce 4.4 million bales from 1.6 million acres. The sowing was on 1.4 million acres thereby missing the target by 10 percent. The estimated consumption for 2015-16 of local industry is around 14.5 million bales, and the expected total production of the local industry will be around 13.3 million bales of cotton. The shortfall of about 1.2 million bales will be fulfilled through import. Currently the price of cotton in local market is around PKR 4,700 per maund.



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Due to higher opening inventory and limited demand of cotton from China, the current stock to use ratio of the world for the cotton stands at around 99% as per USDA's latest reports. Resultantly in 2015-16, cotton is likely to be much less attractive to plant due to falling cotton prices while prices for competing crops such as maize and soy have recovered from price downturns witnessed in Sep'14-Oct'14. Consequently, the area under cultivation for cotton is likely to fall by 5%-7% across all the major cotton producing countries. On the demand side, USDA expects the global consumption to remain flattish in 2015-16.

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

The State Bank of Pakistan has reduced the discount rate to 6% which is good for economy. The markup cost will be reduced in subsequent period.

The results of the first quarter of the next fiscal year will depend on the demand of yarn and direction of cotton prices and corresponding yarn and fabric prices. In the present scenario the results are likely to be adverse. The management of the company is doing its best efforts to maintain the profitability margin.

Acknowledgement

The Company is thankful to its shareholders for the trust and confidence shown. The Company also acknowledges and appreciates the efforts and dedication of its employees and operators enabling the Company to achieve its results.

For and on behalf of the Board of Directors

**Khurram Salim
Chief Executive**

Karachi:

Date: 23rd September 2015

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

Member of



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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** (the Company) for the year ended June 30, 2015 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, 2015.

MUSHTAQ & COMPANY
Chartered Accountants

Lahore:
Date: 23rd September 2015

Engagement Partner:
Abdul Qadoos
F.C.A.



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STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2015

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 the includes;

Category	Name
Independent Director	Mr. Iqbal Mehboob
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 Shakeel Mr. Mohammad Shaheen

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 NBF. 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. An independent 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.
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 an independent director. The remaining two members are non-executive directors.
14. The Board has formed Human Resource and Remuneration Committee. It comprises of three members, majority of them including Chairman of committee are non executive directors.



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STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2015

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 put in place a mechanism undertaking annually an evaluation of the Board's own performance and of its committees to enhance board performance.
17. The Company has complied with all the corporate and financial reporting requirements of the Code.
18. 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.
19. 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.
20. 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.
21. 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).
22. 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.
23. 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.
24. 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.
25. 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: 23rd September 2015

Khurram Salim
Chief Executive

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

407-Commerce Centre Hasrat Mohani Road Karachi-74200 Tel: 32638521-4 Fax: 32639843

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Member of



Illinois, USA

We have audited the annexed Balance Sheet of **Bhanero Textile Mills Limited** (“the Company”) as at June 30, 2015 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, 2015 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 the Central Zakat Fund established under section 7 of that Ordinance.

MUSHTAQ & COMPANY
Chartered Accountants

Engagement Partner:
Abdul Qadoos
F.C.A.

Lahore:

Date: 23rd September 2015



BHANERO TEXTILE *of Companies* MILLS LIMITED

Balance Sheet As At June 30, 2015

	Note	30 th June, 2015 Rupees	30 th June, 2014 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2014: 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	3,300,000,000	3,150,000,000
Unappropriated profit		97,026,374	108,487,652
		<u>3,427,026,374</u>	<u>3,288,487,652</u>
NON CURRENT LIABILITIES			
Long term financing - secured	7	583,099,224	620,240,702
DEFERRED LIABILITIES			
	8	213,427,733	158,111,719
CURRENT LIABILITIES			
Trade and other payables	9	417,410,922	426,780,269
Accrued markup / interest	10	13,344,295	21,458,189
Short term borrowings - secured	11	-	802,212,479
Current portion of long term financing	12	67,141,478	-
		<u>497,896,695</u>	<u>1,250,450,937</u>
CONTINGENCIES AND COMMITMENTS			
	13		
TOTAL EQUITY AND LIABILITIES		<u>4,721,450,026</u>	<u>5,317,291,010</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:
Date: 23rd September 2015

Khurram Salim
Chief Executive



BHANERO TEXTILE *of Companies* MILLS LIMITED

Balance Sheet As At June 30, 2015

	Note	30 th June, 2015 Rupees	30 th June, 2014 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	2,080,121,779	1,540,975,267
Capital work in progress	15	17,324,922	725,583,893
Long term deposit	16	26,205,436	11,220,436
		2,123,652,137	2,277,779,596
CURRENT ASSETS			
Stores, spares and loose tools	17	65,908,993	62,663,236
Stock in trade	18	1,511,681,396	2,164,138,832
Trade debts	19	472,306,913	500,932,916
Loans and advances	20	137,015,356	38,555,570
Trade deposits and short term prepayments	21	41,412,783	40,413,940
Other receivables	22	14,344,759	3,783,880
Income tax refundable	23	127,574,767	76,817,187
Sales tax refundable	24	50,481,895	121,771,262
Cash and bank balances	25	177,071,027	30,434,591
		2,597,797,889	3,039,511,414
TOTAL ASSETS		4,721,450,026	5,317,291,010

Mohammad Shakeel
Director



BHANERO TEXTILE *of Companies* MILLS LIMITED

Profit and Loss Account For The Year Ended June 30, 2015

	Note	30th June, 2015 Rupees	30th June, 2014 Rupees
Sales	26	7,350,098,065	8,060,771,943
Cost of sales	27	6,708,564,222	7,094,889,744
Gross profit		641,533,843	965,882,199
Other income	28	8,765,771	11,483,212
		650,299,614	977,365,411
Distribution cost	29	161,773,289	189,362,334
Administrative expenses	30	118,511,391	114,789,506
Other operating expenses	31	18,043,491	76,173,971
Finance cost	32	115,128,118	126,836,026
		413,456,289	507,161,837
Profit before tax		236,843,325	470,203,574
Provision for taxation	33		
Current tax - current year		12,439,185	79,121,073
Current tax - prior year		(5,099,670)	352,698
Deferred		22,093,295	(17,533,199)
		29,432,810	61,940,572
Profit after taxation for the year		207,410,515	408,263,002
Earnings per share - basic and diluted	34	69.14	136.09

The annexed notes from 1 to 49 form an integral part of these financial statements.

Khurram Salim
Chief Executive

Mohammad Shakeel
Director

Karachi:

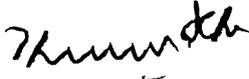
Date: 23rd September 2015


BHANERO TEXTILE *of Companies* MILLS LIMITED

**Statement of Comprehensive Income
 For The Year Ended June 30, 2015**

	Note	30th June, 2015	30th June, 2014
		<u>Rupees</u>	<u>Restated Rupees</u>
Profit after taxation for the year		207,410,515	408,263,002
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Available for sale financial assets			
Unrealized gain / (loss) on remeasurement of available for sale investments		-	382,210
Reclassification adjustments relating to gain realized on disposal of available for sale investments		-	(202,210)
		-	180,000
Items that will not be reclassified subsequently to profit and loss			
Actuarial loss on remeasurement of employees retirement benefits - gratuity	8.1.2	(9,931,102)	(8,235,989)
Related deferred tax on remeasurement of employees retirement benefits - gratuity		1,059,309	923,302
		(8,871,793)	(7,312,687)
Total comprehensive Income for the year		<u>198,538,722</u>	<u>401,130,315</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 23rd September 2015



BHANERO TEXTILE *of Companies* MILLS LIMITED

Cash Flow Statement For The Year Ended June 30, 2015

	30 th June, 2015	30 th June, 2014
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	236,843,325	470,203,574
Adjustments for:		
Depreciation on property, plant and equipment	197,585,433	145,167,928
Provision for staff retirement benefits - gratuity	39,941,777	25,862,863
Provision for bad debts	356,000	-
Infrastructure fee	5,717,558	9,993,464
(Gain) on disposal of investments available for sale	-	(202,210)
(Gain) on disposal of property, plant and equipment	(4,597,450)	(664,091)
Finance cost	115,128,118	126,836,026
Operating cash flows before changes in working capital	590,974,761	777,197,554
Working capital changes		
(Increase)/decrease in current assets		
Inventories	649,211,679	(45,925,791)
Trade debts	28,270,003	(86,043,756)
Loans and advances	(98,459,786)	(8,582,082)
Trade deposits	(998,843)	(11,501,756)
Other receivables	(10,560,879)	166,052
Sales tax refundable	71,289,367	(71,157,806)
	638,751,541	(223,045,139)
Increase in trade and other payables	(9,438,138)	(40,273,795)
Cash generated by operations	1,220,288,164	513,878,620
Finance cost paid	(123,242,012)	(111,358,400)
Staff retirement benefits - gratuity paid	(21,308,409)	(22,482,403)
Income taxes paid	(58,097,095)	(96,213,182)
Long term deposits	(14,985,000)	(577,640)
	(217,632,516)	(230,631,625)
Net cash generated from operating activities	1,002,655,648	283,246,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	43,573,504	3,837,712
Proceeds from disposal of investment available for sale	-	702,210
Purchase of property, plant and equipment	(67,449,028)	(842,716,718)
Net cash used in investing activities	(23,875,524)	(838,176,796)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	30,000,000	620,240,702
Payment of liability against assets subject to finance lease	-	(1,699,570)
Short term borrowings - net	(802,212,479)	(26,337,521)
Dividend paid	(59,931,209)	(60,022,835)
Net cash (used in) / from financing activities	(832,143,688)	532,180,776
Net increase / (decrease) in cash and cash equivalents	146,636,436	(22,749,025)
Cash and cash equivalents at the beginning of the year	30,434,591	53,183,616
Cash and cash equivalents at the end of the year	177,071,027	30,434,591

The annexed notes from 1 to 49 form an integral part of these financial statements.

