



of Companies

32nd Annual Report 2011

UMER GROUP OF COMPANIES

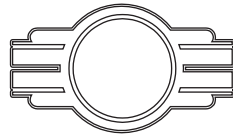
BHANERO TEXTILE MILLS LIMITED

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Vision

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



Mission Statement

To become a leading manufacturer of textile products in the
International & Local markets and to explore new era to
Achieve the highest level of success.



BHANERO TEXTILE MILLS LIMITED

CORPORATE INFORMATION

Board of Directors	Mr. Khurram Salim Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Bilal Sharif Mr. Mohammad Amin Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Company Secretary	Syed Ashraf Ali, FCA	
Audit Committee	Mr. Bilal Sharif Mr. Adil Shakeel Mr. Mohammad Shakeel	Chairman Member Member
Auditors	M/s Mushatq and Company Chartered Accountants 407, Commerce Centre, Hasrat Mohani Road, Karachi	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Barclays Bank Plc Citi Bank N. A. Dubai Islamic Bank Habib Bank Limited HSBC Middle East Bank Limited MCB Bank Limited Meezan Bank Limited Faysal Bank Ltd. 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	
Liason / 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 : 0221 870013 Unit II and Unit III is situated at: Feroz Watwan, Sheikhupura, Punjab. Tel: 056 3731723	



BHANERO TEXTILE MILLS LIMITED

BHANERO TEXTILE MILLS LIMITED NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 32nd Annual General Meeting of the members of **Bhanero Textile Mills Limited** will be held on Thursday 27th October 2011 at 4:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on 31st January, 2011.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30th June, 2011 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 300% (i.e. PKR 30.0 per share) for the year ended 30th June, 2011, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2011-2012 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)

Syed Ashraf Ali

FCA

Company Secretary

Karachi:

Dated: 27th September, 2011

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 24th October 2011 to 31st October, 2011 (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 23rd October 2011 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30th June, 2011.
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. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.

Directors' Report

The board of directors of **Bhanero Textile Mills Limited** is pleased to present the thirty second annual report and the audited financial statements of the company for the year ended June 30, 2011. This report presents the financial, operational, human resource, and corporate responsibility performance of the company, and highlights the key business challenges faced by us during the year.

Overview

Financial year ended 30th June 2011 is the momentous in the history of company. By the blessing of Allah Al Mighty company earned record profit of PKR 863.836 Million, despite domestic economic recession.

Your Company's earnings per share also registered a significant improvement to PKR 287.73 per share from PKR 140.61 per share last year thereby, resulting in even more value for the shareholders.

By the grace of Al-Mighty Allah your company during the financial year ended 30th June 2011 maintained the position among the market leaders both in domestic and international markets.

Textile sector and Economic Overview

During the first three quarters of the year under review, textile sector achieved remarkable growth and observed a rapid surge in cotton prices resulting in surge in yarn and fabric prices. However, thereafter cotton prices started to nose-dive resulting in drastic reduction in yarn prices. Demand for the yarn and fabric was also negatively affected. During the period of four months i.e. from April 2011 to July 2011 cotton prices dropped from PKR 12,400 per maund to PKR 4,800 per maund which is an abnormal dip and severely affected the result of textile sector in fourth quarter.

Moreover massive gas load shedding alongwith electricity load shedding from WAPDA affected the production activities of textile sector.

Furthermore, higher inflation in the country is another major cause of concern. Inflation rose to 15.5% (as per "Economic Survey of Pakistan 2010-2011") in current year as compared to 11.7% in the previous year. This was mainly due to rising commodity prices, weakening of the rupee due to stoppage of foreign exchange liquidity support for oil imports by the SBP, modest recovery in the domestic economy due to an increase in aggregate demand and upward adjustments of power and fuel tariffs. Due to higher inflation, cost of production is increasing day by day and affecting the competitiveness in international market.

Pakistan achieved a real GDP growth of 2.4% (as per the "Economic Survey of Pakistan 2010-2011") mainly due to the growth in the services sector. The impact of the massive floods brought damage to the cash crops and infrastructure and posed a further challenge to the economic growth in the country. Moreover, it also affected the public finances by depressing budget revenues and resulted in additional spending to meet the humanitarian and reconstruction needs.

The global economy recovery is now being witnessed at varying speeds in different economies after undergoing a severe recession in the past year. The recovery is gaining strength, but unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. According to IMF report the World GDP growth on year to year basis is projected to be 4.5% in financial year ended 30th June 2012 (4.4% in year ended 30th June 2011).

Pakistan needs to build strong reforms to face various challenges including that of energy, investment and security.

Operating Results and Profit Appropriation

We are pleased to report that company is maintaining the pace of regular improvement in all areas of operations and it is because we believe in steady growth. By the grace of Al Mighty Allah we are among those companies who have successfully managed their consistent profitability.



BHANERO TEXTILE MILLS LIMITED

Your company continued to perform well despite toughest business and economic conditions and posted profit before taxation for the year ended 30th June 2011 PKR 933.272 Million (30th June 2010: PKR 419.128 Million). The operating results and allocation of profit for the year ended 30th June 2011 is summarized as under;

	<u>2011 Rupees</u>	<u>2010 Rupees</u>
summarized as under;		
Sales	7,545,581,485	4,800,841,204
Gross profit	1,477,484,385	901,722,328
Profit before taxation	933,272,302	419,128,417
Taxation		
Current year	(80,763,410)	(46,636,184)
Prior year	(2,080,529)	1,259,336
Deferred	12,770,690	48,084,956
	<u>(70,073,249)</u>	<u>2,708,108</u>
Profit after taxation	863,199,053	421,836,525
appropriated profit brought forward	<u>70,553,023</u>	<u>54,716,498</u>
Profit available for appropriation	933,752,076	476,553,023
Appropriations:		
Dividend paid	(60,000,000)	(6,000,000)
Transferred to General Reserve	<u>(700,000,000)</u>	<u>(400,000,000)</u>
appropriated profit carried forward	<u>173,520,076</u>	<u>70,553,023</u>
Basic and diluted earning per share	<u>287.73</u>	<u>140.61</u>

In compliance of the requirement of IAS 2 (Inventories) the stock of raw cotton and yarn as on 30th June 2011 was valued on the basis of replacement cost and net realizable value due to substantial decrease in cotton and yarn price after the balance sheet date.

During the year under review, the cost of production of your company increased because of increase in cost of raw material, fuel and power, salaries and wages and other consumables due to cost push inflation.

Gross profit for the year under review is amounting to PKR 1,477.484 million as compared to PKR 901.722 million in prior year which is increased by 63.85%. Whereas profit before taxation for the year under review is amounting to PKR 933.272 million as compared to PKR 419.128 million in prior year which is increased by 122.66%.

Dividend

The board of directors is pleased to recommend a final cash dividend of 300% i.e PKR 30.0 per share (June 2010: 200% i.e. PKR 20.0 per share) for the approval of shareholders at the forthcoming annual general meeting.



BHANERO TEXTILE MILLS LIMITED

Balance Sheet

Balance sheet footing has increased to PKR 3,794.691 million this year. Long term borrowing at the year end reduced to PKR 6.728 million (2010: PKR 89.184 million). Gearing ratio was 0.50 at 30th June 2011 as compared to 0.89 at 30th June 2010. The liquidity position of the company is sound with a current ratio of 1.53 at 30th June 2011 (June 2010: 1.07). The total of shareholders' fund stood at PKR 2.203 Billion (2010: PKR 1.400 Billion).

Cash Flow Management

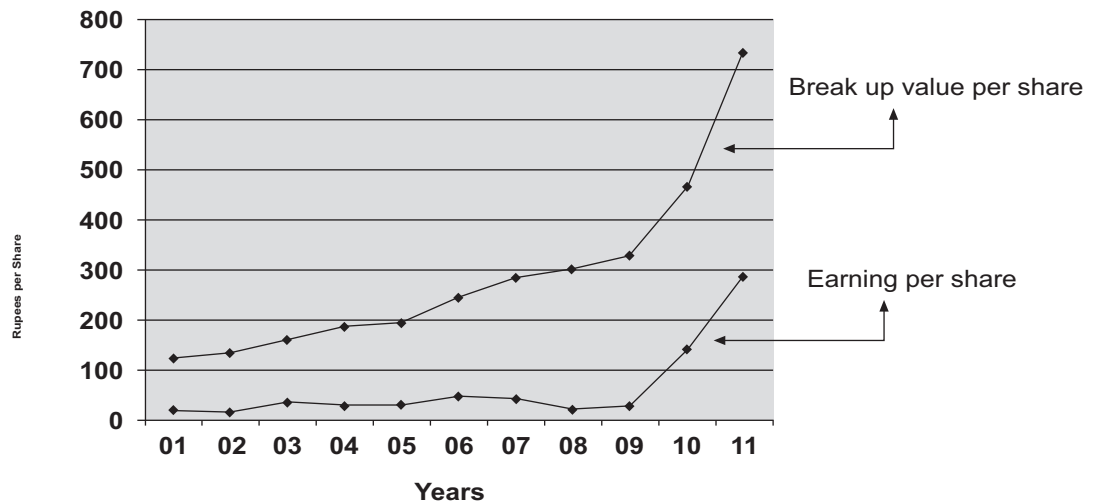
The company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings.

During the year under review, an amount of PKR 413.464 million was generated from operating activities which was used on fixed capital expenditures, payment of dividend to the shareholders and repayment of long term finance.

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 2011 is PKR 734.58 (30th June 2010: PKR 466.85). The Earning per Share (EPS) of your company for the year ended 30th June 2011 is PKR 287.73 (30th June 2010: PKR 140.61).



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.

Change in the Board of Directors

Mr. Mohammad Salim director of company submitted his resignation from the post of chief executive of the company on 24th September 2011. The board would like to place on record its appreciation on the valuable contributions made by Mr. Mohammad Salim towards progress and success of the company. The causal vacancy so occurred was filled within stipulated time. The board of directors unanimously appointed Mr. Khurram Salim as new chief executive of company.

Change in the Audit Committee

Mr. Mohammad Shakeel was also nominated by the board on the Audit Committee as member of audit committee in place of Mr. Khurram Salim.

Related Party transaction and Transfer Pricing

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

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 2011 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.

Pattern of Shareholding

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

Auditors

The present auditors M/s Mushtaq and Company, Chartered Accountants shall retire on the conclusion of the 32nd annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 32nd annual general meeting until the conclusion of 33rd 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 2012. 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.

Safety, Health and Environment

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage and handling of the materials. In addition we have initiated a rotation exercise at the mill whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. Due these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the mill.

Environmental protection measures

Your 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

Your Company is fully aware of its corporate social responsibility and has been working positively to raise the educational, health and environmental standards of the Country in general and local communities in particular. Your Company is extensively supporting various educational and health projects with renowned NGO chartered by Government of Pakistan.

Expansion Plan

In view of the current economic scenario where the cost of financing and production is rapidly increasing and law and order situation, no further expansion is under consideration in near future.

However, normal BMR will continue as and when required.

Business Risks, Challenges and Future Outlook

Cotton crop estimates for Pakistan as well as internationally are high due to BT seed and good weather. Based on above estimates cotton prices have fallen drastically. Consequently, yarn and fabric prices have also nose-dived and demand for yarn and fabric in the local and international market has shrunk.

But the heavy rains in Sindh followed by flood have changed the scenario of cotton price in Pakistan. According to estimate, Sindh contributes around 5.0 million bales towards the total production of cotton crop of Pakistan. About 50% to 70% crop of Sindh has been damage by flood.

Total consumption of the local industry is about 15.0 million bales of cotton, against the targeted production of 14.0 million bales, showing a shortfall of about one million bales. However after the flash floods in Sindh, the shortfall might be increased. If target production of 14.0 million bales of cotton is achieved then the country will need to import about one million bales otherwise the import will be about 3.0 to 3.5 million bales to meet the domestic requirements.

China and India is expecting a bumper cotton crop as compare to their last year's cotton production. As such, India may have exportable surplus of over 7.0 million bales. Whereas lower Chinese demand for imports is expected, hence the import forecast for China was reduced by 600,000 bales.

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



BHANERO TEXTILE MILLS LIMITED

Major threat for textile industry is power disruption due to shut down of gas during winter season as well as in summer season. In the absence of gas supply, machineries have to be operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost.