Karachi:
Date: 23rd September 2015


Khurram Salim
Chief Executive


Mohammad Shakeel
Director


BHANERO TEXTILE *of Companies* MILLS LIMITED

**Statement of Changes in Equity
For The Year Ended June 30, 2015**

	Share capital	General reserve	Available for sale financial assets	Unappropriated profits	Total
Rupees					
Balance as at June 30, 2013	30,000,000	2,800,180,000	(180,000)	117,357,337	2,947,357,337
Total comprehensive income for the year	-	-	180,000	400,950,315	401,130,315
Transfer to general reserve	-	349,820,000	-	(349,820,000)	-
Final dividend paid for the year ended June 30, 2013 at the rate of PKR 20.0 per share	-	-	-	(60,000,000)	(60,000,000)
Balance as at June 30, 2014	30,000,000	3,150,000,000	-	108,487,652	3,288,487,652
Total comprehensive income for the year	-	-	-	198,538,722	198,538,722
Final dividend paid for the year ended June 30, 2014 at the rate of PKR 20.0 per share	-	-	-	(60,000,000)	(60,000,000)
Transfer to general reserve	-	150,000,000	-	(150,000,000)	-
Balance as at June 30, 2015	30,000,000	3,300,000,000	-	97,026,374	3,427,026,374

The annexed notes from 1 to 49 form an integral part of these financial statements.



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 23rd September 2015



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

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 Sheikhupura 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 44 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

Certain standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

Standards, interpretations and amendments

- Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

Description

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have significant impact on Company's financial statements.

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- IAS 27 (Revised 2011) – Separate Financial Statements

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. Management is currently considering the effect of new standard.

- IFRS 10 'Consolidated Financial Statements'

IFRS 10 'Consolidated Financial Statements'– (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 is not likely to have any impact on the financial statements of the company.

- IFRS 11 – Joint Arrangements

IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

Standards, interpretations and amendments

Description

entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not like to have an impact on Company's financial statements.

▣ IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have material impact on Company's financial statements.

▣ IFRS 13 – Fair Value Measurement

IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

2.5.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan till 30th June 2015:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

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



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

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 comprehensive basis for the period in which these arise.

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.



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

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 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.



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

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 realizable value which ever is lower
Waste	Net realizable value

Valuation of raw material, work in process and finished goods as on 30th June 2015 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.



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Notes to the financial statements For the year ended June 30, 2015

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 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.



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

30-Jun-15	30-Jun-14		30-Jun-15	30-Jun-14
Number of shares			Rupees	Rupees
1,762,500	1,762,500	Ordinary shares of PKR 10 each allotted for consideration'- fully paid in cash	17,625,000	17,625,000
1,237,500	1,237,500	Ordinary shares of Rs 10. each allotted as bonus shares	12,375,000	12,375,000
3,000,000	3,000,000		30,000,000	30,000,000

5.1 Associated company holds 500,600 (2014: 500,600) ordinary shares of Rs. 10 each in the company.

6 RESERVES

General reserve	3,300,000,000	3,150,000,000
	3,300,000,000	3,150,000,000

7 LONG TERM FINANCING - SECURED

From Financial Institutions

		LTF Loans	Non - LTF Loans	30-Jun-15 Rupees	30-Jun-14 Rupees
Bank Al Habib Limited - Term Loan	7.1	128,073,559	-	128,073,559	128,073,559
Bank Al Habib Limited - Term Loan	7.2	27,383,480	-	27,383,480	27,383,480
Meezan Bank Limited - Term Finance Loan	7.3	-	122,608,000	122,608,000	122,608,000
Meezan Bank Limited - Term Finance Loan	7.4	-	13,216,125	13,216,125	13,216,125
Meezan Bank Limited - Term Finance Loan	7.5	-	94,068,760	94,068,760	94,068,760
Meezan Bank Limited - Term Finance Loan	7.6	-	234,890,778	234,890,778	234,890,778
Bank Al-Habib Limited - Term Finance Loan	7.7	-	30,000,000	30,000,000	-
		155,457,039	494,783,663	650,240,702	620,240,702
Less: current maturity					
Bank Al Habib Limited - Term Loan	7.1	21,345,592	-	21,345,592	-
Bank Al Habib Limited - Term Loan	7.2	4,563,912	-	4,563,912	-
Meezan Bank Limited - Term Loan	7.3	-	10,217,334	10,217,334	-
Meezan Bank Limited - Term Loan	7.4	-	1,101,344	1,101,344	-
Meezan Bank Limited - Term Loan	7.5	-	7,839,064	7,839,064	-
Meezan Bank Limited - Term Loan	7.6	-	19,574,232	19,574,232	-
Bank Al-Habib Limited - Term Finance	7.7	-	2,500,000	2,500,000	-
		25,909,504	41,231,974	67,141,478	-
		129,547,535	453,551,689	583,099,224	620,240,702

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
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7.1 Hypothecation charge on plant and machinery of PKR 267.0 million of unit III located at Ferrozwatton, Sheikhupura-Faisalabad Road, Sheikhupura. Repayable in twenty four quarterly installments, commencing from August 20, 2015. 8.85% (2014: 8.85%)

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BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.2 Covered under securities for term finance 7.1	Repayable in twenty four quarterly installments, commencing from August 28, 2015.	8.85% (2014: 8.85%)	-
7.3 Hypothecation charge on plant and machinery of PKR 666.7 million of unit II located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura.	Repayable in twenty four quarterly installments, commencing from January 15, 2016.	-	3 Months KIBOR + 0.65% (2014: 3 Months KIBOR + 0.65%)
7.4 Covered under securities for term finance 7.3	Repayable in twenty four quarterly installments, commencing from January 15, 2016.	-	3 Months KIBOR + 0.65% (2014: 3 Months KIBOR + 0.65%)
7.5 Covered under securities for term finance 7.3	Repayable in twenty four quarterly installments, commencing from January 15, 2016.	-	3 Months KIBOR + 0.65% (2014: 3 Months KIBOR + 0.65%)
7.6 Covered under securities for term finance 7.3	Repayable in twenty four quarterly installments, commencing from January 15, 2016.	-	3 Months KIBOR + 0.65% (2014: 3 Months KIBOR + 0.65%)
7.7 Covered under securities for term finance 7.1	Repayable in twenty four quarterly installments, commencing from December 31, 2015.	-	3 Months KIBOR + 0.45% (2014: Nil)

8 DEFERRED LIABILITIES	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
Staff retirement benefits - gratuity	8.1	132,185,864	103,621,394
Deferred taxation	8.2	40,938,711	19,904,725
Infrastructure fee payable	8.3	40,303,158	34,585,600
		<u>213,427,733</u>	<u>158,111,719</u>
8.1 Staff retirement benefits - gratuity			
8.1.1 Movement in net liability recognized in the balance sheet			
Present value of defined benefits obligation - at the beginning of the year		103,621,394	92,004,945
Charged to profit and loss account and comprehensive income	8.1.2	49,872,879	34,098,852
Benefits paid during the year		(21,308,409)	(22,482,403)
Present value of defined benefits obligation - at the end of the year		<u>132,185,864</u>	<u>103,621,394</u>
8.1.2 Amount charged to profit and loss account / other comprehensive income			
Current service cost		25,637,757	18,058,878
Interest cost		14,304,020	7,803,985
Remeasurement charged to other comprehensive income		9,931,102	8,235,989
		<u>49,872,879</u>	<u>34,098,852</u>



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Notes to the financial statements For the year ended June 30, 2015

8.1.3 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. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. Actuarial valuation has been carried out by independent valuer as at June 30, 2015 using the projected unit credit method assuming a discount rate of 10.5% (2014: 10%) per annum and expected rate of increase in salaries at 10.5% (2014: 10%) per annum.

8.1.4 There is no unrecognized actuarial loss / gain.

8.1.5 Historical information

	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees
Present value of defined benefits obligation	132,185,864	103,621,394	92,004,945	78,963,739	66,767,999
Experience adjustments on plan liabilities	9,931,102	8,235,989	7,670,252	3,103,547	2,218,777

8.1.6 Sensitivity analysis of actuarial assumptions

The calculation of defined benefit obligation is sensitive to assumptions given above. The below information summarizes how the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of change in respective assumptions by 100 basis point.