The reduction in discount rate by State Bank of Pakistan from 14% to 13.5% is a good step but it is not enough to satisfy the business community. The State Bank of Pakistan should consider a further reduction in discount rate and introduction of a new leverage product in the capital market, these steps would help spawn another positive run in the equity market.

The results of the First Quarter of the next fiscal year will be under severe pressure as market has to adjust to new cotton, yarn and fabric prices. The effects of drastic drop in cotton prices has already been accounted in the financial statements for the year ended 30th June 2011 by reporting the inventory of cotton and yarn at replacement cost and net realizable value.

We are fully cognizant of the current economic conditions and events and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control limit of management.

Acknowledgement

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

For and on behalf of the Board of Directors

**Mohammad Salim
Chairman / Director**

Karachi: 27th September, 2011

Board of Directors Meetings

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

Directors	2010	2011			Total
	27 th Oct	24 th Feb	26 th April	27 th Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	-	★	★	★	3/4
Mr. Mohammad Amin	-	★	★	★	3/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	6/8	8/8	8/8	8/8	30/32

Audit Committee Meeting

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

Members	2010	2011			Total
	20 th Oct	17 th Feb	19 th April	20 th Sept	
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Mohammad Shakeel	★	★	★	★	4/4
Total	3/3	3/3	3/3	3/3	12/12

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

Branch Office: 20-B, Block-G Gulberg-III, Lahore Tel: 35884926 Fax: 35843360

Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

REVIEW REPORT TO THE MEMBERS

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

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Bhanero Textile Mills Limited** to comply with the Listing Regulation No. 35 (previously Regulation No. 37) of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) 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 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, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 under taken at arm's length price.

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, 2011.

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:

Date: 27th September 2011

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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2011

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.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of 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. Casual vacancy occurred during the year was filled in accordance with the requirement of Companies Ordinance 1984.
6. 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. 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.
7. 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.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding requirements of Code of Corporate Governance, amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. 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.
11. 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.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. 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.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2011

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. 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.
16. 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.
17. 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.
18. 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).
19. 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.
20. 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.
21. We confirm that all other material principles contained in the code have been complied with.

On and on behalf of the Board of Directors



Khurram Salim
Chief Executive

Karachi:

Date: 27th September 2011

MUSHTAQ & CO.

CHARTERED ACCOUNTANTS

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

Branch Office: 20-B, Block-G Gulberg-III, Lahore Tel: 35884926 Fax: 35843360

Email: Address: mustaq_vohra@hotmail.com

Member of



Illinois, USA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Bhanero Textile Mills Limited as at June 30, 2011 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, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance,

MUSHTAQ & COMPANY
Chartered Accountants

Karachi:

Date: 27th September 2011

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



BHANERO TEXTILE MILLS LIMITED

Balance Sheet As At June 30, 2011

EQUITY AND LIABILITIES	Note	June, 2011 Rupees	June , 2010 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
6,000,000 (2010: 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
General Reserves		2,000,000,000	1,300,000,000
Unappropriated profits		173,752,076	70,553,023
		2,203,752,076	1,400,553,023
Loan from sponsors and relatives	6	-	100,000,000
NON CURRENT LIABILITIES			
Long term financing - secured	7	-	79,968,441
Liabilities against assets subject to finance lease	8	6,728,887	9,215,694
Deferred liabilities	9	153,729,544	169,574,384
		160,458,431	258,758,519
CURRENT LIABILITIES			
Trade and other payables	10	334,760,949	254,234,787
Mark-up accrued on loans and other payables	11	9,854,397	20,956,878
Short term borrowings - secured	12	897,606,515	716,291,227
Current portion of long term borrowings	13	188,259,318	435,324,658
		1,430,481,179	1,426,807,550
CONTINGENCIES AND COMMITMENTS	14	-	-
		3,794,691,686	3,186,119,092

The annexed notes form an integral part of these financial statements

Karachi:
Date: 27th September 2011

Khurram Salim
Chief Executive



BHANERO TEXTILE MILLS LIMITED

Balance Sheet As At June 30, 2011

		June, 2011	June , 2010
		RUPEES	RUPEES
ASSETS	Note		
NON CURRENT ASSETS			
Property, plant and equipment	15	1,534,156,375	1,573,154,818
Capital work-in-progress	16	45,768,882	66,895,341
Long term investment	17	200,000	63,000
Long term loan	18	-	10,806,986
Long term deposits	19	12,565,096	9,615,196
		1,592,690,353	1,660,535,341
CURRENT ASSETS			
Stores, spares and loose tools	20	52,433,819	49,152,812
Stock in trade	21	1,547,310,464	951,779,557
Trade debts	22	436,590,590	387,229,790
Loans and advances	23	24,931,936	20,846,834
Trade deposits and short term prepayments	24	19,836,527	31,822,364
Other receivables	25	1,359,781	4,315,295
Taxation	26	30,762,738	25,495,086
Sales tax refundable	27	35,538,797	18,730,641
Cash and bank balances	28	53,236,681	36,211,372
		2,202,001,333	1,525,583,751
		3,794,691,686	3,186,119,092

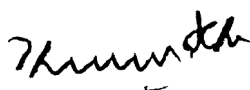
Mohammad Shakeel
Director

BHANERO TEXTILE MILLS LIMITED

Profit and Loss Account For The Year Ended June 30, 2011

	Note	June , 2011 Rupees	June, 2010 Rupees
Sales	29	7,545,581,485	4,800,841,204
Cost of goods sold	30	6,068,097,100	3,899,118,876
Gross profit		1,477,484,385	901,722,328
Other operating income	31	12,155,577	8,689,173
		1,489,639,962	910,411,501
Distribution cost	32	192,137,857	115,603,260
Administrative expenses	33	90,363,397	113,298,773
Other operating expenses	34	49,778,262	30,939,839
Finance cost	35	224,088,144	231,441,212
		556,367,660	491,283,084
Profit before tax		933,272,302	419,128,417
Provision for taxation	36		
Current year		80,763,410	46,636,184
Prior year		2,080,529	(1,259,336)
Deferred		(12,770,690)	(48,084,956)
		70,073,249	2,708,108
Profit after tax		863,199,053	421,836,525
Earnings per share - basic and diluted	37	287.73	140.61

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



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 27th September 2011



BHANERO TEXTILE MILLS LIMITED

Statement of Comprehensive Income For The Year Ended June 30, 2011

	Note	June 2011 Rupees	June 2010 Rupees
Profit for the year after taxation		863,199,053	421,836,525
Other comprehensive income for the year		-	-
Total comprehensive Income for the year		<u>863,199,053</u>	<u>421,836,525</u>

The annexed notes form an integral part of these financial statements

Khurram Salim
Chief Executive

Mohammad Shakeel
Director

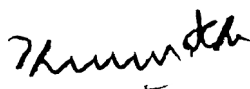
Karachi:

Date: 27th September 2011

Cash Flow Statement For The Year Ended June 30, 2011

	June , 2011 Rupees	June, 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	933,272,302	419,128,417
Adjustments for:		
Depreciation on property, plant and equipment	151,676,158	164,210,893
Provision for employees' benefits	22,722,565	16,954,365
Infrastructure fee	(17,061,959)	7,090,623
Loss / (gain) due to change in the fair value of investments available for sale	(137,000)	312,000
(Gain) on disposal of property, plant and equipment	(3,266,047)	(2,043,753)
Finance cost	224,088,144	231,441,212
Operating cash flows before changes in working capital	1,311,294,163	837,093,757
(Increase)/decrease in current assets		
Inventories	(598,811,914)	(161,622,119)
Trade debts	(49,360,800)	56,758,879
Loans and advances	(4,085,102)	(14,942,800)
Trade deposits	11,985,837	(8,703,126)
Other receivables	2,955,514	740,529
Sales tax refundable	(16,808,156)	(11,451,016)
	(654,124,621)	(139,219,653)
Increase in trade and other payables	80,475,280	64,884,976
Cash generated by operations	737,644,822	762,759,080
Finance cost paid	(235,190,625)	(245,281,727)
Employees' benefits paid	(8,734,756)	(9,951,190)
Income taxes paid	(88,111,591)	(51,808,483)
Long term loans	10,806,986	(561,732)
Long term deposits	(2,949,900)	20,513,800
	(324,179,886)	(287,089,332)
Net cash generated from operating activities	413,464,936	475,669,748
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	5,714,995	6,150,000
Purchase of property, plant and equipment	(94,000,204)	(81,453,494)
Net cash used in investing activities	(88,285,209)	(75,303,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term financing	(429,097,605)	(209,832,392)
Proceed from liability against assets subject to finance lease	6,278,790	8,639,450
Payment of liability against assets subject to finance lease	(6,701,707)	(4,855,803)
Short term bank borrowings	181,315,288	(174,783,308)
Dividend paid	(59,949,121)	(5,988,419)
Net cash from financing activities	(308,154,418)	(386,820,472)
Net increase / (decrease) in cash and cash equivalents	17,025,309	13,545,782
Cash and cash equivalents at the beginning of the year	36,211,372	22,665,590
Cash and cash equivalents at the end of the year	53,236,681	36,211,372

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



Khurram Salim
Chief Executive

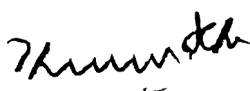


Mohammad Shakeel
Director

Statement of Changes in Equity For The Year Ended June 30, 2011

	Share capital	General Reserves	Unappropriated profits	Total
Rupees				
Balance as at June 30, 2009	30,000,000	900,000,000	54,716,498	984,716,498
Profit for the year ended June 30, 2010.	-	-	421,836,525	421,836,525
Transfer to general reserves	-	400,000,000	(400,000,000)	-
Final dividend paid for the year ended June 30, 2008 at the rate of PKR 2.0 per share	-	-	(6,000,000)	(6,000,000)
Balance as at June 30, 2010	30,000,000	1,300,000,000	70,553,023	1,400,553,023
Profit for the year ended June 30, 2011.	-	-	863,199,053	863,199,053
Final dividend paid for the year ended June 30, 2010 at the rate of PKR 20.0 per share	-	-	(60,000,000)	(60,000,000)
Transfer to general reserves	-	700,000,000	(700,000,000)	-
Balance as at June 30, 2011	30,000,000	2,000,000,000	173,752,076	2,203,752,076

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



Khurram Salim
Chief Executive



Mohammad Shakeel
Director

Karachi:

Date: 27th September 2011

BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

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 Nooriabad, District Dadu in the province of Sindh and Feroz Watwan, District Sheikhpura in the province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use Of Estimates And Judgments

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

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

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 47 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

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for the current year.



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

Standards, interpretations and amendments

IFRS 1 - First-time Adoption of International Financial Reporting Standards (*Amendments*)

IFRS 2 - Share-based Payments (*Amendments*)

IFRS 3 - Business Combinations (*Amendments*)

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (*Amendments*)

IFRS 8 - Operating Segments (*Amendments*)

IAS 1 - Presentation of Financial Statements (*Amendments*)

IAS 7 - Statement of Cash Flows (*Amendments*)

IAS 17 - Leases (*Amendments*)

IAS 32 - Financial Instruments: Presentation (*Amendments*)

IAS 36 - Impairment of Assets (*Amendments*)

IAS 38 - Intangible Assets (*Amendments*)

IAS 39 - Financial Instruments: Recognition and Measurement (*Amendments*)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Description

The amendments provide certain exemptions to first-time adoptors of International Financial Reporting Standards.

The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.

The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.

The amendments provide clarification regarding scope of the standard.

The amendments clarify requirements regarding disclosure of segment assets.

The amendments provide guidance on current/non-current classification of convertible instruments.

The standard was amended to provide guidance on recognition of certain expenditures as investing activities.

The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.

The amendments provide guidance on classification of right issues.

The amendments provide guidance on identification of unit of accounting for goodwill impairment test.

The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.

The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments.

The interpretation provides guidance on accounting for debt for equity swaps.

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.



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2011

Standards, interpretations and amendments

IFRS 7 - Financial Instruments: Disclosures
(Amendments)

Description

The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.

IFRS 7 - Financial Instruments: Disclosures
(Amendments)

The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets. The amendment is effective for annual periods beginning on or after July 01, 2011.

Standards, interpretations and amendments

IFRS 9 - Financial Instruments: Classification and Measurement

Description

The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 10 - Consolidated Financial Statements

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 11 - Joint Arrangements

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 12 - Disclosure of Interests in Other Entities

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 13 - Fair Value Measurement

The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.

IAS 1 - Presentation of Financial Statements
(Amendments)

The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.

IAS 12 - Income Taxes

The amendments provide exception to the general principle of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

IAS 24 - Related Party Disclosures (Revised 2009)	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
IAS 34 - Interim Financial Reporting (Amendments)	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 13 - Customer Loyalty Programmes (Amendments)	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Borrowings

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

3.2 Employee benefits

Short term employees benefits

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

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

Post retirement benefits

Defined benefit plans

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

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

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

Notes to the financial statement
For the year ended June 30, 2011

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 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred

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

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

3.4 Provisions

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

3.5 Trade and other payables

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

3.6 Dividend

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

3.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except freehold 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.

Notes to the financial statement
For the year ended June 30, 2011

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

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

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

Impairment

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

Leased assets

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

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

3.8 Capital work in progress

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

3.9 Investments

Investment available for sale

Investment available for sale are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available-for-sale investments are recognized directly in equity 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.

Notes to the financial statement For the year ended June 30, 2011

3.12 Stock-in-trade

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

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

Whereas the valuation of raw material, work in process and finished goods as on 30th June 2011 has been valued on the basis of net realisable value as disclosed in note 47.4 to the financial statements.

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

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

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

3.13 Trade debts and other receivables

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

3.14 Cash and cash equivalents

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

3.15 Revenue recognition

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

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

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

3.16 Borrowing costs

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

3.17 Impairment

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



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

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

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

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

4 Capital Management

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

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

June 2011		June 2010	June 2011	June 2010
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
<u>3,000,000</u>	<u>3,000,000</u>		<u>30,000,000</u>	<u>30,000,000</u>



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2011

	June 2011 Rupees	June 2010 Rupees
6 LOAN FROM SPONSORS AND RELATIVES		
Face value of loan	100,000,000	100,000,000
Transfer to current maturity	(100,000,000)	-
	<u>-</u>	<u>100,000,000</u>

This loan has been obtained from sponsors of company and their relatives, and it is interest free and unsecured. The repayment of loan is expected to be made upto June 2012.

7 LONG TERM FINANCING - SECURED

From Financial Institutions

		LTF - EOP loans	NON-LTF loans	June 2011	June 2010
United Bank Limited - Term Loan	7.1	-	-	-	150,000,000
United Bank Limited - Term Loan	7.2	9,219,040	-	9,219,040	59,219,036
United Bank Limited - Term Loan	7.3	-	-	-	91,475,936
Habib Bank Limited - Term Loan	7.4	46,033,697	-	46,033,697	143,655,667
United Bank Limited - Term Loan	7.5	24,716,000	-	24,716,000	64,715,706
		<u>79,968,737</u>	-	<u>79,968,737</u>	509,066,345
Less: current maturity					
United Bank Limited - Term Loan	7.1	-	-	-	150,000,000
United Bank Limited - Term Loan	7.2	9,219,040	-	9,219,040	50,000,000
United Bank Limited - Term Loan	7.3	-	-	-	91,475,936
Habib Bank Limited - Term Loan	7.4	46,033,697	-	46,033,697	97,621,972
United Bank Limited - Term Loan	7.5	24,716,000	-	24,716,000	39,999,996
		<u>79,968,737</u>	-	<u>79,968,737</u>	429,097,904
		-	-	-	<u>79,968,441</u>

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.1 Equitable mortgage charge of PKR 553 M registered on 14-Mar 05 through a supplementary MOTD dated 08-March-05 on that all piece and parcel of land with all construction, fixtures and fittings, thereon and machinery installed therein, bearing plot # E/2, SITE, Kotri.	After Twenty month from the date of disbursement	-	1 month KIBOR + 1 % (2010: 1 month KIBOR + 0.40%)
7.2 First equitable mortgage charge over land, building, fitting and fixtures and plant and machinery of PKR 553.0 Million of unit - I situated at SITE Kotri Sindh.	Repayable in ten half yearly installments, commencing from September 16, 2006.	7%	6 months KIBOR+1% (2010: 6 months KIBOR + 1%)
7.3 First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by June 24, 2010.	7%	3 months KIBOR+1% (2010: 3 months KIBOR + 1%)



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2011

Security	Repayment	Markup on LTF	Markup Rates on NON- LTF
7.4 First pari passu equitable mortgage charge over land and building and 1st pari passu hypothecation charge on plant & machinery of PKR 534.0 million of unit III located at Ferrozwatton, Sheikhpura-Faisalabad Road, Sheikhpura	Repayable in fourteen semi annual installments with expiry date by July 19, 2010.(Non -LTF) & by October 31, 2010. (LTF).	7%	3 months KIBOR+1% (2010: 3 months KIBOR + 1%)
7.5 First pari passu charge of PKR 267.0 million over present and future fixed assets of unit - II of the Company located at Ferrozwatton, Sheikhpura-Faisalabad Road, sheikhpura.	Repayable in ten equal semi annual installments commencing from December 21, 2007	7%	6 months KIBOR + 2.25% (2010 : 6 months KIBOR + 2.25 %)

7.6 The company has entered into two interest rate swap agreements with various banks for a notional amount of PKR 650.0 Million (2010: 650 Million), maturing on 16th March 2011. The outstanding balance of these arrangements is PKR Nil (2010: 202.874 Million) as at the balance sheet date. Under the swap arrangements, the company would receive three and six months KIBOR rates and pay fixed rates of mark-up ranging between 10.90% to 11.25% as per the respective arrangements, which will be settled quarterly and semi-annually. As at the balance sheet date, the net fair value of these interest rate swaps was PKR Nil (2010: PKR 2.725 Million) in favour of the company.

8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance obtained under various lease agreements. The total minimum lease payments are payable in thirty six equal monthly installments. The internal rate of return is 14% to 17% (2010: 14% to 17%) per annum are used as discounting factor. The lease agreement contains bargain purchase option. Taxes, repairs, replacement and insurance costs are borne by the company.

	June 2011 Rupees	June 2010 Rupees
Present value of minimum lease payments	13 (8,290,581)	15,442,448 (6,226,754)
Current portion	6,728,887	9,215,694

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

Gross minimum lease payments

Not later than one year	8,868,218	7,688,172
Later than one year but not later than five years	6,886,791	9,809,845
	15,755,009	17,498,017
Finance charges allocated to future period	(577,637)	(1,461,418)
Not later than one year	(157,904)	(594,151)
Later than one year but not later than five years	(735,541)	(2,055,569)
Present value of minimum lease payments	15,019,468	15,442,448
Not later than one year	8,290,581	6,226,754
Later than one year but not later than five years	6,728,887	9,215,694
	15,019,468	15,442,448
Current portion	(8,290,581)	(6,226,754)
	6,728,887	9,215,694



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement
For the year ended June 30, 2011

		June 2011 Rupees	June 2010 Rupees
9 DEFERRED LIABILITIES			
Employee benefits	9.1 & 9.2	66,767,999	52,780,190
Deferred taxation	9.3	72,798,509	85,569,199
Infrastructure fee	9.4	14,163,036	31,224,995
		<u>153,729,544</u>	<u>169,574,384</u>

9.1 Valuation has been carried out internally by the management of the Company as at June 30, 2011 using the projected unit credit method assuming a discount rate of 14.0 % (2010: 13.50%) per annum and expected rate of increase in salaries at 14.0 % (2010: 13.50 %) per annum.

9.2 Movement in net liability recognized in the balance sheet

Present value of defined benefits obligation - at the beginning of the year		52,780,190	45,777,015
Charged to profit and loss account	9.2.1	22,722,565	16,954,365
Benefits paid during the year		(8,734,756)	(9,951,190)
Present value of defined benefits obligation - at the end of the year		<u>66,767,999</u>	<u>52,780,190</u>
9.2.1 The following amounts have been charged to the profit and loss account during the current year			
Current service cost		17,584,726	15,246,995
Interest cost		2,919,062	841,150
Actuarial (gains) / losses recognized during the period		2,218,777	866,220
Net amount chargeable to profit and loss account		<u>22,722,565</u>	<u>16,954,365</u>

9.2.2 There is no unrecognized actuarial loss / gain.

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
9.2.3 Historical information					
Present value of defined benefits obligation	66,767,999	52,780,190	45,777,015	36,264,577	37,300,279
Experience adjustments on plan liabilities	<u>2,218,777</u>	<u>866,220</u>	<u>2,769,748</u>	<u>1,426,295</u>	<u>4,227,320</u>

		June 2011 Rupees	June 2010 Rupees
9.3 Deferred taxation			
The liability for deferred taxation comprises timing differences relating to:			
Accelerated tax depreciation on owned assets		88,748,965	99,044,766
Provision for employee benefit		(9,612,508)	(7,856,729)
Finance lease		938,583	1,443,103
Provision for doubtful debts		(7,233,469)	(6,996,890)
Provision for diminution in value of investments		(43,062)	(65,051)
		<u>(15,950,456)</u>	<u>(13,475,567)</u>
		<u>72,798,509</u>	<u>85,569,199</u>

9.4 This represents amount payable to Excise and Taxation Department, Government of Sindh in respect of infrastructure fee levied through fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006). The Supreme Court in his judgment dated 17th May 2011 has decided that fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006) is valid and hence the levy imposed and collected from the effective date of the fifth version i.e. 28th December 2006 is valid and all imposition and collection before 28th December 2006 are declared to be invalid. The company has now filed petition in Sindh High Court, challenging fifth version of law (i.e. Sindh Finance (Amendment) Ordinance 2006 regarding levy of infrastructure fee from the 28th December 2006. During the pendency of decision on fifth version of law, Sindh High Court has directed on 31st May 2011 to pay 50% of liability to Excise and Taxation Department, Government of Sindh, and provide bank guarantee of the remaining amount as calculated in accordance with the decision of Supreme Court of Pakistan. Subsequent imports of the company be released against 50% payment infrastructure fee to Excise and Taxation Department, Government of Sindh and furnishing bank guarantee of balance 50% amount. The company has provided bank guarantees amounting to PKR 14.845 Million (June 30, 2010: PKR 31.80 Million) in this respect.



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Notes to the financial statement
For the year ended June 30, 2011

		June 2011 Rupees	June 2010 Rupees
10 TRADE AND OTHER PAYABLES			
Creditors		202,966,918	145,750,105
Accrued liabilities		80,946,476	76,796,554
Workers' profit participation fund	10.1	49,778,262	22,557,270
Workers Welfare Fund		-	8,382,568
Sales Tax Payable		1,240	-
Unclaimed dividend		308,636	257,757
Others		759,417	490,533
		<u>334,760,949</u>	<u>254,234,787</u>
10.1 Workers' profit participation fund			
Opening balance		22,557,270	15,387,655
Interest on funds utilized in the Company's business	10.1.1	12,514,650	1,077,134
		35,071,920	16,464,789
Paid to the fund		(35,071,920)	(16,464,789)
		-	-
Allocation for the year		49,778,262	22,557,270
		<u>49,778,262</u>	<u>22,557,270</u>

10.1.1 Interest on workers' profit participation fund has been provided @ 150% (2010: 15.5%) per annum.

11 MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Mark-up accrued on secured:			
- long-term financing		1,715,601	8,975,446
- short-term borrowings		8,138,796	11,981,432
		<u>9,854,397</u>	<u>20,956,878</u>

12 SHORT TERM BORROWINGS - SECURED

From banking companies

Short term loan	12.2	702,136,629	716,291,227
Over Draft		195,469,886	-
		<u>897,606,515</u>	<u>716,291,227</u>

12.1 The aggregate approved short term borrowing facilities amounted to PKR 5,385 million (2010: PKR 3,245 million).

12.2 These facilities are subject to mark-up ranging from 1 to 3 month KIBOR + spread between 0.5% to 1.5 % (2010: 1 to 3 month KIBOR + spreads between 0.5 to 1.5%) per annum payable quarterly. These are secured against hypothecation charge on stock and receivables.