	Increase in assumption	Decrease in assumption
Discount rate	(13,858,149)	14,525,509
Expected rate of increase in future salary	15,016,309	(14,483,019)

8.1.7 The expected gratuity expense for the year ending 30th June 2016 works out to PKR 45,879,638.

8.2 Deferred taxation

Deferred tax liability / (assets) arising in respect of:

Taxable temporary differences

Accelerated tax depreciation on owned assets

62,794,345 39,695,038

Deductible temporary differences

Provision for employee benefit

(14,099,709) (11,616,562)

Provision for doubtful debts

(7,755,925) (8,173,751)

(21,855,634) (19,790,313)

40,938,711 19,904,725

8.2.1 Deferred taxation has been recognized as follows

Recognized in profit and loss account

22,093,295 (17,533,199)

Recognized in equity

(1,059,309) (923,302)

21,033,986 18,456,501

8.2.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 30% of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

8.3 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 40.594 Million (June 30, 2014: PKR 34.694 Million) in respect of unpaid infrastructure fee. The company has accrued unpaid infrastructure fee.

9 TRADE AND OTHER PAYABLES	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
Creditors	9.1	201,107,770	237,465,333
Accrued liabilities		157,478,058	110,820,464
Workers' Profit Participation Fund	9.2	12,950,625	27,599,662
Workers Welfare Fund	31.1	43,139,060	48,574,309
Unclaimed dividend		531,318	462,527
Others		2,204,091	1,857,974
		<u>417,410,922</u>	<u>426,780,269</u>

9.1 The outstanding balance of associated undertaking as at year end is Rs. 28.032 Million (June 2014: 17.32 Million).

9.2 Workers' profit participation fund	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
Opening balance		27,599,662	32,940,751
Interest on funds utilized in the Company's business	9.2.1	4,481,705	5,615,703
		32,081,367	38,556,454
Paid to the fund		(32,081,367)	(38,556,454)
Allocation for the year		12,950,625	27,599,662
		<u>12,950,625</u>	<u>27,599,662</u>

9.2.1 Interest on workers' profit participation fund has been provided @ 150% (2014: 150%) per annum.

10 ACCRUED MARKUP / INTEREST

Mark-up accrued on secured:			
- long-term financing		12,539,686	5,498,567
- short-term borrowings		804,609	15,959,622
		<u>13,344,295</u>	<u>21,458,189</u>

11 SHORT TERM BORROWINGS - SECURED

From banking companies

Short term loan	11.2	-	<u>802,212,479</u>
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BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

11.1 The aggregate approved short term borrowing facilities amounting to PKR 5.540 billion (2014: PKR 5.360 billion).

11.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.1% to 2% (2014: 1 to 3 month KIBOR + spreads between 0.1% to 2%) per annum payable quarterly. These are secured against joint hypothecation charge on stock and receivables.

12 CURRENT PORTION OF LONG TERM BORROWINGS	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
Long-term financing	7	67,141,478	-
		<u>67,141,478</u>	<u>-</u>

13 CONTINGENCIES AND COMMITMENTS

Contingencies

13.1 The Company has issued post dated cheques amounting to PKR 103,451,866 (2014: PKR 73,896,878) in favor of Collector of Customs in lieu of custom levies against various statutory notifications. The post dated cheques 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 Gas Pipeline Company Limited amounting to PKR 43.759 Million (2014: PKR 43.759 million).

13.3 Bills discounted 556,774,845 265,893,910

Commitments

Letter of credit (for store, raw material and machinery) 343,425,263 52,135,414

Capital work in progress 1,500,000 9,000,000

14 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2015	Rate
	As at July 01, 2014	Additions / (disposals)	Transfers	As at June 30, 2015	As at July 01, 2014	For the year	Transfers / (disposal)	As at June 30, 2015		
	Rupees									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	244,751,057	10,194,825	-	254,945,882	-	-	-	-	254,945,882	-
Building on leasehold land	129,391,895	7,338,398	-	136,730,293	84,421,838	5,116,318	(3,561,510)	85,976,646	50,753,647	10%
Building on freehold land	292,624,875	28,082,820	-	320,707,695	186,066,383	11,937,864	3,561,510	201,565,757	119,141,938	10%
Office premises on leasehold land	30,044,675	-	-	30,044,675	14,156,621	794,403	-	14,951,024	15,093,651	5%
Office premises on freehold land	84,248,571	-	-	84,248,571	32,086,873	2,608,085	-	34,694,958	49,553,613	5%
Plant and machinery	2,482,401,374	660,353,392	-	2,978,563,507	1,510,287,449	148,599,055	(127,161,561)	1,531,724,943	1,446,838,564	10%
		(164,191,259)	-							
Equipments and other assets	60,592,824	9,035,874	-	69,628,698	32,812,169	12,267,658	-	45,079,827	24,548,871	Three years
Electric Installation	21,749,872	51,596,203	-	73,346,075	12,791,681	3,862,546	-	16,654,227	56,691,848	10%
Gas Line & Pipe	7,180,289	-	-	7,180,289	4,131,362	304,893	-	4,436,255	2,744,034	10%
Cooling towers	5,223,570	-	-	5,223,570	2,929,636	229,393	-	3,159,029	2,064,541	10%
Ventilation system	1,461,897	-	-	1,461,897	803,464	65,843	-	869,307	592,590	10%
Boiler	18,244,925	-	-	18,244,925	8,647,167	820,777	1,389,992	10,857,936	7,386,989	10%
Factory equipments	13,607,029	150,000	-	13,757,029	11,829,557	184,190	(69,942)	11,943,805	1,813,224	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,994,548	127,572	47,841	4,169,961	1,148,147	10%
Office equipments	20,245,336	-	-	20,245,336	15,319,684	490,355	22,101	15,832,140	4,413,196	10%
Furniture and fixtures - Office	872,972	-	-	872,972	676,264	19,671	-	695,935	177,037	10%
Vehicles	91,112,555	8,956,487	-	96,778,772	47,575,275	10,156,810	-	54,998,179	41,780,593	20%
		(3,290,270)	-				(2,733,906)			
June 30, 2015	3,509,505,238	775,707,999	-	4,117,731,708	1,968,529,971	197,585,433	1,389,992	2,037,609,929	2,080,121,779	
	-	(167,481,529)	-	-	-	-	(129,895,467)	-	-	



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Notes to the financial statements For the year ended June 30, 2015

PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2014

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2014	Rate
	As at July 01, 2013	Additions / (disposals)	Transfers	As at June 30, 2014	As at July 01, 2013	For the year	Transfers / (disposal)	As at June 30, 2014		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	194,766,156	49,984,901	-	244,751,057	-	-	-	-	244,751,057	-
Building on leasehold land	129,391,895	-	-	129,391,895	79,200,780	5,221,058	-	84,421,838	44,970,057	10%
Building on freehold land	292,624,875	-	-	292,624,875	174,622,274	11,444,109	-	186,066,383	106,558,492	10%
Office premises on leasehold land	30,044,675	-	-	30,044,675	13,320,408	836,213	-	14,156,621	15,888,054	5%
Office premises on freehold land	83,897,771	350,800	-	84,248,571	29,358,445	2,728,428	-	32,086,873	52,161,698	5%
Plant and machinery	2,413,422,111	70,992,163	-	2,482,401,374	1,406,313,535	104,567,916	-	1,510,287,449	972,113,925	10%
	-	(2,012,900)	-	-	-	(594,002)	-	-	-	
Equipments and other assets	40,286,296	20,306,528	-	60,592,824	24,655,000	8,157,169	-	32,812,169	27,780,655	Three years
Electric Installation	21,749,872	-	-	21,749,872	11,796,326	995,355	-	12,791,681	8,958,191	10%
Gas line and pipe	7,180,289	-	-	7,180,289	3,792,592	338,770	-	4,131,362	3,048,927	10%
Cooling towers	5,223,570	-	-	5,223,570	2,674,754	254,882	-	2,929,636	2,293,934	10%
Ventilation system	1,461,897	-	-	1,461,897	730,305	73,159	-	803,464	658,433	10%
Boiler	18,244,925	-	-	18,244,925	7,735,193	911,974	-	8,647,167	9,597,758	10%
Factory equipment	13,607,029	-	-	13,607,029	11,627,681	201,876	-	11,829,557	1,777,472	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,852,802	141,746	-	3,994,548	1,323,560	10%
Office equipments	20,245,336	-	-	20,245,336	14,774,845	544,839	-	15,319,684	4,925,652	10%
Furniture and fixtures - Office	872,972	-	-	872,972	654,407	21,857	-	676,264	196,708	10%
Vehicles	74,581,138	15,791,437	6,278,790	91,112,555	39,901,604	8,728,577	2,729,181	47,575,275	43,537,280	20%
	-	(5,538,810)	-	-	-	-	(3,784,087)	-	-	
	3,353,352,329	157,425,829	6,278,790	3,509,505,238	1,825,010,951	145,167,928	2,729,181	1,968,529,971	1,540,975,267	
	-	(7,551,710)	-	-	-	(594,002)	(3,784,087)	-	-	
Assets subject to finance lease										
Vehicles	6,278,790	-	(6,278,790)	-	2,729,181	-	(2,729,181)	-	-	20%
	6,278,790	-	(6,278,790)	-	2,729,181	-	(2,729,181)	-	-	
June 30, 2014	3,359,631,119	157,425,829	-	3,509,505,238	1,827,740,132	145,167,928	-	1,968,529,971	1,540,975,267	
	-	(7,551,710)	-	-	-	(594,002)	(3,784,087)	-	-	

14.1 Equipment and other assets includes assets amounting to PKR 15,710,241 (2014: PKR 15,710,241) which has been fully depreciated.