13 CURRENT PORTION OF LONG TERM BORROWINGS

Long-term financing	7	79,968,737	429,097,904
Liabilities against assets subject to finance lease	8	8,290,581	6,226,754
Loan from sponsors and relatives		100,000,000	-
		<u>188,259,318</u>	<u>435,324,658</u>

14 CONTINGENCIES AND COMMITMENTS

Contingencies

14.1 The Company has issued post dated cheques amounting to PKR 1,833,889 (2010: PKR 699,753) in favor of Collector of Customs in lieu of custom levies against various statutory notifications. The indemnity bonds furnished by the company are likely to be released after the fulfillment of term of related SROs.



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Notes to the financial statement For the year ended June 30, 2011

14.2 The company has issued post dated cheque amounting to PKR Nil (2010: PKR 372,141) in favor of Collector of Customs in lieu of Regulatory duty imposed on export of yarn sales. The imposition of regulatory duty on yarn export sales has been challenged by company in the Sindh High Court. The Honorable Sindh High Court has granted stay. During the pendency of cases yarn export sales has been made by issuing post dated cheque. The company expects a favorable outcome.

14.3 In normal course of business, commercial banks have issued guarantees on behalf of the company amounting to PKR 57.969 Million (2010: PKR 42.185 Million)

	June 2011 Rupees	June 2010 Rupees
14.4 Local bills discounted.	<u>30,325,904</u>	<u>38,591,520</u>

Commitments

Letter of credit (for store, raw material and machinery)	<u>10,960,184</u>	<u>120,336,795</u>
Capital work in progress	<u>2,500,000</u>	<u>6,500,000</u>

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2011	Rate
	As at July 01, 2010	Additions / (disposals)	Transfers	As at June 30, 2011	As at July 01, 2010	For the year	Transfers / (disposal)	As at June 30, 2011		
	Rupees									
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	121,691,736	616,115	-	122,307,851	-	-	-	-	122,307,851	-
Building on leasehold land	99,793,655	10,624,728	-	110,418,383	60,808,106	4,100,896	-	64,909,002	45,509,381	10%
Building on freehold land	288,743,668	37,308	1,845,120	290,626,096	136,413,525	15,250,878	-	151,664,403	138,961,693	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	10,586,467	1,530,558	-	12,117,025	17,501,095	5%
Office premises on freehold land	73,591,341	453,440	8,590,827	82,635,608	20,801,265	2,098,213	-	22,899,478	59,736,130	5%
Plant and machinery	2,215,689,422	19,128,238 (9,110,235)	54,764,348	2,280,471,773	1,114,012,528	111,598,027 (7,838,992)	-	1,217,771,563	1,062,700,210	10%
Equipments and other assets	21,005,780	-	1,452,697	22,458,477	15,460,128	4,495,755	-	19,955,883	2,502,594	33%
Electric Installation	21,749,872	-	-	21,749,872	8,096,174	1,365,369	-	9,461,543	12,288,329	10%
Gas Line and Pipe	7,180,289	-	-	7,180,289	2,533,242	464,705	-	2,997,947	4,182,342	10%
Cooling towers	5,223,570	-	-	5,223,570	1,727,251	349,632	-	2,076,883	3,146,687	10%
Ventilation system	1,461,897	-	-	1,461,897	458,341	100,356	-	558,697	903,200	10%
Boiler	18,244,925	-	-	18,244,925	4,345,001	1,250,993	-	5,595,994	12,648,931	33%
Factory equipments	13,607,029	-	-	13,607,029	10,843,030	276,925	-	11,119,955	2,487,074	10%
Furniture and fixtures - Factory	5,318,108	-	-	5,318,108	3,373,712	194,439	-	3,568,151	1,749,957	10%
Office equipments	20,245,336	-	-	20,245,336	12,749,448	747,379	-	13,496,827	6,748,509	10%
Furniture and fixtures - Office	872,972	-	-	872,972	573,158	29,981	-	603,139	269,833	10%
Vehicles	35,696,101	11,335,052 (6,854,648)	-	40,176,505	21,882,472	3,559,242 (5,676,943)	-	19,764,771	20,411,734	20%
	2,980,167,235	42,194,881 (15,964,883)	66,652,992	3,073,050,225	1,424,663,848	147,413,348 (13,515,935)	-	1,558,561,261	1,514,488,964	
Assets subject to finance lease										
Vehicles	22,276,970	6,278,790	-	28,555,760	4,625,539	4,262,810	-	8,888,349	19,667,411	10%
	22,276,970	6,278,790	-	28,555,760	4,625,539	4,262,810	-	8,888,349	19,667,411	
June 30, 2011	3,002,444,205	48,473,671	66,652,992	3,101,605,985	1,429,289,387	151,676,158	-	1,567,449,610	1,534,156,375	
	-	(15,964,883)	-	-	-	(13,515,935)	-	-	-	

Additions includes direct capitalizations.

Transfer to owned assets includes transfers from capital work in progress on the related assets becoming available for use.



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

Year Ended June 30, 2010

PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				DEPRECIATION				Book value as at June 30, 2010	Rate
	As at July 01, 2009	Additions / (disposals)	Transfers	As at June 30, 2010	As at July 01, 2009	For the year	(Disposal)	As at June 30, 2010		
Rupees										
Company owned										
Leasehold land	433,414	-	-	433,414	-	-	-	-	433,414	-
Freehold land	121,161,224	530,512	-	121,691,736	-	-	-	-	121,691,736	-
Building on leasehold land	99,793,655	-	-	99,793,655	57,422,997	3,385,109	-	60,808,106	38,985,549	10%
Building on freehold land	288,607,663	-	136,005	288,743,668	119,490,473	16,923,052	-	136,413,525	152,330,143	10%
Office premises on leasehold land	29,618,120	-	-	29,618,120	9,584,801	1,001,666	-	10,586,467	19,031,653	5%
Office premises on freehold land	73,591,341	-	-	73,591,341	18,022,839	2,778,426	-	20,801,265	52,790,076	5%
Plant and machinery	2,222,560,677	2,012,900 (12,774,526)	3,890,371	2,215,689,422	996,155,547	124,843,322 (9,328,570)	2,342,229	1,114,012,528	1,101,676,894	10%
Equipments and other assets	20,120,100	-	885,680	21,005,780	10,064,160	5,395,968	-	15,460,128	5,545,652	33%
Electric Installation	22,449,872	-	(700,000)	21,749,872	6,764,071	1,517,078	(184,975)	8,096,174	13,653,698	10%
Gas Line and Pipe	7,180,289	-	-	7,180,289	2,016,903	516,339	-	2,533,242	4,647,047	10%
Cooling towers	5,223,570	-	-	5,223,570	1,338,771	388,480	-	1,727,251	3,496,319	10%
Ventilation system	1,461,897	-	-	1,461,897	346,835	111,506	-	458,341	1,003,556	10%
Boiler	18,244,925	-	-	18,244,925	4,345,001	-	-	4,345,001	13,899,924	33%
Factory equipments	17,651,640	-	(4,044,611)	13,607,029	13,503,434	290,834	(2,951,238)	10,843,030	2,763,999	10%
Furniture and fixtures - Factory	6,191,080	-	(872,972)	5,318,108	3,697,513	216,044	(539,845)	3,373,712	1,944,396	10%
Office equipments	19,356,445	1,018,621	(129,730)	20,245,336	12,109,602	736,104	(96,258)	12,749,448	7,495,888	10%
Furniture and fixtures - Office	-	-	872,972	872,972	-	33,313	539,845	573,158	299,814	10%
Vehicles	35,226,300	3,271,993 (4,427,512)	1,625,320	35,696,101	21,720,294	3,039,157 (3,767,221)	890,242	21,882,472	13,813,629	20%
	2,988,872,212	6,834,026 (17,202,038)	1,663,035	2,980,167,235	1,276,583,241	161,176,398 (13,095,791)	-	1,424,663,848	1,555,503,387	
Assets subject to finance lease										
Vehicles	13,637,520	8,639,450	-	22,276,970	1,591,044	3,034,495	-	4,625,539	17,651,431	10%
	13,637,520	8,639,450	-	22,276,970	1,591,044	3,034,495	-	4,625,539	17,651,431	
June 30, 2010	3,002,509,732	15,473,476	1,663,035	3,002,444,205	1,278,174,285	164,210,893	-	1,429,289,387	1,573,154,818	
	-	(17,202,038)	-	-	-	(13,095,791)	-	-	-	

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

		June 30, 2011 Rupees	June 30, 2010 Rupees
Cost of goods sold	30	142,798,335	157,055,110
Administrative expenses	33	8,877,823	7,155,783
		<u>151,676,158</u>	<u>164,210,893</u>

Notes to the financial statement For the year ended June 30, 2011

15.2 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Year Ended June 30, 2011							
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 machine - Murata	4,421,715	3,399,396	1,022,319	1,200,000	177,681	Negotiation	K & B Brothers C-25, Gulistan Housing Society, Landhi, Karachi.
Auto cone machine - Murata	4,688,520	4,439,596	248,924	2,384,995	2,136,071	Negotiation	Faisal Corporation 507, 5th Floor, Kutayana Plaza, 5/4 Chappel Street, Kharadar, Karachi
Vehicles							
LZX-1068	653,940	443,228	210,712	300,000	89,288	Negotiation	Saima Rehman, H # 245-K1, Wapda Town, Lahore
LXD-1434	853,160	819,273	33,887	250,000	216,113	Negotiation	Mr. Muhammad Kashif, H # 1 St # 65 Mohala 249, Purana Dharam Pura, Mustafa abad. Lahore
CK-8151 1985 Toyota Hiace 1800 CC	823,835	734,547	89,288	130,000	40,712	Negotiation	Qaisar Nadeem S/O Fazal Karim Village Doga P.O Doga The. Kharian, Distt. Gujrat
ADT-503 2001 Toyota Corola 1300 CC	793,140	689,459	103,681	100,000	(3,681)	Negotiation	Muhammad Shafi S/O Abdul Ghaffar Flat # 203, Plot # 59-E, 9 Commercial Street, Phase -IV, D.H.A. Karachi.
AAF-733 1996 Suzuki Margalla 1300CC	485,253	468,927	16,326	100,000	83,674	Negotiation	Muhammad Nadeem Akbar s/o Noor Ahmed House # 22, Mohalla Police Line, Kharadar, Block - 4, Karachi.
AJE-023 2005 Honda Civic 1500CC	1,042,000	734,702	307,298	500,000	192,702	Negotiation	Mrs. Asma Amer w/o Amer Farooq Apt. No.3, Building No. 41-C, Rahat Comm. Lane No.3, Phase-VI, DHA Karachi
AFC-386 2003 Suzuki Alto 1000CC	481,000	403,832	77,168	100,000	22,832	Negotiation	Zor Khan Niazi s/o M. Feraz Khan House # B-138, Street 7, Sector-5 Mianwali Colony Subhani Road, Manghopir Karachi.
AJD-815 2005 Honda Civic 1500CC	1,042,000	734,702	307,298	500,000	192,702	Negotiation	Muzamil Polani S/O M. Yaqub Polani 610 Yusuf Grand Square, Block-8, Clifton Karachi
AAF-160 1996 Suzuki Margalla 1000CC	383,495	370,592	12,903	100,000	87,097	Negotiation	Mustafa Kamal s/o Iqbal Ahmed House # A-33, Street No. 3, Block 1, Gulshan-E-Iqbal, Karachi.
ACC-951 1999 Suzuki Mehran	296,825	277,681	19,144	50,000	30,856	Negotiation	Syed Ahmed Khan s/o M. Ameer Khan H. No.2836, Scheme 40, Mohalla Metrovil Orangi Town, Block-6, Karachi
30-Jun-11	15,964,883	13,515,935	2,448,948	5,714,995	3,266,047		

Year ended June 30, 2010

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							
Machinery Generator	6,776,299	4,156,081	2,620,218	2,700,000	79,782	Negotiation	City Towers Management Company Main Boulevard Gulberg Lahore.
Auto cone machine	5,998,227	5,172,489	825,738	2,300,000	1,474,262	Negotiation	H. A. Fibers (Private) Limited 203 - 204, 2nd Floor, Regency Plaza, Lahore.
Vehicles							
HONDA CITY ACZ-459	826,800	743,479	83,321	200,000	116,679	Negotiation	Mr. Mohammad Hashim Mohala Ali Bahadur Road, Quetta.
HONDA CIVIC LRG-1225	1,129,175	911,116	218,059	300,000	81,941	Negotiation	Mr. Liaquat Basti no. 21, Tufail Road, R. A. Bazar, Cantt, Lahore.
LXX-7472	818,040	689,230	128,810	250,000	121,190	Negotiation	Mr. Sajjad Ahmed House no. 12, Street no. 1, New Samnabad Lahore.
LXZ-2235	820,390	718,996	101,394	200,000	98,606	Negotiation	Mr. Mohammad Abbas House no. 2, Street no. 6, New Mazang Lahore.
LRS-5788	833,107	704,400	128,707	200,000	71,293	Negotiation	Mr. Mansoor Salim House no. 4, Hurbans Pura Lahore.
30-Jun-10	17,202,038	13,095,791	4,106,247	6,150,000	2,043,753		



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

		June 2011 Rupees	June 2010 Rupees
16 CAPITAL WORK IN PROGRESS			
Building and other civil work		6,538,142	7,026,781
Machinery		39,230,740	59,868,560
		<u>45,768,882</u>	<u>66,895,341</u>
17 LONG TERM INVESTMENTS			
Available for sale			
50,000 ordinary shares of Rs. 10 each.	17.1	500,000	500,000
Provision for diminution in the value of investments	17.2	(300,000)	(437,000)
		<u>200,000</u>	<u>63,000</u>
<p>17.1 The investment is made in listed company, Taha Spinning Mills Limited, which is available for sale.</p> <p>17.2 The market value of these shares was PKR 4.0 per share as at June 30, 2011 (June 2010: PKR 1.26 per share)</p>			
18 LONG TERM LOANS - SECURED			
Un-secured but considered good			
Loan and advances to staff	18.1	-	14,064,609
Current portion of long term loan		-	(3,257,623)
		<u>-</u>	<u>10,806,986</u>
<p>18.1 The above loan under the terms of employment have been given interest free to facilitate needs of employees repayable in monthly installments over a period of two to five years. These loans are secured against retirement benefits of the employees.</p> <p>18.2 The company has change its policy of giving long term loan to employees in view of consideration of establishing funded retirement benefit fund. However advances against salary are being given which has been shown in loan and advance.</p> <p>18.3 Interest @ 13% on above loan worked out PKR Nil (2010: PKR 639,012) has been accounted at full rate of 35% as provision for income tax payable.</p>			
19 LONG TERM DEPOSITS			
With Leasing companies		1,863,000	3,217,800
Electricity		10,492,520	5,487,820
Telephone		67,900	67,900
Others		141,676	841,676
		<u>12,565,096</u>	<u>9,615,196</u>
20 STORES, SPARES AND LOOSE TOOLS			
Stores		46,074,100	41,119,776
Packing material		6,359,719	8,033,036
		<u>52,433,819</u>	<u>49,152,812</u>
<p>20.1 No item of stores, spares and loose tools is pledged as security as at reporting date.</p>			
21 STOCK IN TRADE			
Raw material	21.1 & 47.4	1,022,524,218	645,828,621
Raw material in transit		-	106,703,931
Work in process		81,162,437	66,539,256
Finished goods	21.2 & 47.4	442,058,605	132,047,235
Waste		1,565,204	660,514
		<u>1,547,310,464</u>	<u>951,779,557</u>

Notes to the financial statement

For the year ended June 30, 2011

21.1 Raw material stock cost PKR 1,222,909,273 (2010: Nil) have been valued at PKR 983,717,110 (2010: Nil) being the replacement cost of raw material

21.2 Finished goods stock cost PKR 311,771,921 (2010: Nil) has been valued at PKR 241,211,782 (2010: Nil) being the net realisable value of finished goods

21.3 No item of stock in trade is pledged as security as at reporting date.

		June 2011 Rupees	June 2010 Rupees
22 TRADE DEBTS			
Foreign - secured against letter of credit		43,351,558	18,972,389
Local - unsecured - considered good		393,239,032	368,257,401
Local - unsecured - considered doubtful		41,201,615	46,703,649
		<u>477,792,205</u>	433,933,439
Provision for doubtful debts.	22.1	<u>(41,201,615)</u>	(46,703,649)
		<u>436,590,590</u>	<u>387,229,790</u>
22.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		46,703,649	6,978,974
Bad debts provision provided during the year		355,000	44,428,982
Bad debts recovered during the year		(5,857,034)	(4,704,307)
Provision for bad debts at the end of year		<u>41,201,615</u>	<u>46,703,649</u>
23 LOANS AND ADVANCES			
Advances to :			
Suppliers - unsecured but considered good		10,074,860	16,696,070
Suppliers - unsecured and considered doubtful		5,079,001	5,079,001
Employees - Secured considered good		14,336,369	-
Employees - Un-secured considered doubtful		1,165,000	-
Prepaid		373,707	893,141
Current portion of loan to employees	18	<u>147,000</u>	3,257,623
		<u>31,175,937</u>	25,925,835
Provision for doubtful supplier advances	23.1	<u>(6,244,001)</u>	(5,079,001)
		<u>24,931,936</u>	<u>20,846,834</u>
23.1 Particulars of Provision for doubtful receivables			
Provision for bad debts at the beginning of year		5,079,001	5,116,550
Bad debts provision provided during the year		1,165,000	-
Bad debts recovered during the year		-	(37,549)
Provision for bad debts at the end of year		<u>6,244,001</u>	<u>5,079,001</u>
24 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		3,019,073	20,000
Deposits against infrastructure fees	24.1	14,844,654	31,800,000
Short term prepayments		1,972,800	-
Margin against letter of credit		-	2,364
		<u>19,836,527</u>	<u>31,822,364</u>

24.1 Effective mark up rate on these deposits range from 7% to 11.50% (June 30, 2010: 3% to 7%) per annum.



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

	June 2011 Rupees	June 2010 Rupees
25 OTHER RECEIVABLES - UNSECURED BUT CONSIDERED GOOD		
L/C in transit	135,402	2,626
KMC refundable - Considered doubtful	680,624	680,624
Other receivables	1,224,379	1,784,591
Regulatory duty refundable	-	2,528,078
	2,040,405	4,995,919
Provision for doubtful receivables	(680,624)	(680,624)
	1,359,781	4,315,295
26 TAXATION		
Income tax paid	113,606,677	73,705,171
Provision for taxation		
Current year	(80,763,410)	(46,636,184)
Prior years	(2,080,529)	(1,573,901)
	(82,843,939)	(48,210,085)
	30,762,738	25,495,086
27 SALES TAX REFUNDABLE		
Sales tax and federal excise duty refundable	35,538,797	18,730,641
1% Special excise duty refundable	2,267,527	1,519,637
Provision for non refundable	(2,267,527)	(1,519,637)
	-	-
	35,538,797	18,730,641
28 CASH AND BANK BALANCES		
Balances with banks on:		
Current accounts	-	31,064,424
Foreign currency account - current	36,254,712	5,146,948
	16,981,969	36,211,372
	53,236,681	
29 SALES - NET		
Export		
Yarn	4,437,119,091	2,356,137,241
Fabric	2,728,061,498	1,732,533,049
	7,165,180,589	4,088,670,290
Export Rebate	89,953	249,551
	7,165,270,542	4,088,919,841
Local		
Yarn	211,330,408	483,324,475
Fabric	29,885,372	82,880,550
Cotton	58,075,404	81,495,802
Processing	23,375,968	12,290,054
Waste	59,478,502	52,775,516
	382,145,654	712,766,397
	7,547,416,196	4,801,686,238
Regulatory duty	(1,834,711)	(845,034)
	7,545,581,485	4,800,841,204



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

		June 2011 Rupees	June 2010 Rupees
30 COST OF GOODS SOLD			
Raw material consumed	30.1	4,889,143,975	2,583,555,690
Packing material consumed		57,210,230	41,454,856
Stores, spares and loose tools		129,914,708	129,155,348
Salaries, wages and benefits	30.2	277,117,970	264,130,562
Processing charges		3,190,586	2,521,579
Fees and Subscription		195,216	142,924
Fuel ,power and water		631,775,502	454,287,116
Electricity duty		1,918,287	2,527,574
Insurance		16,242,762	10,699,110
Vehicle running and maintenance		5,825,269	4,531,092
Rent, rate and taxes		415,663	515,723
Repairs and maintenance		7,119,173	7,798,550
Communication		656,020	581,089
Traveling and conveyance		1,264,866	990,989
Depreciation	15.1	142,798,335	157,055,110
Others		1,997,598	1,280,761
		6,166,786,160	3,661,228,073
Work in process			
Opening stock		66,539,256	54,724,507
Closing stock		(81,162,437)	(66,539,256)
		(14,623,181)	(11,814,749)
Cost of goods manufactured		6,152,162,979	3,649,413,324
Cost of cotton sold	30.3	83,945,919	92,500,024
Finished stocks			
Opening stock		132,707,749	205,234,705
Finished goods purchases		142,904,262	84,678,572
Closing stock		(443,623,809)	(132,707,749)
		(168,011,798)	157,205,528
		6,068,097,100	3,899,118,876
30.1 Raw material consumed			
Opening stock		752,532,552	539,795,256
Purchases - net		5,272,905,984	2,795,181,519
		6,025,438,536	3,334,976,775
Cost of raw material sold		(113,770,343)	(99,258,071)
Closing stock		(1,022,524,218)	(652,163,014)
		4,889,143,975	2,583,555,690

30.2 Salaries, wages and benefits includes employees benefits amounting to Rs. 17,471,013(June 30, 2010: PKR 13,343,077).



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

		June 2011 Rupees	June 2010 Rupees
30.3 Cost of cotton sold			
Cost of purchases		82,164,837	89,728,296
Salaries, wages and other benefits		34,580	133,380
Loading and unloading		6,423	10,759
Insurance		111,145	156,247
Commission		-	299,520
Finance cost		1,628,934	2,171,822
		<u>83,945,919</u>	<u>92,500,024</u>
31 OTHER OPERATING INCOME			
Income from financial assets			
Interest income		2,835,491	2,193,113
Provision for (diminution) / appreciation in value of investment		137,000	(312,000)
Bad debts recovered		5,857,034	4,704,307
		<u>8,829,525</u>	<u>6,585,420</u>
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment		3,266,052	2,043,753
Rental income		60,000	60,000
		<u>3,326,052</u>	<u>2,103,753</u>
		<u>12,155,577</u>	<u>8,689,173</u>
32 DISTRIBUTION COST			
Export			
Freight on export sales		46,446,328	32,904,822
Commission on export sales		55,772,551	18,717,176
Export development surcharge		7,300,843	3,130,783
Sales Promotion Expenses		8,161,347	1,210,104
Others		4,349,929	2,352,082
		<u>122,030,998</u>	<u>58,314,967</u>
Local			
Salaries and wages		707,564	948,186
Freight on local sales		11,867,189	10,702,780
Commission on local sales		53,698,883	44,837,812
Quality claim		1,671,574	-
Others		2,161,649	799,515
		<u>70,106,859</u>	<u>57,288,293</u>
		<u>192,137,857</u>	<u>115,603,260</u>
33 ADMINISTRATIVE EXPENSES			
Directors' remuneration	39	1,920,000	1,920,000
Staff salaries and benefits	33.1	41,855,912	33,425,952
Traveling, conveyance and entertainment		6,041,144	5,466,687
Printing and stationery		2,000,088	2,500,130
Communication		2,399,914	3,033,386
Vehicles running and maintenance		6,696,277	5,476,273
Legal and professional		1,427,768	857,700
Auditors' remuneration	33.2	905,800	643,900
Fee and subscription		2,263,591	1,055,463
Repair and maintenance		1,687,997	2,417,512
Depreciation	15.1	8,877,823	7,155,783



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

		June 2011 Rupees	June 2010 Rupees
Rent, rates and utilities		1,231,308	1,078,669
Donation	33.3	6,371,200	1,227,000
Bad Debts		1,520,000	44,664,193
Office Renovation		3,221,600	1,221,600
Others		1,942,975	1,154,525
		<u>90,363,397</u>	<u>113,298,773</u>

33.1 Salaries, wages and benefits includes employees benefits amounting to Rs. 5,251,550 (June 30, 2010 : 3,549,788).

33.2 Auditors' remuneration

Annual statutory audit		750,000	500,000
Half yearly review		119,800	108,900
Code of Corporate Governance review		36,000	35,000
		<u>905,800</u>	<u>643,900</u>

33.3 No director or his spouse had any interest in the donee

34 OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	10.1	49,778,262	22,557,271
Workers' Welfare Fund	34.1	-	8,382,568
		<u>49,778,262</u>	<u>30,939,839</u>

34.1 The Honorable High Court in writ petition bearing number W.P. No. 8763/2011 has decided that the amendments made in the Workers' Welfare Fund Ordinance through Finance Act 2006 and 2008 is unconstitutional and unlawful. Therefore, no provision for workers' welfare fund has been made in the financial statements. The income tax liability is being finalised under final tax regime. There is no taxable income under normal tax regime.