14.2 Depreciation of plant and machinery includes the write off plant and machinery amounting to PKR Nil (2014: PKR 412,436 having cost of PKR 4,371,758 and accumulated depreciation of PKR 3,959,322).

June 30, 2015	June 30, 2014
Rupees	Rupees

14.3 The depreciation charge for the year has been allocated as follows:

Cost of sales	27	186,872,246	135,821,154
Administrative expenses	30	10,713,187	9,346,774
		<u>197,585,433</u>	<u>145,167,928</u>



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

14.4 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2015

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							
Generator	7,397,503	3,204,870	4,192,633	4,273,504	80,871	Negotiation	M/s Masco Spinning Mills (Pvt) Limited
Ring Frames (Five sets)	36,982,256	28,152,747	8,829,509	9,500,000	670,491	Negotiation	M/s Blessed Textiles Limited
Auto Coner (Three sets)	21,488,564	19,072,007	2,416,557	2,100,000	(316,557)	Negotiation	Mr. Zain Ul Asif, House no. 73 Street no. 4 Gulbahar Colony, Faisalabad
Ring Frames (Six sets)	42,000,000	32,207,144	9,792,856	11,400,000	1,607,144	Negotiation	M/s Blessed Textiles Limited
Ring Frames (Three sets)	22,924,016	17,479,380	5,444,636	5,700,000	255,364	Negotiation	M/s Blessed Textiles Limited
Ring Frames (One set)	7,641,338	5,826,460	1,814,878	1,900,000	85,122	Negotiation	M/s Faisal Spinning Mills Limited
Auto Coner	800,000	541,978	258,022	200,000	(58,022)	Negotiation	Mr. Zulfiqar Ali, House no. B-842, Sir Syed Town, Faisalabad.
Ring Frames (Seven sets)	8,130,120	7,208,604	921,516	1,600,000	678,484	Negotiation	M/s Crescent Cotton Mills Limited
Ring Frames (Twenty sets)	16,827,462	12,078,379	4,749,083	6,150,000	1,400,917	Negotiation	Mr. Anwar Pervaiz, Faisalabad
	164,191,259	125,771,569	38,419,690	42,823,504	4,403,814		
Vehicles							
Suzuki Mehran LXF-9639	270,270	264,020	6,250	100,000	93,750	Negotiation	Mr. Shaikh Naveed Mazhar, House no. 7-A, Phase 3, Azam Garden, Lahore
Suzuki - APV - CN - 9350	1,022,000	903,119	118,881	150,000	31,119	Negotiation	Mr. Sami Ullah Khan, House no. 209, Pak Colony, Karachi
Honda City - LEB-08-1682	1,998,000	1,566,767	431,233	500,000	68,767	Negotiation	Mr. Nouman Khan, House no. 4, Prem Nagar, Block 7, Lahore.
	3,290,270	2,733,906	556,364	750,000	193,636		
30-Jun-15	167,481,529	128,505,475	38,976,054	43,573,504	4,597,450		

Year Ended June 30, 2014

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 cone	2,012,900	594,002	1,418,898	1,437,712	18,814	Negotiation	Mr. Zulfiqar Ali, B-842, Street # 20, Sir Syed Town, Faisalabad
	2,012,900	594,002	1,418,898	1,437,712	18,814		
Vehicles							
Toyota Hilux - LZR-1824	918,818	800,891	117,927	200,000	82,073	Negotiation	Mr. Sajjad Ali; Mekh Aara Dak Khana, Kedhesi, Tehsil Sahiwal, District Sargodha
Toyota Hilux - LHQ-3716	327,972	325,929	2,043	150,000	147,957	Negotiation	Mr. Sohail Akhter; House No.21, Street No.3, Muhallah Taj Park, Raj Garh, Lahore
Toyota Vitz - ANP-199	770,765	578,703	192,062	500,000	307,938	Negotiation	Mr. Muhammad Hussain Rashid; 2-A, Defence View, Phase I, DHA, Karachi
Honda City - APB-271	1,021,255	673,676	347,579	350,000	2,421	Negotiation	Mrs. Sarah Zeeshan; 116, Edward Street, Garden East, Karachi.
Toyota Harier - BD-1406	2,500,000	1,404,888	1,095,112	1,200,000	104,888	Negotiation	Mr. Muslim Khan; Ghazi Qilla, Takht Bie, Zila Mardan.
	5,538,810	3,784,087	1,754,723	2,400,000	645,277		
30-Jun-14	7,551,710	4,378,089	3,173,621	3,837,712	664,091		

30-Jun-15
Rupees

30-Jun-14
Rupees

15 CAPITAL WORK IN PROGRESS

Building and other civil work
Machinery
Electric installation

2,678,315
614,430
14,032,177

27,107,466
645,625,135
52,851,292

17,324,922

725,583,893



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
16 LONG TERM DEPOSITS			
Electricity		25,780,160	10,795,160
Telephone		33,600	33,600
Others		391,676	391,676
		26,205,436	11,220,436
17 STORES, SPARES AND LOOSE TOOLS			
Stores and spares		55,982,405	55,058,140
Packing material		9,926,588	7,605,096
		65,908,993	62,663,236
17.1 No item of stores, spares and loose tools is pledged as security as at reporting date.			
18 STOCK IN TRADE			
Raw material	18.1	1,178,446,555	1,699,180,899
Work in process		96,356,620	104,974,775
Finished goods	18.2	236,412,589	357,527,107
Waste		465,632	2,456,051
		1,511,681,396	2,164,138,832
18.1 Raw material stock cost PKR 505,714,041 (2014: PKR 1,071,324,234) have been valued at PKR 451,811,516 (2014: PKR 924,652,210) being the replacement cost of raw material. The amount charge to profit and loss in respect of raw material written down to net realizable value is Rs. 53,902,525 (2014: PKR 146,672,024)			
18.2 Finished goods stock cost PKR 39,619,468(2014: PKR 287,180,015) has been valued at PKR 12,574,617 (2014: PKR 256,442,527) being the net realizable value of finished goods. The amount charge to profit and loss in respect of finished goods written down to net realizable value is PKR 27,044,851 (2014: PKR 30,737,488).			
18.3 No item of stock in trade is pledged as security as at reporting date.			
19 TRADE DEBTS			
Foreign - secured against letter of credit		62,629,891	138,429,808
Local - unsecured - considered good		409,677,022	362,503,108
Local - unsecured - considered doubtful		68,175,549	68,367,549
		540,482,462	569,300,465
Provision for doubtful debts.	19.1	(68,175,549)	(68,367,549)
		472,306,913	500,932,916
19.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		68,367,549	75,254,744
Bad debts provision provided during the year		356,000	-
Bad debts recovered during the year		(548,000)	(6,887,195)
Provision for bad debts at the end of year		68,175,549	68,367,549



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
20 LOANS AND ADVANCES			
Advances to :			
Suppliers - Unsecured (considered good)		126,948,812	25,492,476
Suppliers - Unsecured (considered doubtful)		309,001	309,001
Employees - Secured (considered good)		10,066,544	13,063,094
Employees - Un-secured (considered doubtful)		1,165,000	1,165,000
		<u>138,489,357</u>	<u>40,029,571</u>
Provision for doubtful supplier advances	20.1	(1,474,001)	(1,474,001)
		<u>137,015,356</u>	<u>38,555,570</u>
20.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		1,474,001	1,474,001
Bad debts provision provided during the year		-	-
Bad debts recovered during the year		-	-
		<u>1,474,001</u>	<u>1,474,001</u>
21 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		220,000	4,840,000
Deposits against infrastructure fees	21.1	40,594,654	34,694,654
Short term prepayments		-	-
Prepaid expenses		598,129	804,029
Margin against letter of credit		-	75,257
		<u>41,412,783</u>	<u>40,413,940</u>
21.1			
Effective mark up rate on these deposits range from 5.50% to 8% (June 30, 2014: 7% to 8%) per annum.			
22 OTHER RECEIVABLES - UNSECURED			
Letter of credit in transit		4,281,611	-
KMC refundable - Considered doubtful		680,624	680,624
Other receivables - Considered good		10,063,148	3,783,880
		<u>15,025,383</u>	<u>4,464,504</u>
Provision for doubtful receivables		(680,624)	(680,624)
		<u>14,344,759</u>	<u>3,783,880</u>
23 INCOME TAX REFUNDABLE			
Income tax refundable		40,386,879	35,579,181
Advance income tax		101,226,848	121,958,854
		<u>141,613,727</u>	<u>157,538,035</u>
Provision for taxation - Current year		(14,038,960)	(79,121,073)
Provision for taxation - Prior years		-	(1,599,775)
		<u>(14,038,960)</u>	<u>(80,720,848)</u>
		<u>127,574,767</u>	<u>76,817,187</u>
24 SALES TAX REFUNDABLE			
Sales tax and federal excise duty refundable		50,481,895	121,771,262
Federal excise duty and 1% Special excise duty refundable		2,382,217	2,382,217
Provision for non refundable		(2,382,217)	(2,382,217)
		<u>-</u>	<u>-</u>
		<u>50,481,895</u>	<u>121,771,262</u>