		June 2011 Rupees	June 2010 Rupees
35 FINANCE COST			
Mark-up on:			
- long-term financing		17,037,248	57,072,541
- short-term borrowings		162,825,848	134,490,923
- liabilities against assets subject to finance lease		1,883,635	1,762,682
- workers' profit participation fund		12,514,650	1,077,135
		<u>194,261,381</u>	<u>194,403,281</u>
Letter of credits discounting		29,826,763	26,323,646
Imputed interest expenses		-	10,714,285
		<u>224,088,144</u>	<u>231,441,212</u>

36 PROVISION FOR TAXATION

Current			
- for the year	36.1	80,763,410	46,636,184
- for prior years		2,080,529	(1,259,336)
		<u>82,843,939</u>	<u>45,376,848</u>
Deferred	9.3	(12,770,690)	(48,084,956)
		<u>70,073,249</u>	<u>(2,708,108)</u>

36.1 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 2010.



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

	June 2011 %	June 2010 %
36.2 Numerical reconciliation between the average tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
adjustment of the prior years	(0.23)	(0.29)
income chargeable to tax at different rate	(26.40)	(22.18)
inadmissible expenses	-	1.02
	<u>(26.63)</u>	<u>(21.45)</u>
Effective tax rate	<u>8.37</u>	<u>13.55</u>
	June 2011 Rupees	June 2010 Rupees
37 EARNINGS PER SHARE - BASIC AND DILUTED	<u>287.73</u>	<u>140.61</u>

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

Earnings

Earnings for the purpose of basic earnings per share (net profit after tax for the year)	<u>863,199,053</u>	<u>421,836,525</u>
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Number of shares

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

Basic earnings per share	<u>287.73</u>	<u>140.61</u>
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No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

38 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

In respect of current period, the board of directors in their meeting held on 27th September 2011 has proposed to pay cash dividend of @ 300% i.e PKR 30 per ordinary share of PKR 10 each. This dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

39 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees Total	2010 Rupees
	Chief Executive		Director			
Remuneration	662,069	662,069	662,069	662,069	1,324,138	1,324,138
House rent	297,931	297,931	297,931	297,931	595,862	595,862
	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	<u>960,000</u>	<u>1,920,000</u>	<u>1,920,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

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

Notes to the financial statement For the year ended June 30, 2011

40 Segment Analysis

The segment information for the reportable segments for the year ended 30th June 2011 is as follows

40.1 Operating Results

	Note	Spinning		Weaving		Power Generation		Total	
		Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
Sales									
Export sales		4,408,082,201	2,356,137,241	2,757,098,388	1,732,533,049	-	-	7,165,180,589	4,088,670,290
Local sales		333,995,502	612,452,619	48,150,152	100,313,778	-	-	382,145,654	712,766,397
Custom rebate		42,747	144,426	47,206	105,125	-	-	89,953	249,551
Inter-segment sales			276,745,000	-	-	161,192,634	226,405,628	161,192,634	503,150,628
		<u>4,742,120,450</u>	<u>3,245,479,286</u>	<u>2,805,295,746</u>	<u>1,832,951,952</u>	<u>161,192,634</u>	<u>226,405,628</u>	<u>7,708,608,830</u>	<u>5,304,836,866</u>
Duties, commission and brokerage									
Regulatory duty on export sales		(1,834,711)	(845,034)	-	-	-	-	(1,834,711)	(845,034)
Net sales		<u>4,740,285,739</u>	<u>3,244,634,252</u>	<u>2,805,295,746</u>	<u>1,840,940,263</u>	<u>161,192,634</u>	<u>226,405,628</u>	<u>7,706,774,119</u>	<u>5,303,991,832</u>
Cost of sales		<u>3,695,432,351</u>	<u>2,532,001,967</u>	<u>2,374,464,716</u>	<u>1,651,512,786</u>	<u>159,392,667</u>	<u>218,754,751</u>	<u>6,229,289,734</u>	<u>4,402,269,504</u>
Gross profit		<u>1,044,853,388</u>	<u>712,632,285</u>	<u>430,831,030</u>	<u>189,427,477</u>	<u>1,799,967</u>	<u>7,650,877</u>	<u>1,477,484,385</u>	<u>901,722,328</u>
Distribution cost		135,934,637	86,246,238	56,203,220	29,357,022	-	-	192,137,857	115,603,260
Administrative cost		78,661,130	101,218,126	11,678,292	12,080,447	23,975	200	90,363,397	113,298,773
		<u>214,595,767</u>	<u>187,464,364</u>	<u>67,881,512</u>	<u>41,437,469</u>	<u>23,975</u>	<u>200</u>	<u>282,501,254</u>	<u>228,902,033</u>
Operating result		<u>830,257,621</u>	<u>525,167,921</u>	<u>362,949,518</u>	<u>147,990,008</u>	<u>1,775,992</u>	<u>7,650,677</u>	<u>1,194,983,131</u>	<u>672,820,295</u>
40.2 Segment assets		<u>2,477,071,918</u>	<u>1,954,823,154</u>	<u>1,086,982,113</u>	<u>996,276,957</u>	<u>131,734,497</u>	<u>149,292,695</u>	<u>3,695,788,528</u>	<u>3,100,392,806</u>
Unallocated assets								<u>98,903,158</u>	<u>66,995,646</u>
								<u>3,794,691,686</u>	<u>3,167,388,452</u>
40.3 Segment liabilities		<u>925,363,947</u>	<u>608,897,135</u>	<u>542,593,511</u>	<u>876,080,292</u>	<u>35,711,971</u>	<u>83,536,691</u>	<u>1,503,669,429</u>	<u>1,568,514,118</u>
Unallocated liabilities								<u>87,270,181</u>	<u>217,051,951</u>
								<u>1,590,939,610</u>	<u>1,785,566,069</u>

40.4 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.

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

	June 2011 Rupees	June 2010 Rupees
41.1 Turnover		
Total turnover for reportable segments	7,706,774,119	5,303,991,832
Elimination of inter-segment turnover	(161,192,634)	(503,150,628)
Total turnover	<u>7,545,581,485</u>	<u>4,800,841,204</u>
41.2 Cost of sales		
Total cost of sales for reportable segments	6,229,289,734	4,402,269,504
Elimination of inter-segment revenue	(161,192,634)	(503,150,628)
Total cost of sales	<u>6,068,097,100</u>	<u>3,899,118,876</u>
41.3 Assets		
Total assets for reportable segments	3,695,788,528	3,100,392,806
Taxation recoverable	30,762,738	25,495,086
Sales tax refundable	35,538,797	18,730,641
Trade deposits	19,836,527	31,822,364
Long term investment	200,000	63,000
Long term deposit	12,565,096	9,615,196
Total assets	<u>3,794,691,686</u>	<u>3,186,119,093</u>
41.4 Liabilities		
Total liabilities for reportable segments	1,503,669,429	1,568,514,118
Unclaimed dividends	308,636	257,757
Infrastructure fee	14,163,036	31,224,995
Sponsors loan	-	100,000,000
Deferred taxation	72,798,509	85,569,199
Total liabilities	<u>1,590,939,610</u>	<u>1,785,566,069</u>



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

Note	Spinning		Weaving		Power Generation		Total	
	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
42 Cost of sales								
Raw material consumed	2,852,059,756	1,591,349,014	2,037,084,219	1,268,951,676	-	-	4,889,143,975	2,860,300,690
Packing material consumed	51,344,007	37,272,618	5,866,223	4,182,238	-	-	57,210,230	41,454,856
Stores and spare parts	86,028,373	68,489,058	36,004,562	34,326,518	7,881,773	26,339,772	129,914,708	129,155,348
Salaries, wages and benefits	209,707,670	202,518,651	62,906,088	58,019,659	4,504,212	3,592,252	277,117,970	264,130,562
Processing charges	2,818,411	34,000	372,175	2,487,579	-	-	3,190,586	2,521,579
Fees and subscription	173,416	125,124	9,800	5,800	12,000	12,000	195,216	142,924
Fuel, power and water								
Inter-segment	63,383,394	104,825,368	97,809,240	121,580,260	-	-	161,192,634	226,405,628
Others	349,022,751	237,099,319	157,586,551	54,107,347	125,166,200	163,080,450	631,775,502	454,287,116
	412,406,145	341,924,687	255,395,791	175,687,607	125,166,200	163,080,450	792,968,136	680,692,744
Electricity duty	-	-	-	-	1,918,287	2,527,574	1,918,287	2,527,574
Insurance	10,883,551	5,852,597	2,496,210	2,118,294	2,863,001	2,728,219	16,242,762	10,699,110
Vehicle running and maintenance	4,580,887	3,706,740	1,115,041	723,468	129,341	100,884	5,825,269	4,531,092
Rent, rates and taxes	405,713	513,303	9,160	2,420	790	-	415,663	515,723
Repair and maintenance	3,460,343	2,747,349	1,272,651	817,984	2,386,179	4,233,217	7,119,173	7,798,550
Communication	466,833	443,721	189,187	137,368	-	-	656,020	581,089
Travelling and conveyance and entertainment	1,112,591	848,263	107,403	99,651	44,872	43,075	1,264,866	990,989
Depreciation	68,559,508	74,158,464	59,791,715	66,825,127	14,447,112	16,071,519	142,798,335	157,055,110
Others	1,048,256	749,219	910,442	505,753	38,900	25,789	1,997,598	1,280,761
	3,705,055,460	2,330,732,808	2,463,530,667	1,614,891,142	159,392,667	218,754,751	6,327,978,794	4,164,378,701
Work in process								
Opening stock	27,907,249	30,123,544	38,632,007	24,600,963	-	-	66,539,256	54,724,507
Closing stock	(44,384,859)	(27,907,249)	(36,777,578)	(38,632,007)	-	-	(81,162,437)	(66,539,256)
	(16,477,610)	2,216,295	1,854,429	(14,031,044)	-	-	(14,623,181)	(11,814,749)
Cost of goods manufactured	3,688,577,850	2,332,949,103	2,465,385,096	1,600,860,098	159,392,667	218,754,751	6,313,355,613	4,152,563,952
Cost of cotton sold	83,945,919	92,500,024	-	-	-	-	83,945,919	92,500,024
Finished stocks								
Opening stock	59,944,063	103,102,315	72,763,686	102,132,390	-	-	132,707,749	205,234,705
Finished goods purchased	105,467,583	63,394,588	37,436,679	21,283,984	-	-	142,904,262	84,678,572
Closing stock	(242,503,064)	(59,944,063)	(201,120,745)	(72,763,686)	-	-	(443,623,809)	(132,707,749)
	(77,091,418)	106,552,840	(90,920,380)	50,652,688	-	-	(168,011,798)	157,205,528
	3,695,432,351	2,532,001,967	2,374,464,716	1,651,512,786	159,392,667	218,754,751	6,229,289,734	4,402,269,504
42.1 Raw material consumed								
Opening stock	684,401,423	489,708,047	68,131,129	50,087,209	-	-	752,532,552	539,795,256
Purchases								
Inter-segment	-	-	-	276,745,000	-	-	-	276,745,000
Others	3,233,540,279	1,775,401,148	2,039,365,705	1,019,780,371	-	-	5,272,905,984	2,795,181,519
	3,233,540,279	1,775,401,148	2,039,365,705	1,296,525,371	-	-	5,272,905,984	3,071,926,519
Raw material sold - cotton	(82,164,837)	(89,728,296)	-	-	-	-	(82,164,837)	(89,728,296)
Raw material sold - yarn	-	-	(31,605,506)	(9,529,775)	-	-	(31,605,506)	(9,529,775)
Closing stock	(983,717,109)	(584,031,885)	(38,807,109)	(68,131,129)	-	-	(1,022,524,218)	(652,163,014)
	2,852,059,756	1,591,349,014	2,037,084,219	1,268,951,676	-	-	4,889,143,975	2,860,300,690
42.2 Cost of cotton sold								
Cost of purchase	82,164,837	89,728,296	-	-	-	-	82,164,837	89,728,296
Salaries, wages and benefits	34,580	133,380	-	-	-	-	34,580	133,380
Loading and unloading	6,423	10,759	-	-	-	-	6,423	10,759
Insurance	111,145	156,247	-	-	-	-	111,145	156,247
Commission	-	299,520	-	-	-	-	-	299,520
Finance cost	1,628,934	2,171,822	-	-	-	-	1,628,934	2,171,822
	83,945,919	92,500,024	-	-	-	-	83,945,919	92,500,024



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Notes to the financial statement For the year ended June 30, 2011

	Note	Spinning		Weaving		Power Generation		Total	
		Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10	Jun-11	Jun-10
43 Distribution cost									
Export									
Ocean freight and forwarding		30,113,595	25,120,870	16,332,733	7,783,952	-	-	46,446,328	32,904,822
Export development surcharge		4,137,794	1,892,184	3,163,049	1,238,599	-	-	7,300,843	3,130,783
Commission		41,641,285	10,728,865	14,131,266	7,988,311	-	-	55,772,551	18,717,176
Sales Promotion Expenses		1,381,922	971,203	6,779,425	238,901	-	-	8,161,347	1,210,104
Others		1,388,555	850,649	2,961,374	1,501,433	-	-	4,349,929	2,352,082
		78,663,151	39,563,771	43,367,847	18,751,196	-	-	122,030,998	58,314,967
Local									
Salaries and wages		707,564	948,186	-	-	-	-	707,564	948,186
Inland transportation		11,487,939	10,583,189	379,250	119,591	-	-	11,867,189	10,702,780
Commission		41,242,760	34,372,728	12,456,123	9,580,867	-	-	53,698,883	44,837,812
Others		2,161,649	778,364	-	21,151	-	-	2,161,649	799,515
		57,271,486	46,682,467	12,835,373	10,605,826	-	-	70,106,859	57,288,293
		<u>135,934,637</u>	<u>86,246,238</u>	<u>56,203,220</u>	<u>29,357,022</u>	<u>-</u>	<u>-</u>	<u>192,137,857</u>	<u>115,603,260</u>
44 Administrative cost									
Directors' remuneration		1,920,000	1,920,000	-	-	-	-	1,920,000	1,920,000
Staff salaries and benefits		36,252,028	29,854,339	5,603,884	3,571,613	-	-	41,855,912	33,425,952
Traveling, conveyance and entertainment		4,963,453	5,141,464	1,077,691	325,223	-	-	6,041,144	5,466,687
Printing and stationery		1,676,051	2,221,222	319,812	278,708	4,225	200	2,000,088	2,500,130
Communication		2,154,969	2,875,719	244,945	157,667	-	-	2,399,914	3,033,386
Vehicles running and maintenance		5,521,997	5,223,371	1,174,280	252,902	-	-	6,696,277	5,476,273
Legal and professional		1,427,768	792,700	-	65,000	-	-	1,427,768	857,700
Auditors' remuneration		603,866	425,933	301,934	217,967	-	-	905,800	643,900
Fee and subscription		1,730,308	985,083	533,283	70,380	-	-	2,263,591	1,055,463
Repair and maintenance		1,611,066	2,378,114	76,931	39,398	-	-	1,687,997	2,417,512
Depreciation		6,840,593	6,184,402	2,019,980	971,381	17,250	-	8,877,823	7,155,783
Rent, rates and utilities		1,231,308	1,078,669	-	-	-	-	1,231,308	1,078,669
Donation		6,171,200	1,202,000	200,000	25,000	-	-	6,371,200	1,227,000
Bad Debts		1,520,000	38,632,639	-	6,031,554	-	-	1,520,000	44,664,193
Office Renovation		3,221,600	1,221,600	-	-	-	-	3,221,600	1,221,600
Others		1,814,923	1,080,871	125,552	73,654	2,500	-	1,942,975	1,154,525
		<u>78,661,130</u>	<u>101,218,126</u>	<u>11,678,292</u>	<u>12,080,447</u>	<u>23,975</u>	<u>200</u>	<u>90,363,397</u>	<u>113,298,773</u>

45 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, 2010 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 repricing 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:



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Notes to the financial statement For the year ended June 30, 2011

	2011							Effective Interest Rate %
	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	436,590,590	-	436,590,590	436,590,590	
Loans and advances	-	-	-	24,784,936	-	24,784,936	24,784,936	
Trade deposits	14,844,654	-	14,844,654	4,991,873	-	4,991,873	19,836,527	7 to 11.5
Other receivables	-	-	-	1,359,781	-	1,359,781	1,359,781	
Bank balances	-	-	-	53,236,681	-	53,236,681	53,236,681	
Long-term loans	-	-	-	147,000	-	147,000	147,000	
Long-term deposits	-	-	-	-	12,565,096	12,565,096	12,565,096	
Long term investments	-	-	-	-	200,000	200,000	200,000	
	<u>14,844,654</u>	<u>-</u>	<u>14,844,654</u>	<u>521,110,861</u>	<u>12,765,096</u>	<u>533,875,957</u>	<u>548,720,611</u>	
Financial liabilities								
Long-term financing	88,259,318	6,728,887	94,988,205	-	-	-	94,988,205	7 and KIBOR + 1
Trade and other payables	49,778,262	-	49,778,262	284,982,687	-	284,982,687	334,760,949	
Mark-up accrued on loans	-	-	-	9,854,397	-	9,854,397	9,854,397	
Short-term borrowings	897,606,515	-	897,606,515	-	-	-	897,606,515	KIBOR + .5 to 1.5
	<u>1,035,644,095</u>	<u>6,728,887</u>	<u>1,042,372,982</u>	<u>294,837,084</u>	<u>-</u>	<u>294,837,084</u>	<u>1,337,210,066</u>	
On balance sheet gap	<u>(1,020,799,441)</u>	<u>(6,728,887)</u>	<u>(1,027,528,328)</u>	<u>226,273,777</u>	<u>12,765,096</u>	<u>239,038,873</u>	<u>(788,489,455)</u>	
Contingencies and commitments								
Post dated cheques							1,833,889	
Bill discounted							30,325,904	
Guarantees							57,969,329	
Letters of credit							10,960,184	
Civil work							2,500,000	

	2010							Effective Interest Rate %
	Interest / Markup bearing			Non Interest / Markup bearing			Total Rupees	
	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees	Maturity Upto One year Rupees	Maturity After One year Rupees	Subtotal Rupees		
Financial assets								
Trade debts	-	-	-	387,229,790	-	387,229,790	387,229,790	
Loans and advances	-	-	-	17,589,211	-	17,589,211	17,589,211	
Trade deposits	31,800,000	-	31,800,000	22,364	-	22,364	31,822,364	3 to 7
Other receivables	-	-	-	4,315,295	-	4,315,295	4,315,295	
Bank balances	-	-	-	36,211,372	-	36,211,372	36,211,372	
Long-term loans	-	-	-	3,257,623	10,806,986	14,064,609	14,064,609	
Long-term deposits	-	-	-	-	9,615,196	9,615,196	9,615,196	
Long term investments	-	-	-	-	63,000	63,000	63,000	
	<u>31,800,000</u>	<u>-</u>	<u>31,800,000</u>	<u>448,625,655</u>	<u>20,485,182</u>	<u>469,110,837</u>	<u>500,910,837</u>	
Financial liabilities								
Long-term financing	435,324,658	89,184,135	524,508,793	-	-	-	524,508,793	KIBOR + 1
Trade and other payables	22,557,270	-	22,557,270	231,677,517	-	231,677,517	254,234,787	
Mark-up accrued on loans	-	-	-	20,956,878	-	20,956,878	20,956,878	
Short-term borrowings	716,291,227	-	716,291,227	-	-	-	716,291,227	KIBOR + .5 to 1.5
	<u>1,174,173,155</u>	<u>89,184,135</u>	<u>1,263,357,290</u>	<u>252,634,395</u>	<u>-</u>	<u>252,634,395</u>	<u>1,515,991,685</u>	
On balance sheet gap	<u>(1,142,373,155)</u>	<u>(89,184,135)</u>	<u>(1,231,557,290)</u>	<u>195,991,260</u>	<u>20,485,182</u>	<u>216,476,442</u>	<u>(1,015,080,848)</u>	
Contingencies and commitments								
Post dated cheques							1,071,894	
Bill discounted							38,591,520	
Guarantees							73,985,675	
Letters of credit							120,336,795	
Civil work							6,500,000	



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Notes to the financial statement For the year ended June 30, 2011

45.1 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.

45.2 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 548,720,611 (June 30, 2010: PKR 500,910,837), unsecured long term loans to employees, local trade debts, advances to suppliers, and other receivables amounting in aggregate to PKR 461,522,526 (June 30, 2010: PKR 418,883,610) are subject to credit risk. The Company manages its credit risk by; limiting significant exposure to any individual customers and obtaining advance against sales.

45.3 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.

45.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at June 30, 2011, the total foreign currency risk exposure was PKR 43,351,558 (June 30, 2010: PKR 18,972,389) in respect of foreign trade debts.

45.5 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."

45.6 Credit risk

45.6.1 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:

	Note	June 30, 2011 Rupees	June 30, 2010 Rupees
Financial assets at fair value through profit or loss		-	-
Held-to-maturity investments		-	-
Loans and receivables:			
Long term deposits		12,565,096	9,615,196
Long term loan		-	10,806,986
Trade receivables		436,590,590	387,229,790
Loan and advances		24,931,936	20,846,834
Refundable trade deposits		19,836,527	31,822,364
Other receivables		1,359,781	4,315,295
Cash at banks		53,236,681	36,211,372
		495,283,930	464,636,465
Available for sale financial assets		200,000	63,000
		<u>495,483,930</u>	<u>464,699,465</u>



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

	June 30, 2011 Rupees	June 30, 2010 Rupees
45.6.2 Concentration of credit risk		
Maximum exposure to credit risk by geographical region as at the reporting date is:		
Domestic	434,440,647	414,961,050
Europe	12,764,132	12,463,200
Asia and Middle East	21,626,317	6,509,189
Other regions	8,961,109	-
	<u>477,792,205</u>	<u>433,933,439</u>

45.6.3 Impairment losses

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

Not past due	436,590,590	387,229,790
Past due less than one year	34,222,641	-
Past due more than one year but less than three years	5,079,001	5,079,001
Past due more than three years	6,978,974	46,703,649
	<u>482,871,206</u>	<u>439,012,440</u>

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

As at beginning of the year	51,782,650	12,095,524
Impairment loss recognized	1,520,000	44,428,982
Impairment loss reversed	(5,857,034)	(4,741,856)
As at end of the year	<u>47,445,616</u>	<u>51,782,650</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.

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.

45.6.4 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.

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

45.7 Liquidity risk

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

	As at June 30, 2011				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	100,000,000	100,000,000	100,000,000	-	-
Long term finances	79,968,737	79,968,737	79,968,737	-	-
Liabilities against assets subject to finance lease	15,019,468	15,019,468	8,290,581	6,728,887	-
Long term payables	14,163,036	14,163,036	-	14,163,036	-



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

	As at June 30, 2011				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Short term borrowings	897,606,515	897,606,515	897,606,515	-	-
Mark-up accrued on borrowings	9,854,397	9,854,397	9,854,397	-	-
Trade creditors	202,966,918	202,966,918	202,966,918	-	-
Accrued liabilities	80,946,476	80,946,476	80,946,476	-	-
Unclaimed dividend	308,636	308,636	308,636	-	-
Other payables	50,537,679	50,537,679	50,537,679	-	-
	<u>1,351,371,862</u>	<u>1,351,371,862</u>	<u>1,330,479,939</u>	<u>20,891,923</u>	<u>-</u>

	As at June 30, 2010				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from associates	100,000,000	100,000,000	-	100,000,000	-
Long term finances	509,066,345	509,066,345	429,097,904	79,968,441	-
Liabilities against assets subject to finance lease	15,442,448	15,442,448	6,226,754	9,215,694	-
Long term payables	31,224,995	31,224,995	-	31,224,995	-
Short term borrowings	716,291,227	716,291,227	716,291,227	-	-
Mark-up accrued on borrowings	20,956,878	20,956,878	20,956,878	-	-
Trade creditors	145,750,105	145,750,105	145,750,105	-	-
Accrued liabilities	76,796,554	76,796,554	76,796,554	-	-
Unclaimed dividend	257,757	257,757	257,757	-	-
Other payables	23,047,803	23,047,803	23,047,803	-	-
	<u>1,538,834,112</u>	<u>1,538,834,112</u>	<u>1,418,424,982</u>	<u>120,409,130</u>	<u>-</u>

45.8 Market risk

45.8.1 Currency risk

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

	June 30, 2011 Rupees	June 30, 2010 Rupees
Trade receivables	43,351,558	18,972,389
Cash and cash equivalents	16,981,969	5,146,948
Trade payables	-	-
Total exposure	<u>60,333,527</u>	<u>24,119,337</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 85.31 / USD and PKR 85.95 / USD (2010: PKR 83.88 / USD and PKR 85.45 / USD) respectively.