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
25 CASH AND BANK BALANCES			
Balances with banks on:			
Current accounts		172,088,434	24,659,173
Foreign currency account - current		4,982,593	5,775,418
		<u>177,071,027</u>	<u>30,434,591</u>
26 SALES - NET			
Export			
Yarn		1,098,758,214	4,057,081,509
Fabric		1,208,603,924	2,530,141,516
		<u>2,307,362,138</u>	<u>6,587,223,025</u>
Export Rebate		181,731	767,358
		<u>2,307,543,869</u>	<u>6,587,990,383</u>
Local			
Yarn		3,312,597,403	888,913,826
Fabric		1,428,884,051	234,145,283
Cotton and polyester		357,342,335	389,746,130
Waste and others		53,115,673	63,644,376
		<u>5,151,939,462</u>	<u>1,576,449,615</u>
		<u>7,459,483,331</u>	<u>8,164,439,998</u>
Discount		(1,474,927)	(90,824)
Sales tax		(107,910,339)	(103,577,231)
		<u>(109,385,266)</u>	<u>(103,668,055)</u>
		<u>7,350,098,065</u>	<u>8,060,771,943</u>

26.1 Export sales includes exchange gain of PKR 51,205,715 (2014: PKR 48,728,943).

26.2 Export sales includes PKR Nil (2014: PKR 3,634.412 Million) in respect of indirect export sales.

	Note	30-Jun-15 Rupees	30-Jun-14 Restated Rupees
27 COST OF SALES			
Raw material consumed	27.1	4,054,246,536	4,448,316,434
Packing material consumed		70,446,842	68,686,204
Stores, spares and loose tools		206,521,346	156,225,499
Salaries, wages and benefits	27.2	525,948,017	443,500,122
Fees and subscription		254,735	94,320
Fuel .power and water		1,059,812,194	1,174,025,252
Insurance		16,230,434	21,023,023
Vehicle running and maintenance		8,386,275	8,879,858
Rent, rate and taxes		670,326	517,381
Repairs and maintenance		8,655,826	11,400,675
Communication		797,720	857,072
Traveling and conveyance		1,974,002	1,893,989
Depreciation	14.3	186,872,246	135,821,154
Others		2,739,726	2,858,324
		<u>6,143,556,225</u>	<u>6,474,099,307</u>



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
Work in process			
Opening stock		104,974,775	89,631,044
Closing stock		(96,356,620)	(104,974,775)
		8,618,155	(15,343,731)
Cost of goods manufactured		6,152,174,380	6,458,755,576
Cost of raw material sold	27.3	373,893,219	414,301,278
Finished stocks			
Opening stock		359,983,158	273,806,284
Finished goods purchases		59,404,299	308,009,764
Cost of finished goods loss by theft		(12,613)	-
Closing stock		(236,878,221)	(359,983,158)
		182,496,623	221,832,890
		6,708,564,222	7,094,889,744
27.1 Raw material consumed			
Opening stock		1,699,180,899	1,764,316,941
Purchases - net		3,894,209,011	4,771,780,487
		5,593,389,910	6,536,097,428
Cost of raw material sold		(360,696,819)	(388,600,095)
Closing stock		(1,178,446,555)	(1,699,180,899)
		4,054,246,536	4,448,316,434
27.2 Salaries, wages and benefits includes employees benefits amounting to PKR 29,627,471 (June 30, 2014: PKR 20,684,737).			
27.3 Cost of raw material sold			
Cost of purchases		360,696,819	388,600,095
Direct expenses		13,196,400	25,701,183
		373,893,219	414,301,278
28 OTHER INCOME			
Income from financial assets			
Interest income		2,495,262	2,344,081
Gain on sale of investment available for sales		-	202,210
Exchange gain on foreign currency accounts		422,604	-
Excise duty recovered		-	695,777
Bad debts recovered		548,000	6,887,195
		3,465,866	10,129,263
Income from other than financial assets			
Gain on disposal of property, plant and equipment		4,597,450	664,091
Rental income		702,455	689,858
		5,299,905	1,353,949
		8,765,771	11,483,212



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Notes to the financial statements For the year ended June 30, 2015

	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
29 DISTRIBUTION COST			
Export			
Freight on export sales		36,750,259	46,023,040
Commission on export sales		26,027,134	55,490,010
Export development surcharge		3,402,355	7,185,830
Sales Promotion Expenses		17,667,305	1,278,829
Others		8,391,562	5,474,376
		92,238,615	115,452,085
Local			
Salaries and wages		1,044,269	926,817
Freight on local sales		15,734,919	17,564,742
Commission on local sales		51,739,552	54,150,332
Quality claim		148,609	304,400
Others		867,325	963,958
		69,534,674	73,910,249
		161,773,289	189,362,334
30 ADMINISTRATIVE EXPENSES			
Directors' remuneration	36	9,600,000	8,400,000
Staff salaries and benefits	30.1	62,878,456	60,187,025
Traveling, conveyance and entertainment		9,117,440	9,501,427
Printing and stationery		2,803,946	1,955,066
Communication		2,435,441	3,091,470
Vehicles running and maintenance		9,860,364	10,622,959
Legal and professional		811,650	1,209,170
Auditors' remuneration	30.2	1,531,000	1,410,000
Fee and subscription		3,053,069	3,586,964
Repair and maintenance		1,530,163	1,278,906
Depreciation	14.3	10,713,187	9,346,774
Rent, rates and utilities		1,405,043	1,440,206
Donation	30.3	1,710,000	850,000
Inadmissible input		-	196,133
Software license renewal and maintenance fee		294,141	-
Others		767,491	1,713,406
		118,511,391	114,789,506
30.1 Salaries, wages and benefits includes employees benefits amounting to PKR 10,314,306 (June 30, 2014: PKR 5,178,775).			
30.2 Auditors' remuneration			
Annual statutory audit		1,331,000	1,210,000
Half yearly review		160,000	160,000
Code of Corporate Governance review		40,000	40,000
		1,531,000	1,410,000
30.3 No director or his spouse had any interest in the donee			
31 OTHER OPERATING EXPENSES			
Workers' Profit Participation Fund	9.2	12,950,625	27,599,662
Workers' Welfare Fund	31.1	4,736,866	48,574,309
Provision for doubtful debts	19.1	356,000	-
		18,043,491	76,173,971



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Notes to the financial statements For the year ended June 30, 2015

31.1 It includes the provision for Workers' Welfare Fund. The company had accounted for all Workers' Welfare Fund liability in previous year. The company has filed the appeal before the Supreme Court of Pakistan against the decision of Sindh High Court. The case is pending before the Supreme Court of Pakistan.

32 FINANCE COST	Note	30-Jun-15 Rupees	30-Jun-14 Rupees
Mark-up on:			
- long-term financing		86,831,650	5,498,567
- short-term borrowings		6,126,617	94,828,234
- liabilities against assets subject to finance lease		-	32,529
- workers' profit participation fund	9.2	4,481,705	5,615,703
		97,439,972	105,975,033
Bank charges and commission		2,511,758	2,113,276
Letter of credits discounting		15,176,388	18,747,717
		115,128,118	126,836,026
33 PROVISION FOR TAXATION			
Current			
- for the year	33.1	12,439,185	79,121,073
- for prior years		(5,099,670)	352,698
		7,339,515	79,473,771
Deferred - current year	8.2	22,093,295	(17,533,199)
Deferred - Prior year - effect of tax rate change		-	-
		29,432,810	61,940,572

33.1 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 2014. Tax credit under Section 65 B of Income Tax Ordinance 2001 amounting to PKR 66,035,339 (June 2014: PKR 7,099,216) has been deducted from tax payable.

33.2 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors in their meeting held on September 23, 2015 has distributed sufficient cash dividend for the year ended 30 June 2015 which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2015.

33.3 Numerical reconciliation between the average tax rate and the applicable tax rate	30-Jun-15	30-Jun-14
Applicable tax rate	%	%
	33.00	34.00
Tax effect of amounts that are:		
adjustment of the prior years	2.15	0.07
income chargeable to tax at different rate	8.33	(12.31)
deferred tax	(10.50)	(3.75)
others	(27.83)	(1.48)
	(27.85)	(17.47)
Effective tax rate	5.15	16.53



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	30-Jun-15 Rupees	30-Jun-14 Rupees
34 EARNINGS PER SHARE - BASIC AND DILUTED	69.14	136.09
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)	207,410,515	408,263,002
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000	3,000,000
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 69.14	136.09

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.