A ten percent appreciation in Rupee would have decreased profit or loss by PKR 6,033,352 (2010: PKR 2,411,934). 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.

45.8.2 Interest rate risk

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

	June 30, 2011 Rupees	June 30, 2010 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	94,988,205	294,450,889
Variable rate instruments		
Financial assets	14,844,654	31,800,000
Financial liabilities	897,606,515	946,349,131



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement

For the year ended June 30, 2011

The Company is not exposed to interest rate risk in respect of its fixed rate instruments. A 100 basis points increase in variable interest rates would have decreased profit or loss by PKR 8,976,065 (2010: PKR 9,463,491). A 100 basis points increase in variable interest rate would have had an equal but opposite impact on profit or loss.

45.9 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.

46 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 18 and 40 are as follow :

		June 30, 2011 Rupees	June 30, 2010 Rupees
Nature of relationship Associated undertaking	Nature of transactions		
	Sales of yarn	650,478,201	384,489,775
	Sales of fabric	1,559,016	42,140,081
	Sales of cotton	51,724,884	868,074
	Sales of stores, spare parts and loose tools	1,357,471	85,362
	Services rendered	17,842,842	12,192,754
	Purchase of yarn	300,429,958	90,043,527
	Purchase of fabrics	5,831,173	11,754,209
	Purchase of cotton	2,925,730	94,693,554
	Purchase electricity	352,453,792	209,967,869
	Purchase of machinery	-	2,000,000
	Services received	120,000	1,820,000
Retirement benefits			
Key management	Provision for gratuity	22,722,565	16,954,365
	Remuneration	1,920,000	1,920,000

47 Accounting Estimates and Judgments

47.1 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.

47.2 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.

47.3 Property, plant and equipment

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

47.4 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. As the selling price of yarn has decreased substantially after the balance sheet date therefore the valuation of raw material, work in process and finished goods as on 30th June 2011 has been made using the following accounting estimates and judgements;



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

a Raw Material Valuation

Due to erratic variation in cotton price in the month of July 2011, August 2011 and September 2011 ranging from PKR 4,800 per maund to PKR 7,500, the raw material cost can not be determined at replacement cost as recommended in the paragraph 32 of IAS 2. The valuation has been made on the basis of realisation value. Amount realized on account of cotton component has been determined on the basis of sale price of yarn sold during the month of July 2011, August 2011 and September 2011. The value of raw cotton as on 30th June 2011 has been reduced by PKR 239,192,163 due to above effect.

b Finished Goods Valuation

Finished goods have been valued at cost or net realizable value which ever is lower as defined in IAS 2. The value of finished goods as on 30th June 2011 has been reduced by PKR 70,560,139 due to carrying stock at net realisable value.

c Work in Process Valuation

Work in process has been valued at value of cotton as determined in note 47.4 (a) plus overhead cost.

d Waste Valuation

Waste has been valued at net realizable value as defined in IAS 2.

47.5 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.

June 30, 2011 June 30, 2010

48 PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning

Number of spindles installed	68,736	68,736
Number of rotors installed	192	192
Number of looms installed	140	140
Number of spindles worked	68,736	68,736
Number of rotors worked	-	-
Number of looms worked	140	140
Number of shifts per day	3	3
Installed capacity of yarn after conversion into 20's counts (Kgs.)	23,200,746	23,200,746
Actual production of yarn after conversion into 20's counts (Kgs.)	25,694,021	26,019,888
Installed capacity of fabric after conversion into 50 picks - meters	26,166,485	26,166,485
Actual production of fabric after conversion into 50 picks - meters	27,527,198	23,665,124

Production activity of rotors has been temporarily discontinued due to unviability and unfavorable conditions of open end yarn.

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.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 27th September 2011



BHANERO TEXTILE MILLS LIMITED

Notes to the financial statement For the year ended June 30, 2011

50 RECLASSIFICATION

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

From	TO	Nature	Amount Rupees
Workers' Welfare Fund Taxation- Provision for taxation	Trade and other payables	Proper presentation	8,382,568
Workers' Welfare Fund Provision for taxation	Other operating expenses	Proper presentation	8,382,568
Commission on export sales			
Sales	Distribution cost	Proper presentation	18,717,176
Commission on local Sales	Distribution cost	Proper presentation	44,837,812

51 GENERAL

The figures have been rounded off to the nearest Rupee.

Khurram Salim
Chief Executive

Mohammad Shakeel
Director

Karachi:

Date: 27th September 2011

Year wise Operating Data

Year Ended 30th June

2011	2010	2009	2008	2007	2006
------	------	------	------	------	------

Spinning Unit

Spindle installed	68,736	68,736	68,736	68,736	68,736	68,736
Spindle worked	68,736	68,736	68,736	68,736	68,736	68,736
Installed capacity after conversion in to 20/s count (Kgs)	23,200,746	23,200,746	23,200,746	23,200,746	23,200,746	23,200,746
Actual production after conversion in to 20/s count (Kgs)	25,694,021	26,019,888	26,346,958	26,346,958	23,916,723	25,541,642

Weaving Unit

Air jet looms installed	140	140	140	140	140	140
Air jet looms worked	140	140	140	140	140	140
Installed capacity after conversion into 50 picks - (meters)	26,166,485	26,166,485	26,166,485	26,166,485	26,166,485	20,034,909
Actual production after conversion into 50 picks - (meters)	27,527,198	23,665,124	24,985,060	29,025,904	33,878,770	24,198,242

Year wise Financial Data

Year Ended 30th June

	2011	2010	2009	2008	2007	2006
Rupees in Thousands						
Fixed assets	1,534,156	1,573,154	1,724,335	1,841,843	1,995,219	2,127,525
Investments, long term loans and deposits	12,765	20,485	40,749	11,494	11,952	15,882
Current assets	2,202,001	1,517,201	1,366,386	1,544,122	1,393,808	924,099
Shareholders equity	2,203,752	1,400,553	984,716	909,841	853,436	737,170
Long term liabilities	6,728	89,184	518,333	610,159	793,958	1,161,703
Deferred liabilities	153,729	169,574	203,565	186,926	162,471	109,232
Current liabilities	1,430,481	1,418,424	1,339,149	1,616,482	1,500,363	1,083,318
Turnover (Net)	7,545,581	4,800,841	3,781,556	3,477,248	3,521,088	2,671,677
Gross profit	1,477,484	901,722	496,257	409,440	476,569	422,102
Operating profit	1,157,360	650,569	389,412	30,844	386,589	357,854
Financial charges	224,088	231,441	289,788	220,877	200,980	184,390
Profit before tax	933,272	419,128	99,624	99,967	185,609	173,463
Profit after tax	863,199	421,836	80,874	63,905	123,766	137,577
Cash Dividend	60,000	6,000	6,000	7,500	7,500	15,000
Transfer to reserves	700,000	400,000	50,000	100,000	100,000	100,000
Profit carried forward	173,752	70,553	54,716	29,841	73,436	57,170

PATTERN OF SHAREHOLDING AS AT 30TH JUNE 2011

NUMBER OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
131	1	100	9,914
34	101	500	9,187
9	501	1000	8,098
12	1001	5000	28,000
3	10001	15000	36,000
1	15001	20000	18,801
2	20001	25000	43,984
1	30001	35000	30,372
1	40001	45000	42,780
4	50001	55000	204,938
3	60001	65000	181,600
3	70001	75000	216,400
2	80001	85000	165,600
2	155001	160000	317,900
1	165001	170000	165,142
1	170001	175000	170,400
1	250001	255000	250,176
1	265001	270000	267,825
1	330001	335000	334,283
1	495001	500000	498,600
<u>214</u>			<u>3,000,000</u>

CATEGORYWISE SUMMARY OF SHAREHOLDERS AS AT 30TH JUNE 2011

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer and their spouse and minor children	15	1,486,978	49.57
2	Associated Companies, Undertaking and Related Parties	10	1,357,522	45.25
3	NIT & ICP	-	-	-
4	Bank / Financial Institution	2	18,949	0.63
5	Insurance Companies	1	70,500	2.35
6	General Pubic / Individuals	184	65,446	2.18
7	Joint Stock Companies	1	600	0.02
8	Others Companies	1	5	0.00
		214	3,000,000	100.00

The above statement include 128 Shareholders holding 634,300 Shares through the Central Depository Company of Pakistan Limited (CDC).

BHANERO TEXTILE MILLS LIMITED

LIST OF SHAREHOLDERS AS AT 30 JUNE, 2011

Sr #	Shareholder Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES		
	ADMIRAL (PVT) LTD	16.62	498,600
	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
	MRS. NAZLI BEGUM	1.68	50,482
	MRS. SABA YOUSUF	2.76	82,700
	MRS. SABA SAQIB	2.76	82,900
	MRS. SADAF FARRUKH	2.42	72,500
2	CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN		
	MR. MUHAMMAD SALEEM	0.73	21,929
	MR. MUHAMMAD SHARIF	0.47	14,000
	MR. MUHAMMAD SHAHEEN	1.43	42,780
	MR. MUHAMMAD SHAKEEL	0.74	22,055
	MR. KHURRAM SALEEM	2.02	60,500
	MR. BILAL SHARIF	2.02	60,500
	MR. MUHAMMAD AMIN	5.32	159,500
	MR. ADIL SHAKEEL	8.93	267,825
	MR. FAISAL SHAKEEL	8.34	250,176
	MRS. YASMIN BEGUM	1.01	30,372
	MRS. ANJUM BEGUM	5.50	165,142
	MRS. SEEMA BEGUM	1.78	53,292
	MRS. AMNA KHURRAM	2.45	73,400
	MRS. SAMIA BILAL	11.14	334,283
	MRS. FATIMA AMIN	5.68	170,400
	MASTER ABDULLAH BILAL	0.37	11,000
3	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	2.35	70,500
	HABIB METROPOLITAN BANK LIMITED	0.00	148
	NATIONAL BANK OF PAKISTAN	0.63	18,801
4	JOINT STOCK COMPANIES		
	S.S.CORPORATION (PVT) LTD	0.02	600
5	INDIVIDUAL SHAREHOLDERS	2.18	65,446
6	OTHERS COMPANIES	0.00	5
	TOTAL	100.00	3,000,000
	DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO COMPANY SECRETARY AND THEIR SPOSES AND MINOR CHILDREN		NIL
7	SHAREHOLDERS HOLDING 10% OR MORE		
	MRS. SAMIA BILAL	11.14	334,283
	ADMIRAL (PVT) LTD	16.62	498,600

BHANERO TEXTILE MILLS LIMITED

PROXY FORM

I/We _____
of _____
being a member of **BHANERO TEXTRILE MILLS LIMITED** and holder of _____
ordinary share 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 32nd Annual General Meeting of the Company to be held on
Thursday 27th October 2011 at 4:00 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road,
Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

WITNESS

Signature

Name

Address

Affix
Rs. 5/-
Revenue
Stamp

CNIC/Passport #

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

Signed this _____ day of _____ 2011

Notes:

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

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

REGISTERED OFFICE

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

Phones : 021 - 35115177 - 80

Fax No. : 021 - 35063002 - 3

E-mail : khioff@umergroup.com

Website : www.umergroup.com