35 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on September 23, 2015 has proposed to pay cash dividend of @100% i.e. PKR 10 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

36 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	Chief Executive		Director		Total	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Remuneration	4,800,000	4,400,000	4,800,000	4,000,000	9,600,000	8,400,000
Number of persons	1	1	1	1	2	2

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

37 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2015 is as follows:

37.1 Operating Results

	Spinning		Weaving		Power Generation		Total	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Sales								
Export sales	1,098,758,214	1,328,158,031	1,208,603,924	1,622,823,536	-	-	2,307,362,138	2,950,981,567
Local sales	3,704,142,566	1,331,272,202	1,447,796,896	245,177,413	-	-	5,151,939,462	1,576,449,615
Custom rebate	-	268,991	181,731	498,367	-	-	181,731	767,358
Inter-segment sales	133,718,586	-	-	-	67,676,150	81,556,839	201,394,736	81,556,839
	4,936,619,366	5,364,444,846	2,656,582,551	2,799,995,152	67,676,150	81,556,839	7,660,878,067	8,245,996,837
Discount and sales tax								
Discount	(1,474,927)	(90,824)	-	-	-	-	(1,474,927)	(90,824)
Sales tax	(65,888,921)	(72,825,305)	(42,021,418)	(30,751,926)	-	-	(107,910,339)	(103,577,231)
	(67,363,848)	(72,916,129)	(42,021,418)	(30,751,926)	-	-	(109,385,266)	(103,668,055)
Net sales	4,869,255,518	5,291,528,717	2,614,561,133	2,769,243,226	67,676,150	81,556,839	7,551,492,801	8,142,328,782
Cost of sales	4,181,766,741	4,566,839,963	2,494,531,000	2,477,755,458	89,901,960	104,275,580	6,766,199,701	7,148,871,001
Gross profit	687,488,777	724,688,754	120,030,133	291,487,768	(22,225,810)	(22,718,741)	785,293,100	993,457,781



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	Spinning		Weaving		Power Generation		Total	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
Distribution cost	109,550,591	120,376,406	52,222,698	68,985,928	-	-	161,773,289	189,362,334
Administrative cost	97,016,231	96,227,404	21,839,842	18,449,326	11,318	112,776	118,867,391	114,789,506
	206,566,822	216,603,810	74,062,540	87,435,254	11,318	112,776	280,640,680	304,151,840
Operating result	480,921,955	508,084,944	45,967,593	204,052,514	(22,237,128)	(22,831,517)	504,652,420	689,305,941
37.2 Segment assets	3,332,656,623	3,748,903,285	1,058,929,412	1,219,752,443	84,189,110	98,412,457	4,475,775,145	5,067,068,185
Unallocated assets							245,674,881	250,222,825
							4,721,450,026	5,317,291,010
37.3 Segment liabilities	833,415,617	1,521,782,962	351,939,373	434,579,927	27,295,475	17,487,617	1,212,650,465	1,973,850,506
Unallocated liabilities							81,773,187	54,952,852
							1,294,423,652	2,028,803,358

37.4 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.

	2015 Rupees	2014 Rupees
38 Reconciliation of reportable segment turnover, cost of sales, assets and liabilities		
38.1 Turnover		
Total turnover for reportable segments	7,551,492,801	8,142,328,782
Elimination of inter-segment turnover	(201,394,736)	(81,556,839)
Total turnover	<u>7,350,098,065</u>	<u>8,060,771,943</u>
38.2 Cost of sales		
Total cost of sales for reportable segments	6,766,199,701	7,148,871,001
Elimination of inter-segment revenue	(67,676,150)	(81,556,839)
Total cost of sales	<u>6,698,523,551</u>	<u>7,067,314,162</u>
38.3 Assets		
Total assets for reportable segments	4,475,775,145	5,067,068,185
Taxation recoverable	127,574,767	76,817,187
Sales tax refundable	50,481,895	121,771,262
Trade deposits	41,412,783	40,413,940
Long term deposit	26,205,436	11,220,436
Total assets	<u>4,721,450,026</u>	<u>5,317,291,010</u>
38.4 Liabilities		
Total liabilities for reportable segments	1,212,650,465	1,973,850,506
Unclaimed dividends	531,318	462,527
Infrastructure fee	40,303,158	34,585,600
Deferred taxation	40,938,711	19,904,725
Total liabilities	<u>1,294,423,652</u>	<u>2,028,803,358</u>



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	Spinning		Weaving		Power Generation		Total	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
39 Cost of sales								
Raw material consumed 39.1	2,177,513,301	2,557,229,264	1,876,733,235	1,891,087,170	-	-	4,054,246,536	4,448,316,434
Packing material consumed	61,257,716	61,770,847	9,189,126	6,915,357	-	-	70,446,842	68,686,204
Stores and spare parts	134,907,578	105,732,892	67,412,880	45,245,029	4,200,888	5,247,578	206,521,346	156,225,499
Salaries, wages and benefits	397,972,103	341,564,027	120,675,686	95,588,833	7,300,228	6,347,262	525,948,017	443,500,122
Processing charges	-	-	-	-	-	-	-	-
Fees and subscription	155,335	73,770	87,400	8,550	12,000	12,000	254,735	94,320
Fuel, power and water								
Inter-segment	9,695,015	16,819,059	57,981,135	64,737,780	-	-	67,676,150	81,556,839
Others	734,422,035	746,727,309	260,702,185	350,716,111	64,687,974	76,581,832	1,059,812,194	1,174,025,252
	744,117,050	763,546,368	318,683,320	415,453,891	64,687,974	76,581,832	1,127,488,344	1,255,582,091
Insurance	9,377,828	14,114,350	3,153,533	3,161,348	3,699,073	3,747,325	16,230,434	21,023,023
Vehicle running and maintenance	6,490,255	6,882,320	1,664,927	1,779,492	231,093	218,046	8,386,275	8,879,858
Rent, rates and taxes	635,716	499,921	32,790	15,640	1,820	1,820	670,326	517,381
Repair and maintenance	5,025,639	8,247,121	3,031,297	1,696,915	598,890	1,456,639	8,655,826	11,400,675
Communication	534,264	611,501	263,456	245,571	-	-	797,720	857,072
Travelling and conveyance and entertainment	1,640,141	1,668,562	239,739	146,544	94,122	78,883	1,974,002	1,893,989
Depreciation	111,397,388	73,186,450	66,415,370	52,102,756	9,059,488	10,531,948	186,872,246	135,821,154
Raw material impaired	-	-	-	-	-	-	-	-
Others	1,407,043	1,622,809	1,316,299	1,183,268	16,384	52,247	2,739,726	2,858,324
	3,652,431,357	3,936,750,202	2,468,899,058	2,514,630,364	89,901,960	104,275,580	6,211,232,375	6,555,656,146
Work in process								
Opening stock	46,242,012	46,715,496	58,732,763	42,915,548	-	-	104,974,775	89,631,044
Work in process lost / brunt	-	-	-	-	-	-	-	-
Closing stock	(42,709,976)	(46,242,012)	(53,646,644)	(58,732,763)	-	-	(96,356,620)	(104,974,775)
	3,532,036	473,484	5,086,119	(15,817,215)	-	-	8,618,155	(15,343,731)
Cost of goods manufactured	3,655,963,393	3,937,223,686	2,473,985,177	2,498,813,149	89,901,960	104,275,580	6,219,850,530	6,540,312,415
Cost of cotton sold	363,852,548	386,725,696	-	-	-	-	363,852,548	386,725,696
Finished stocks								
Opening stock	257,928,094	193,563,321	102,055,064	80,242,963	-	-	359,983,158	273,806,284
Finished goods purchased	49,235,684	307,255,354	10,168,615	754,410	-	-	59,404,299	308,009,764
Finished goods theft	(12,613)	-	-	-	-	-	(12,613)	-
Closing stock	(145,200,365)	(257,928,094)	(91,677,856)	(102,055,064)	-	-	(236,878,221)	(359,983,158)
	161,950,800	242,890,581	20,545,823	(21,057,691)	-	-	182,496,623	221,832,890
	4,181,766,741	4,566,839,963	2,494,531,000	2,477,755,458	89,901,960	104,275,580	6,766,199,701	7,148,871,001
39.1 Raw material consumed								
Opening stock	1,564,283,549	1,636,580,552	134,897,350	127,736,389	-	-	1,699,180,899	1,764,316,941
Purchases								
Inter-segment	(133,718,586)	-	133,718,586	-	-	-	-	-
Others	2,213,597,073	2,845,956,774	1,680,611,938	1,925,823,713	-	-	3,894,209,011	4,771,780,487
	2,079,878,487	2,845,956,774	1,814,330,524	1,925,823,713	-	-	3,894,209,011	4,771,780,487
Raw material sold - cotton	(350,656,148)	(361,024,513)	-	-	-	-	(350,656,148)	(361,024,513)
Raw material impaired	-	-	-	-	-	-	-	-
Raw material sold - yarn	-	-	(10,040,671)	(27,575,582)	-	-	(10,040,671)	(27,575,582)
Closing stock	(1,115,992,587)	(1,564,283,549)	(62,453,968)	(134,897,350)	-	-	(1,178,446,555)	(1,699,180,899)
	2,177,513,301	2,557,229,264	1,876,733,235	1,891,087,170	-	-	4,054,246,536	4,448,316,434
39.2 Cost of cotton sold								
Cost of purchase	350,656,148	361,024,513	-	-	-	-	350,656,148	361,024,513
Direct expense	13,196,400	25,701,183	-	-	-	-	13,196,400	25,701,183
	363,852,548	386,725,696	-	-	-	-	363,852,548	386,725,696



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Notes to the financial statements For the year ended June 30, 2015

	Spinning		Weaving		Power Generation		Total	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
40 Distribution cost								
Export								
Ocean freight and forwarding	21,043,915	26,772,965	15,706,344	19,250,075	-	-	36,750,259	46,023,040
Export development surcharge	2,722,257	3,140,338	680,098	4,045,492	-	-	3,402,355	7,185,830
Commission	23,032,245	25,354,390	2,994,889	30,135,620	-	-	26,027,134	55,490,010
Sales Promotion Expenses	1,385,949	747,397	16,281,356	531,432	-	-	17,667,305	1,278,829
Others	3,636,945	917,608	4,754,617	4,556,768	-	-	8,391,562	5,474,376
	51,821,311	56,932,698	40,417,304	58,519,387	-	-	92,238,615	115,452,085
Local								
Salaries and wages	1,044,269	926,817	-	-	-	-	1,044,269	926,817
Inland transportation	15,666,719	17,441,492	68,200	123,250	-	-	15,734,919	17,564,742
Commission	40,002,358	43,807,041	11,737,194	10,343,291	-	-	51,739,552	54,150,332
Quality claim	148,609	304,400	-	-	-	-	148,609	304,400
Others	867,325	963,958	-	-	-	-	867,325	963,958
	57,729,280	63,443,708	11,805,394	10,466,541	-	-	69,534,674	73,910,249
	109,550,591	120,376,406	52,222,698	68,985,928	-	-	161,773,289	189,362,334
41 Administrative cost								
Directors' remuneration	9,600,000	8,400,000	-	-	-	-	9,600,000	8,400,000
Staff salaries and benefits	52,863,881	50,990,738	10,014,575	9,196,287	-	-	62,878,456	60,187,025
Traveling, conveyance and entertainment	4,983,849	6,598,709	4,133,591	2,902,718	-	-	9,117,440	9,501,427
Printing and stationery	2,567,579	1,652,446	236,367	302,420	-	200	2,803,946	1,955,066
Communication	2,311,596	2,903,410	123,845	188,060	-	-	2,435,441	3,091,470
Vehicles running and maintenance	7,528,166	8,513,116	2,332,198	2,109,843	-	-	9,860,364	10,622,959
Legal and professional	516,150	1,002,170	295,500	107,000	-	100,000	811,650	1,209,170
Auditors' remuneration	1,021,000	940,334	510,000	469,666	-	-	1,531,000	1,410,000
Fee and subscription	2,186,852	2,519,465	866,217	1,067,499	-	-	3,053,069	3,586,964
Repair and maintenance	1,227,704	1,247,671	302,459	31,235	-	-	1,530,163	1,278,906
Depreciation	8,087,644	7,599,829	2,614,225	1,734,369	11,318	12,576	10,713,187	9,346,774
Rent, rates and utilities	1,405,043	1,440,206	-	-	-	-	1,405,043	1,440,206
Donation	1,510,000	750,000	200,000	100,000	-	-	1,710,000	850,000
Bad Debts	356,000	-	-	-	-	-	356,000	-
Inadmissible input	-	196,133	-	-	-	-	-	196,133
Software license renewal and maintenance fee	294,141	-	-	-	-	-	294,141	-
Others	556,626	1,473,177	210,865	240,229	-	-	767,491	1,713,406
	97,016,231	96,227,404	21,839,842	18,449,326	11,318	112,776	118,867,391	114,789,506

42 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, 2015 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:



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

2015

	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	-	-	-	472,306,913	-	472,306,913	472,306,913	
Loans and advances	-	-	-	8,901,544	-	8,901,544	8,901,544	
Trade deposits	40,594,654	-	40,594,654	220,000	-	220,000	40,814,654	5.50 to 8
Other receivables	-	-	-	14,344,759	-	14,344,759	14,344,759	
Cash and bank balances	-	-	-	177,071,027	-	177,071,027	177,071,027	
Long term deposits	-	-	-	-	26,205,436	26,205,436	26,205,436	
	<u>40,594,654</u>	<u>-</u>	<u>40,594,654</u>	<u>672,844,243</u>	<u>26,205,436</u>	<u>699,049,679</u>	<u>739,644,333</u>	
Financial liabilities								
Long-term financing	67,141,478	583,099,224	650,240,702	-	-	-	650,240,702	8.85 to 15.3 and
Trade and other payables	12,950,625	-	12,950,625	404,460,297	-	404,460,297	417,410,922	
Accrued markup / interest	-	-	-	13,344,295	-	13,344,295	13,344,295	
Short-term borrowings	-	-	-	-	-	-	-	KIBOR +0.1 to 2
	<u>80,092,103</u>	<u>583,099,224</u>	<u>663,191,327</u>	<u>417,804,592</u>	<u>-</u>	<u>417,804,592</u>	<u>1,080,995,919</u>	
On balance sheet gap	<u>(39,497,449)</u>	<u>(583,099,224)</u>	<u>(622,596,673)</u>	<u>255,039,651</u>	<u>26,205,436</u>	<u>281,245,087</u>	<u>(341,351,586)</u>	
Contingencies and commitments								
Post dated cheques							103,451,866	
Bill discounted							556,774,845	
Guarantees (Note 8.3 and Note 13.2)							78,454,329	
Letters of credit							343,425,263	
Civil work							1,500,000	

2014

	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	-	-	-	500,932,916	-	500,932,916	500,932,916	
Loans and advances	-	-	-	38,555,570	-	38,555,570	38,555,570	
Trade deposits	34,694,654	-	34,694,654	5,719,286	-	5,719,286	40,413,940	7 to 8
Other receivables	-	-	-	3,783,880	-	3,783,880	3,783,880	
Bank balances	-	-	-	30,434,591	-	30,434,591	30,434,591	
Long-term deposits	-	-	-	-	11,220,436	11,220,436	11,220,436	
	<u>34,694,654</u>	<u>-</u>	<u>34,694,654</u>	<u>579,426,243</u>	<u>11,220,436</u>	<u>590,646,679</u>	<u>625,341,333</u>	
Financial liabilities								
Long-term financing	-	620,240,702	620,240,702	-	-	-	620,240,702	8.85 to 15.3 and KIBOR + 0.65
Trade and other payables	27,599,662	-	27,599,662	399,180,607	-	399,180,607	426,780,269	
Mark-up accrued on loans	-	-	-	21,458,189	-	21,458,189	21,458,189	
Short-term borrowings	802,212,479	-	802,212,479	-	-	-	802,212,479	KIBOR + 0.1 to 2
	<u>829,812,141</u>	<u>620,240,702</u>	<u>1,450,052,843</u>	<u>420,638,796</u>	<u>-</u>	<u>420,638,796</u>	<u>1,870,691,639</u>	
On balance sheet gap	<u>(795,117,487)</u>	<u>(620,240,702)</u>	<u>(1,415,358,189)</u>	<u>158,787,447</u>	<u>11,220,436</u>	<u>170,007,883</u>	<u>(1,245,350,306)</u>	
Contingencies and commitments								
Post dated cheques							73,896,878	
Bill discounted							265,893,910	
Guarantees (Note 8.3 and Note 13.2)							78,454,329	
Letters of credit							52,135,414	
Civil work							9,000,000	

42.1 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.



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Notes to the financial statements For the year ended June 30, 2015

42.2 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 739,644,333 (June 30, 2014: PKR 625,365,783), unsecured local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 495,553,216 (June 30, 2014: PKR 543,296,816) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

42.3 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.

42.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2015, the total foreign currency risk exposure was PKR 67,612,484 (June 30, 2014: PKR 144,205,226) in respect of foreign trade debts.

42.5 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."

42.6 Credit risk

42.6.1 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:

	30-Jun-15 Rupees	30-Jun-14 Rupees
Loans and receivables:		
Long term deposits	26,205,436	11,220,436
Trade debts	472,306,913	500,932,916
Loan and advances	8,901,544	11,898,094
Refundable trade deposits	40,814,654	39,609,911
Other receivables	14,344,759	3,783,880
Cash at banks	177,071,027	30,434,591
	<u>739,644,333</u>	<u>597,879,828</u>

42.6.2 Concentration of credit risk

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

Domestic	477,852,571	430,870,657
Europe	8,994,492	34,789,740
United States of America	-	13,252,440
Asia and Middle East	41,029,469	87,361,276
Other regions	12,605,930	3,026,352
	<u>12,605,930</u>	<u>569,300,465</u>
Impairment	(68,175,549)	(68,367,549)
	<u>472,306,913</u>	<u>500,932,916</u>



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Notes to the financial statements For the year ended June 30, 2015

42.6.3 Aging and movement in Impairment losses

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

	30-Jun-15 Rupees	30-Jun-14 Rupees
Not past due	357,417,403	438,858,313
Past due less than one year	56,929,262	59,927,399
Past due more than one year but less than three years	57,960,248	2,147,204
Past due more than three years	68,175,549	68,367,549
	<u>540,482,462</u>	<u>569,300,465</u>
Impairment	<u>(68,175,549)</u>	<u>(68,367,549)</u>
	<u>472,306,913</u>	<u>500,932,916</u>

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

	30-Jun-15 Rupees	30-Jun-14 Rupees
As at beginning of the year	68,367,549	75,254,744
Impairment loss recognized	356,000	-
Impairment loss reversed	(548,000)	(6,887,195)
As at end of the year	<u>68,175,549</u>	<u>68,367,549</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.

42.6.4 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.

	As at June 30, 2015				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long term financing	650,240,702	832,978,193	67,141,478	583,099,224	-
Accrued markup / interest	13,344,295	13,344,295	13,344,295	-	-
Trade creditors	201,107,770	201,107,770	201,107,770	-	-
Accrued liabilities	157,478,058	157,478,058	157,478,058	-	-
Unclaimed dividend	531,318	531,318	531,318	-	-
Other payables	15,154,716	15,154,716	15,154,716	-	-
	<u>1,037,856,859</u>	<u>1,220,594,350</u>	<u>454,757,635</u>	<u>583,099,224</u>	<u>-</u>

	As at June 30, 2014				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees	Rupees
Long term financing	620,240,702	832,978,193	-	832,978,193	-
Short term borrowings	802,212,479	886,444,789	886,444,789	-	-
Accrued markup / interest	21,458,189	21,458,189	21,458,189	-	-
Trade creditors	237,465,333	237,465,333	237,465,333	-	-
Accrued liabilities	110,820,464	110,820,464	110,820,464	-	-
Unclaimed dividend	462,527	462,527	462,527	-	-
Other payables	29,457,636	29,457,636	29,457,636	-	-
	<u>1,822,117,330</u>	<u>2,119,087,131</u>	<u>1,286,108,938</u>	<u>832,978,193</u>	<u>-</u>



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Notes to the financial statements For the year ended June 30, 2015

42.8 Market risk

42.8.1 Currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	30-Jun-15 Rupees	30-Jun-14 Rupees
Trade receivables	62,629,891	138,429,808
Cash and cash equivalents	4,982,593	5,775,418
Total exposure	<u>67,612,484</u>	<u>144,205,226</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 101.75 / USD (2014: PKR 98.55 / USD). Spot exchange rate for foreign currency balances under usance letter of credit applied at the reporting date was PKR 98.87 / USD (2014: PKR 95.67 / USD).

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 6,768,463 (2014: PKR 14,420,523). 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.

42.8.2 Interest rate risk

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

	30-Jun-15 Rupees	30-Jun-14 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	155,457,039	155,457,039
Variable rate instruments		
Financial assets	40,594,654	34,694,654
Financial liabilities	494,783,663	1,266,996,142

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 4,947,837 (2014: PKR 12,669,961). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

42.9 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.

43 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 9.1 and 36 are as follow :

Nature of relationship	Nature of transactions	30-Jun-15 Rupees	30-Jun-14 Rupees
Associated undertaking	Sales of yarn	563,422,975	587,634,763
	Sales of fabric	-	94,307
	Sales of cotton	-	21,259,308
	Sales of machinery, stores, spare parts and loose tools	33,345,000	-
	Services rendered	702,455	689,858
	Purchase of yarn	248,424,419	197,789,825



BHANERO TEXTILE *of Companies* MILLS LIMITED

Notes to the financial statements For the year ended June 30, 2015

	30-Jun-15 Rupees	30-Jun-14 Rupees
Purchase of fabrics	10,473,674	777,042
Purchase of cotton	595,475	4,935,086
Purchase electricity	543,397,870	849,633,393
Purchase of machinery, stores, spare parts and loose tools	9,910,140	-
Services received	300,000	300,000
Retirement benefits		
Key management		
Provision for gratuity	49,872,879	34,098,852
Remuneration	9,600,000	8,400,000

44 Accounting Estimates and Judgments

44.1 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.

44.2 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.

44.3 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 equipment with a corresponding affect on the depreciation charge and impairment.

44.4 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.

44.5 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.

45 PLANT CAPACITY AND ACTUAL PRODUCTION

	30-Jun-15	30-Jun-14
Spinning		
Number of spindles installed	69,312	69,312
Number of looms installed	160	140
Number of spindles worked	69,312	69,312
Number of looms worked	160	140
Number of working days	364	364
Number of shifts per day	3	3
Installed capacity of yarn (Kgs.)	13,954,119	13,954,119
Actual production of yarn (Kgs.)	9,832,682	10,138,381
Installed capacity of fabric - meters	21,534,566	20,206,406
Actual production of fabric - meters	19,272,241	18,362,454

Spinning

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 accordingly to pattern of production adopted in a particular year.



BHANERO TEXTILE *of Companies* MILLS LIMITED

46 NUMBER OF EMPLOYEES	30-Jun-15	30-Jun-14
The average number of employees for the year ended	<u>1,430</u>	<u>1,394</u>
Number of employees as on 30th June	<u>1,369</u>	<u>1,397</u>

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 23rd September 2015.

48 CORRESPONDING FIGURES

48.1 Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the purposes of comparison. Following reclassifications have been made in these financial statements

Note	From	To	Reason	Amount
27	Cost of sales - processing charges	Cost of sales - fee and subscription	Better classification	12,000
27	Cost of sales - electric duty	Cost of sales - Fuel, power and water	Better classification	1,288,800

48.2 Nomenclature of certain account heads have also been changed for better understanding and presentation.

49 GENERAL

The figures have been rounded off to the nearest Rupee.

Khurram Salim
Chief Executive

Karachi:

Date: 23rd September 2015

Mohammad Shakeel
Director


BHANERO TEXTILE *of Companies* MILLS LIMITED

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2015**

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer and their spouses 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	Insurance Companies	1	70,500	2.35
5	General Public / Individuals	268	82,394	2.75
6	Joint Stock Companies	1	600	0.02
7	Others Company	2	6	0.00
		299	3,000,000	100.00



BHANERO TEXTILE *of Companies* MILLS LIMITED

List of Shareholders As At 30 June, 2015

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	1.42	42,780
	MR. MUHAMMAD SHAKEEL	0.74	22,055
	MR. KHURRAM SALEEM	2.01	60,500
	MR. BILAL SHARIF	2.01	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
4	JOINT STOCK COMPANIES		
	S.S.CORPORATION (PVT) LTD	0.02	600
5	INDIVIDUAL SHAREHOLDERS	2.74	82,394
6	OTHERS COMPANY	0.00	6
	TOTAL	100.00	3,000,000



BHANERO TEXTILE *of Companies* MILLS LIMITED

List of Shareholders As At 30 June, 2015

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	-	-
8	SHAREHOLDERS HOLDING 05% 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

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
206	1	100	9,525
42	101	500	12,349
9	501	1000	7,698
13	1001	5000	28,450
3	5001	10000	39,478
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
299			3,000,000

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



BHANERO TEXTILE *of Companies* MILLS LIMITED

Year wise Operating Data

Year Ended 30th June

	2015	2014	2013	2012	2011	2010
Spinning Unit						
Spindle installed	69,312	69,312	69,312	68,736	68,736	68,736
Spindle worked	69,312	69,312	69,312	68,736	68,736	68,736
Installed capacity after conversion in to 20/s count (Kgs)	23,388,285	23,388,285	23,388,285	23,200,746	23,200,746	23,200,746
Actual production after conversion in to 20/s count (Kgs)	23,323,357	25,495,688	25,611,349	24,162,615	25,694,021	26,019,888
Weaving Unit						
Air jet looms installed	160	140	140	140	140	140
Air jet looms worked	160	140	140	140	140	140
Installed capacity after conversion into 50 picks - (meters)	28,302,465	26,166,485	26,166,485	26,166,485	26,166,485	26,166,485
Actual production after conversion into 50 picks - (meters)	25,877,976	24,163,308	24,332,549	24,212,723	27,527,198	23,665,124

Year wise Financial Data

Year Ended 30th June

	2015	2014	2013	2012	2011	2010
Profit and loss account						
	Rupees in Thousands					
Turnover (Net)	7,350,098	8,060,772	6,997,417	6,372,946	7,545,581	4,800,841
Gross profit	641,534	966,937	1,093,275	810,253	1,477,484	901,722
Operating profit	351,971	597,040	745,602	510,744	1,157,360	650,569
Financial expenses	115,128	126,836	124,896	144,613	224,088	231,441
Profit before tax	236,843	470,204	620,706	366,131	933,272	419,128
Profit after tax	207,410	408,263	586,996	306,488	863,199	421,836
Cash dividend	30,000	60,000	60,000	90,000	60,000	6,000
Balance Sheet						
Share Capital	30,000	30,000	30,000	30,000	30,000	30,000
Reserves	3,150,000	3,150,000	2,800,000	2,300,000	2,000,000	1,300,000
Shareholder equity	3,427,026	3,288,488	2,947,357	2,420,340	2,203,752	1,400,553
Long term liabilities	583,099	620,241	-	1,681	6,728	89,184
Short term loan	-	802,212	828,550	696,500	897,607	716,291
Current liabilities	497,897	1,250,451	1,303,307	1,043,490	1,430,481	1,418,424
Current portion of long term loans	67,141	-	1,699	5,042	188,259	435,325
Fixed assets	2,080,122	1,540,975	1,531,890	1,530,549	1,534,156	1,573,154
Current assets	2,597,798	3,039,511	2,822,476	1,970,559	2,202,001	1,517,201
Ratios						
Performance						
Sales growth percentage - Year to Year basis	-8.82%	15.20%	9.80%	-15.54%	57.17%	38.06%
Gross profit (%)	8.73%	12.00%	15.62%	12.71%	19.58%	18.78%
Profit before tax (%)	3.22%	5.83%	8.87%	5.75%	12.37%	8.73%
Profit after tax (%)	2.82%	5.06%	8.39%	4.81%	11.44%	8.79%
Leverage						
Gearing ratio	0.19	0.43	0.28	0.29	0.50	0.89
Debt to equity (%)	17.01%	18.86%	0.00%	0.07%	0.31%	6.37%
Interest covering ratio	3.06	4.71	5.97	3.53	5.16	2.81
Liquidity ratio						
Current ratio	5.22	2.43	2.17	1.89	1.54	1.07

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BHANERO TEXTILE *of Companies* MILLS LIMITED

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 36th Annual General Meeting of the Company to be held on
Wednesday 28th October 2015 at 4:30 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 _____ 2015

Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to the Company Secretary, **Bhanero 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